

## ACHIEVING SOCIAL LICENSE TO OPERATE USING STAKEHOLDER THEORY

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**Abstract:** The concept of Corporate Social Responsibility (CSR) is gaining support in the global business environment. Some companies are adopting a model, the Social License to Operate (SLO), as part of their CSR strategy. This paper provides background on the concepts of Corporate Social Responsibility and Social License to Operate with examples supporting the business case for them. It proposes a process based on stakeholder theory for identifying and classifying stakeholders that divides stakeholders into two groups: vested and non-vested. Vested stakeholder groups have a vote in the awarding of a social license to operate, while non-vested stakeholder groups have only a voice. By using a process based on alignment of the norms and values of the company, and the stakeholder groups, social licenses to operate can be negotiated that can allow a company to succeed in different countries and cultures.

**Keywords:** social license to operate; corporate social responsibility; ethical global business; stakeholder theory

The concept of Corporate Social Responsibility (CSR) is gaining support with companies, especially those that operate in the global arena. At present, corporate social responsibility is “a voluntary approach that a business enterprise takes to meet or exceed stakeholder expectations by integrating social, ethical, and environmental concerns together with the usual measures of revenue, profit, and legal obligation” (BNET Business Dictionary, 2009).

However, global companies may find that Corporate Social Responsibility becomes less and less voluntary. CSR is currently finding support at the political level. At the recent World Economic Forums, politicians have told corporate leaders that they must have collective as well as company goals that must focus on sustainability. A subset of CSR, sustainability, when “based on the idea of sustainable development, refers to how well a company ensures its long-term viability based on its environmental, social, and economic performance” (The Ethical Funds Company, 2009). Organizations like the Global Reporting Initiative, and Mary Robinson’s (former President of Ireland) Realizing Rights, The Ethical Globalization Initiative, focus their efforts on helping companies recognize that ethical globalization “acknowledges shared responsibilities for addressing global challenges and affirms that our common humanity doesn’t stop at national borders” (What is Ethical Globalization?, 2009).

The recent McKinsey reports of business executives show this is having an effect on the responses of business to the need for corporate social responsibility as necessary to their business strategy, not just for public relations. They are translating the loss of customers due to poor CSR as a loss of profit when they see examples of companies using what could be profit to fight an Internet media attack accusing

them of mistreatment of workers, communities, or customers. They recognize the lost opportunity for profit when the local community forces a company to leave an area (“The McKinsey Global Survey,” 2008).

Some companies are adopting the Social License to Operate (SLO) model first used by global extraction companies to protect their profits, as part of their CSR strategy. The concept of a Social License to Operate is defined as:

*outside of the government or legally-granted right to operate a business. A company can only gain a Social License to Operate through the broad acceptance of its activities by society or the local community. Without this approval, a business may not be able to carry on its activities without incurring serious delays and costs. (The Ethical Funds Company, 2009)*

The social license to operate was developed as a response to a United Nations initiative that requires industries that operate in the territories of indigenous people to secure free, prior, and informed consent (FPIC) from those indigenous people. “Free, prior, and informed consent recognizes indigenous peoples’ inherent and prior rights to their lands and resources and respects their legitimate authority to require that third parties enter into an equal and respectful relationship with them, based on the principle of informed consent” (United Nations, 2004). Thus, both SLO and FPIC assume that those whose lives or livelihoods could be harmed by a company’s use of property must be fully informed of a company’s plans and must consent to them. This would include loss of fish to a community depending on fishing by polluting the water or diverting the water so that fish no longer thrive. It would also include polluting water or soil or emitting dangerous chemicals that would be dangerous to those who live in the area. Both SLO and FPIC require that companies meet sustainable development expectations by focusing on the needs and concerns of the communities in which they operate.

*In a nutshell, FPIC recognizes that communities have the right to self-determination. They have a right to give or withhold their consent for new production facilities that may impact local water supplies or prices.*

*From a legal point-of-view, FPIC is an evolving concept that is gaining wider acceptance by nongovernmental organizations, as well as a few private corporations. FPIC is now incorporated in some forms of international treaty law, especially when it comes to indigenous peoples and extractive industries such as oil and mining. What’s new is that FPIC is now being applied to water. (Asmus, 2009)*

Unfortunately, a process for achieving FPIC and/or SLO beyond indigenous groups has not been developed. Negotiating FPIC or an SLO with an indigenous people usually involves a defined community such as a tribe that has a leader who speaks for the community. Thus, a company can identify a known person with whom to start the process. However, when a company tries to secure a social license to operate in the greater community, it usually finds that this community is comprised of

many different stakeholder groups with many different leaders and interests. There is no recognized leader or spokesperson with whom to start a dialogue. Additionally, the concept of Social License to Operate does not mandate the consent of the community as a whole like FPIC does. A company may have a social license to operate from a small segment of the community or from the leader of one segment even though others are against it. A company may also engage a community in negotiating how it will operate, not if it will operate there.

The social license to operate, since it is both voluntary and involves gaining the consent of the community, is difficult to implement. At present, there are no definitions or processes to guide a company if it tries to use SLO in making strategic decisions. Asmus (2009) identifies three key issues that must be resolved:

1. How is “the community” defined? Is there a strict geographical limitation to “community,” and are elected officials given greater or equal status to local citizens?
2. If there is a lack of consensus within the “community,” what process validates any decision-making (i.e., majority vote of local governing body; a referendum)?
3. Absent a political process, what exactly represents an adequate level of consent?

This paper will provide background on the concepts of Free, Prior, and Informed Consent and Social License to Operate with examples supporting the business case for them. It will then propose a process to resolve Asmus’ (2009) three questions. The process is based on normative stakeholder theory for identifying and classifying stakeholders according to criteria that allow them a vote and/or a voice at the negotiation table, and for developing a social license to operate.

## Background

In 2007, The Economist argued that

*Every corporate strategy had to pass two tests—does it enhance the company’s long-term profitability, and does it serve the public good? But once you introduce two criteria, you undermine Friedman’s doctrine that if it’s profitable, it automatically serves the public good. (“The next question: Does CSR work?” 2008)*

However, it could be argued that Friedman’s (1970) rule that “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” (para. 32), requires free, prior, and informed consent to insure there is no deception or fraud. As corporations extend their presence across the globe into countries with cultures, governments, norms, and values different not only from the one in which they were incorporated, but also different from one another, a focus on corporate social responsibility can help organizations operate ethically in this changing global environment. A social license to operate can be a pillar for corporate social responsibility.

### ***Free, Prior, and Informed Consent***

The first companies to feel pressure to obtain community consent in the new global order were those in

the extraction industry. The Declaration on the Rights of Indigenous Peoples was adopted in 2006 by the United Nations General Assembly by a majority of 144 states; although Australia, Canada, New Zealand, and the United States voted against it and 11 countries, Azerbaijan, Bangladesh, Bhutan, Burundi, Colombia, Georgia, Kenya, Nigeria, Russian Federation, Samoa and Ukraine abstained (UN Permanent Forum on Indigenous Issues, 2007).

A United Nations (2007) article that provides significant guidelines involving indigenous people states

1. Indigenous peoples have the right to determine and develop priorities and strategies for the development or use of their lands or territories and other resources.
2. States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of their mineral, water or other resources.
3. States shall provide effective mechanisms for just and fair redress for any such activities, and appropriate measures shall be taken to mitigate adverse environmental, economic, social, cultural, or spiritual impact. (Article 32)

Asmus (2009) claims that

*momentum is building globally toward establishing FPIC as a principle of customary international law. The two key challenges for FPIC is an apparent conflict with the sovereign rights of nations to exploit their own natural resources (as they deem fit), and a lack of clarity about how to implement FPIC. (para. 12)*

For example, in Canada, one of the countries that voted against the Declaration, mining companies can apply for a “treaty rights free zone” from the government that requires consultation but not consent. Thus, De Beers recently consulted with Muskrat Dam First Nation, but then drilled in an area that the tribe used for an annual spring goose hunt. As a result, the tribe declared a moratorium on mining exploration and development on its traditional lands. The conflict between an indigenous people’s cultural heritage and the state’s desire for control and for funds is not settled (“De Beers Risks Losing Social License,” 2006).

On the other end of the spectrum, Nevada-based Meridian Gold owns a gold mine in Argentina, a signatory to FPIC, which it was forced to abandon because the townspeople who lived below the mountain held a public referendum and rejected Meridian’s plan for an open-pit mine. The company found that a public relations campaign could not make up for lack of prior and informed consent, and was “forced to write down the value of the property by \$379 million” (World Resources Institute, 2009).

### ***Social License to Operate***

*The distinction between social license and consent is critical because accepting community consent as a basic operating standard sets a higher bar. If a community’s actual consent is required before operations begin, companies must treat the community as more of a partner in project development, rather than as an obstacle to*

*overcome. It also implies that a company must engage more holistically with a community, providing them access to critical information and allowing them adequate time to assess their needs and interests before making a decision about whether to accept a company's presence. The more vaguely defined social license does not necessarily imply these things. (Slack, 2009)*

For example, Williams, Gill, and Ponsford (2007) found that the role of stakeholder collaboration with Intrawest, a North American resort company and two Canadian mountain tourist communities qualified as a social license to operate.

The rights to use water are being challenged in the business of bottling and selling public water. For example, Nestle Waters has experienced community challenges over alleged excess withdrawals affecting private wells in Michigan, especially during the spring and summer, and over a 50-year contract with the County Community Service District in Northern California that gave Nestle priority rights to water that feeds streams with rainbow and steelhead trout (Asmus, 2009). Nestle has responded ethically by “developing and implementing a ‘Siting and Community Commitment Framework.’ A key element to be examined is the notion of FPIC” (Asmus, 2009).

Lack of a social license to operate shut down the Coca-Cola plant in Kerala, India, because community activists placed part of the blame for lack of drinking water during a drought on the company (Asmus, 2009).

*If an industry loses its social license, then it is forced to operate in a world full of regulations and restrictions. A good example of this is what happened to the meat packing industry back in 1906. Just imagine what meat and poultry processing might be like if loss of public trust hadn't led to government inspection of slaughter plants. . . . We have to build and communicate an ethical foundation for our activity and engage in value based communication if we want to build the trust that protects our freedom to operate. (O'Keefe, 2009)*

When social license to operate is used as a part of CSR, profit can increase. Royal/Dutch Shell, Chevron Texaco, and the Philippine National Oil Company were transparent about plans to develop an operation to extract natural gas off the Coast of Palawan Island in the Philippines. “. . . by working to obtain community consent at a project in the Philippines, Shell may have saved as much as \$72 million in project delays, which amounted to a 1,200 percent return on its community consent efforts” (Slack, 2008).

### ***The Issues***

The social license to operate is assumed to include free, prior, and informed consent. However, the level of consent has not been clarified, nor is the stakeholders from whom the consent is given. This is apparent in Post, Preston, and Sauter-Sachs' (2002) examination of the social licenses to operate of Cummins Engine Company, Motorola, and the Royal Dutch/Shell Group.

*Although the ultimate justification for the existence of the corporation is its ability to create wealth, the legitimacy of the contemporary corporation as an institution within society—its social charter, or “license to operate”—depends on its ability to meet the expectations of an increasingly numerous and diverse array of constituents. (p. 9)*

That “array of constituents” may be so diverse and numerous that consent from all of them becomes impossible. Each stakeholder group may have expectations and requirements that conflict with those of other stakeholders as well as with the corporation and the government. There may be many companies who have a legal right to operate from the government and are willing to negotiate for a social license to operate that does not include consent.

### **The Case for Identifying and Categorizing Stakeholders**

In order to answer Asmus’ (2009) three questions, the proposed process provides a means of defining community and who in that community has the power to give consent to a social license to operate. If social license to operate is to become a pillar of corporate social responsibility in the 21<sup>st</sup> century, defining ‘community’ is essential. In most communities in which corporations now operate, there are multiple groups who stake a claim in defining what is acceptable to the community. Thus achieving any level of consent, or even simply consultation that informs, must start with being able to identify those groups and their expectations.

*. . . the concept of the Social License to Operate presupposes that all of the families, clans, interest groups and institutions in a geographic area have arrived at a shared vision and attitude towards a resource development project. This kind of cohesion is often absent, and therefore may have to be built. That is why earning a Social License to Operate often involves building social capital in a process that is also known as ‘community building’, ‘capacity building’ and ‘institutional strengthening’, among others. (Thomson & Boutilier, n.d.)*

In order to build cohesion within a community, stakeholder theory can be used to identify the groups within a community.

*Stakeholders are any individual, group, organization, institution that can affect as well as be affected by an individual’s, group’s, organization’s, or institution’s policy or policies. . . .An organization is the entire set of relationships it has with itself and its stakeholders. An organization is not a physical “thing” per se but a series of social and institutional relationships between a wide series of parties. As these relationships change over time, the organization itself changes. It becomes a different organization. (Mitroff & Linstone, 1993)*

Stakeholders can be customers, suppliers, and partners, as well as social, political, and government entities. In communities, stakeholders can be family units, interest groups, property owners, property

users, businesses, farmers, etc. In some situations stakeholder groups that operate in a national or international arena, such as NGOs, religious groups, social justice groups, can claim an interest in a corporation's actions.

### ***Categorizing Stakeholders***

Because power to impose one's will upon others (Mitchell, Agle, & Wood, 1997) can prevent all stakeholders from having fair input into granting social license to operate, such as when a company ignores other stakeholders because a large landowner or a government entity agrees to a proposed contract, the authors propose that stakeholders be divided into two groups: vested and non-vested. Vested stakeholder groups would have a voice and a vote in the awarding of a social license to operate, while non-vested stakeholder groups would have only a voice.

In this model, vested stakeholder groups would be defined as those who have a right to the possession of something tangible in the community in which the social license to operate is being requested. This tangibility could be owning physical property or inhabiting property with a need for resources such as water, arable land, and clean air. The vested stakeholder groups could also claim the rights of their future generations' needs in the discussions of granting the social license. Thus, the need for water or breathable air would be a current and a future need. A company that purchased or leased property from a vested stakeholder, whether individual or government, would be a vested stakeholder. Each stakeholder group would have one vote in the decisions to grant a social license to operate, thus answering Asmus' (2009) first two questions about the definition of community and the power of each stakeholder group. Consent could then be defined as some level of majority of votes, thereby avoiding the power of one stakeholder group to override the majority.

Non-vested stakeholder groups would be those who have an interest in the activity that is being pursued in the license to operate. These groups would have a voice at the table; they could offer examples of the consequences of implementation of similar activities in other areas. In some cases, these stakeholder groups would be stakeholders who have an interest in global issues like protection of arable land, forests, water, global warming, or rights of workers. Many of these non-vested stakeholders can demonstrate great power, especially through the media, the Internet, and now, through social media. Greenpeace, Union of Concerned Scientists, and People for the Ethical Treatment of Animals are but a few of these non-vested stakeholders. As non-vested stakeholders, they could have a voice in the discussions; they could attempt to sway the decision of the vested stakeholders. However, they could not stop a social license to operate granted by the vested stakeholders. This would mean that stakeholder groups who have an interest in global environmental or resource issues should not physically disrupt the activity allowed by the SLO nor should they use their power to encourage a boycott of the products or services produced by the company allowed to operate by the SLO. On the other hand, in the cases of the mining companies in Canada or Argentina previously mentioned, such stakeholder groups could join a vested stakeholder group to bring pressure on another vested stakeholder group to change its position.

### ***Criteria for Social License to Operate***

If a corporation is to communicate and consult with stakeholder groups, it must understand their values. Freeman's (1994) stakeholder theory assumes that values are necessarily and explicitly a part of doing

business. Stakeholder discussions to develop the social license to operate can start with identifying what Donaldson and Dunfee (1999) call micro-social contracts that bind each stakeholder group. Micro-social contracts can be used to identify where there are shared norms, or accepted behaviors and shared values among the stakeholder groups. These norms and values can be used as the foundation on which to negotiate differences.

DeGeorge's (1986) ethical norms for multinational corporations (MNCs) operating in developing countries could be used as a set of values and norms of the corporation. MNCs should

*do no intentional direct harm, produce more good than bad for the host country, contribute by their activities to the host country's development, respect the human rights of their employees, pay their fair share of taxes, respect the local culture and work with it, not against it, to the extent that the local culture does not violate moral norms, and cooperate with the local governments in the development and enforcement of just background institutions. (p. 264)*

By committing itself to using these norms and values in its contract, a corporation thus has a basis for comparing individual stakeholder micro-social contracts with its own social contract. This helps all stakeholders identify where their norms and values converge and where they diverge. Settling disagreements about values or norms around harm or contribution to the development of the community could then start with an understanding of the other's definitions. Those definitions should be based on globally accepted norms such as those in the United Nations' Universal Declaration of Human Rights of 1948. The United Nations document Protect, Respect and Remedy: a Framework for Business and Human Rights, Promotion and Protection of All Human Rights, Civil, Political, Economic, Social and Cultural Rights, including The Right to Development, could also be used. John Ruggie (2008), Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, wrote of the UN document:

*This report presents a conceptual and policy framework to anchor the business and human rights debate, and to help guide all relevant actors. The framework comprises three core principles: the State duty to protect against human rights abuses by third parties, including business; the corporate responsibility to respect human rights; and the need for more effective access to remedies. The three principles form a complementary whole in that each supports the others in achieving sustainable progress. (p. 1)*

As Donaldson and Dunfee (1999) state: "the global contractors would not allow micro-social contracts (even with unanimous local consent) that condoned practices unethical wherever they occur, such as exploitative child labor, corporal punishment for employees, or barbarously unsafe working conditions" ( p. 44).

### **A Five Step Process for Social License to Operate**

The process the authors propose to achieve a social license to operate would use five steps. In Step 1, a company contemplating a project in an area would describe how the company, in its view, would meet DeGeorge's (1989) norms through its project. In Step 2, it would collect information on the micro-social contracts of the stakeholder groups in the community in which it would be operating. This information could include data from government and nongovernmental organization sources, but it should come primarily through direct communication with each stakeholder group. In Step 3, the company would analyze the alignment between its norms and the micro-social contracts of the stakeholders. In Step 4, the company must engage all stakeholder groups in a discussion of the project to produce a proposal that will result in consent by the majority of the vested stakeholder groups for a social license to operate. In Step 5, the company would monitor the progress of the project to ensure that the project is proceeding as agreed on.

At the end of Steps 3, 4, and 5, a Go/No Go decision to proceed would be made. For example, at the end of Step 3, if the analysis found limited alignment existed between the company's norms and the norms of the stakeholder groups or between the norms of different stakeholder groups, including non-vested ones, the company could consider not pursuing the project further. This would halt the project before many resources had been expended.

In the Step 4, the company must start by addressing how the project meets the micro-social contracts of the individual vested stakeholder groups as well as the norms of the non-vested stakeholder groups. The company may find that a number of vested stakeholder groups combine to operate as a community, and thus make collaboration easier. The dialogue must involve a genuine attempt on the part of the company to make changes to meet serious concerns of vested stakeholder groups. The stakeholder groups, in turn, must be willing to understand the economic constraints of the company. Only when collaboration has produced a social license to operate that includes metrics, should the project move forward. "The social license requires jointly agreed upon indicators of success. The company and the community jointly define a good outcome, whether it is improved health and education, jobs, infrastructure or protection of the environment" (Kurlander, 2001).

After Step 4 was completed, the company it might find that even though there was agreement with majority of vested stakeholder groups, there were enough powerful non-vested stakeholder groups who were opposed to it that going forward with the project might cost too much in time or money. This is especially true when environmental issues and the power of social media align.

#### ***Examples***

This process might have helped Tata Motors in 2008 when it was building its Nano factory in West Bengal, India. The analysis might have revealed that the land that West Bengal state officials were going to lease them was arable land purchased from farmers, even though most such projects in India are built on non-arable land. Tata might have also uncovered an ideological political rift between the local politicians and the state politicians. This was the foundation for a conflict among the vested stakeholders. There was a micro-social contract between the state and Tata, who both also shared a norm of providing a better life for a desperately poor population. There was a micro-social contract between local politicians and farmers of protecting ownership of farmland that had been in families for many

generations. As the construction continued, these four vested stakeholder groups clashed; the latter two enlisted non-vested stakeholder groups to join them. Information and misinformation was instantly on blogs and Websites; violence ensued. Tata Motors never had a meeting of the vested stakeholder groups, but assumed the micro-social contract of one vested stakeholder group, the state government that was trying to bring jobs to Singur, trumped all. Eventually Tata left West Bengal and built a plant in another state. The multimillion-dollar plant sits empty in Singur; the farmers do not have their land back because Indian law does not allow land taken by eminent domain to be returned (“India: Rising protests,” 2008; “India – Singur, West Bengal,” 2008).

Royal Dutch Shell might have also realized the micro-social contract with the government of Nigeria did not trump the norm of protection of human life when it sat on the sidelines as the Nigerian government killed tribesmen who were protesting Shell’s proposed gas-development and eventually hanged nine environmental activists. Nonvested stakeholder groups who used social media to send their message picked up the protesters’ complaints of environmental damage. The resulting global boycott of Shell products was devastating, and the current investigation by Dutch lawmakers is a continuation of the problem of not considering all stakeholders (Chazan, 2011). As cited previously, the company has been successful in the Palawan Island, Philippines, using social license to operate.

Another example involves the ongoing fight over palm oil, an ingredient in foods, shampoo, detergents, and cosmetics. The demand for palm oil accounted for 65 percent of all international vegetable oil trades in 2006 (“Cargill to Review,” 2010). As palm tree plantations have increased to meet the increased demand, deforestation, loss of habitat for endangered species, and reduced biodiversity have followed. In the spring of 2010 Greenpeace activists targeted companies who had contracts to buy palm oil from suppliers who were contributing to the deforestation of rainforests, and damaging orangutan habitats. The activists targeted Nestlé and Unilever in their protesters. Although news groups did not cover the actual protesters dressed in orangutan costumes, thousands of people shared photos of the protests and a video from Greenpeace’s Web site of an orangutan finger in a KitKat wrapper through Facebook and Twitter. Many advocated a boycott of all Nestlé products (Steel, 2010). Nestlé immediately posted a letter from its CEO saying that it had severed its contract with the supplier in question, and pledging to use only sustainable sources of palm oil by 2015. Unilever is trying to exit the palm oil market completely. It has decided to invest heavily in Solazyme Inc., a San Francisco firm that harvests algae oil, which could replace palm oil in soaps and lotions as well as food, and even fuel (Sonne, 2010).

### ***Monitoring the Project***

Step 5 in the process of implementing the social license to operate is the ongoing monitoring of the project. “For social license to work, there needs to be independent structure, monitoring and evaluation” (Kurlander, 2001, para. 11). For example, Nike and others who were boycotted for outsourcing to factories that used child labor now use Not for Profits and NGOs to monitor the factories for compliance with contract requirements. The Roundtable on Sustainable Palm Oil (RSPO), a not-for-profit association whose members include oil palm producers, palm oil processors or traders, consumer goods manufacturers, retailers, banks, and investors, environmental and nature conservation NGOs and social and developmental NGOs have developed global standards for sustainable palm oil, and RSPO certifies

palm growers (Why RSPO Certification, 2010). The World Wildlife Fund (WWF) partners with companies to review how palm oil suppliers are progressing toward more sustainable practices and in 2009 began producing a Palm Oil Buyers' Scorecard to document which companies were buying from certified palm growers (WWF to Grade Palm Oil Buyers, 2009).

In the case of problems during implementation, outside negotiators can be used. Newmont Mining used the Compliance Advisor/Ombudsman for the International Finance Corporation (IFC) last year in Peru to restore trust after a contractor's mercury spill made people in several villages sick. The IFC is the arm of the World Bank that holds a 5 percent interest in the mine, so they

*came into the community with established credibility, having already led an independent investigation of the mercury spill. Under the process developed, the CAO leads an ongoing roundtable to engage elected officials, community leaders, nongovernmental organizations (NGOs), and representatives of the company in dialogue. (Kurlander, 2001)*

There are methods for companies to use to account for the costs of using Social License to Operate. Elkington (1998) developed the cost accounting Triple-Bottom Line to include economic, ecological, and social activities. In 2007, the United Nations ratified this standard for the public sector. Additionally, Thomson and Boutilier (n.d.) have developed Social Licence™ that uses a number of indicators to measure the level of Social License that exists at any one time.

Companies can also report on their corporate social responsibilities, which can include Social License to Operate. The Global Reporting Initiative (2009b) has developed extensive guidelines for such reporting. Companies such as ArcelorMittal Limited, Bayer, BP, Coca Cola, De Beers, Dow Chemical, 3M, Fort Collins Utilities, General Electric, GlaxoSmithKline, Kia Motors, Microsoft, Mitsubishi, Office Depot, Owings Corning, Rio Tinto, Royal Dutch Shell, SAP, SAS Scandinavian Airlines, Suncor, Sun Microsystems, Tata Motors, The Walt Disney Corporation, Toshiba, Unilever, Walmart Brazil, and Wyeth have all submitted 2009 CSR reports (or Annual Reports with CSR components) to the Global Reporting Initiative (GRI). The number of companies for 2008 was over 1,000 compared to 10 in 1999 (Bristol-Myers Squibb Company, British Airways, Electrolux, ESAB, General Motors Corporation, Matsushita Electric Industrial, Procter & Gamble, Sasol, Suncor Energy, Sunoco). In 2009, 1,426 companies submitted CSR reports; 1,370 companies posted reports in 2010 (Global Reporting Initiative, 2010a).

### **Conclusion**

Many companies are adopting the social license to operate, because it protects their interests, but many others are using it as a way to ensure that there is commitment to norms and values as they move into developing countries. Donaldson and Dunfee (1999) cite DuPoint Chemical as employing whichever safety policies are higher, its own, or those of the country in which it operates. The University of British Columbia and Placer Dome, Inc. have developed an exploration template for mining companies that requires geologists to begin with clearly stated objectives and constraints, and listen to all stakeholder concerns. Lawrence T. Kurlander (2001), the senior vice president of one of the world's largest gold

mining corporations, Newmont Mining, headquartered in Denver, Colorado, explained that Newmont has moved its managers from a concern with only operational issues to the social license to operate. “Today the manager must be able to interact with the community and generate the consent of the people in order to move the operation forward in a stable environment” (para. 5).

Thomson and Boutilier (n.d.) found that some companies underestimated the time needed to build relationships, and the amount of information community members required. Since most stakeholder groups in communities grant SLOs based on relationships they found social legitimacy, credibility, and trust as key to implementing the social license to operate. “In practice the initial basis for social legitimacy comes from engagement with all members of the community and providing information on the project, the company and what may happen in the future and then answering any and all questions” (Thomson & Boutilier, n.d., para. 12). Credibility requires “consistently providing true and clear information and complying with any and all commitments made to the community” (Thomson & Boutilier, n.d., para. 12), although the authors warn that all commitments must be written to avoid future misinterpretation. Trust requires a willingness to be honest. “The challenge for the company is to go beyond transactions with the community and create opportunities to collaborate, work together and generate the shared experiences within which trust can grow” (Thomson & Boutilier, n.d.).

Charlie Arnot, a consultant to animal agriculture corporations, said “fact based arguments have little chance of convincing consumers unless consumers are convinced that you share their values” (as cited in O’Keefe, 2009, para. 6). Arnot said that if an industry has “social license” it is afforded the privilege of operating with minimal formalized restrictions because the industry has maintained public trust by doing what is right. He went on to say that having public trust means that society believes that the activities of the industry are consistent with social expectations and the values of the community and the other stakeholders.

By using the five step process based on alignment of the norms of the company and the norms and microsocial contracts of the vested stakeholder groups, social licenses to operate can be negotiated. By communicating this alignment, a company can assure nonvested stakeholder groups that it is concerned about their norms also. The transparency of the metrics for the implementation of social licenses to operate can assist company executives’ decision-making process in their responses to the need for corporate social responsibility as necessary to their business strategies.

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