
Levels of corporate community engagement who should provide the social license to operate

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Several authors are linking sustainability to CSR when referring to companies and their activities in the relevant communities (Doppelt, 2003; Doppelt, 2008; Hawken, Lovins& Lovins, 1999; McDonough& Braungart, 2002; Porritt, 2007; Elkington, 2007). Others have implied this term when referring to the types of responsibilities a company needs to have in order to be able to exercise its activity in the society (Blair [1994] 2004, Clarke [1998] 2004 and Philips 2003). It took a little while until a new term has been used in the literature: social license to operate, Boutilier and Thomson (2011) especially when referring to activities involving exploiting non-renewable resources, a step that needs be taken by mining companies in their attempt to engage with communities. In their particular case, the debate is important because, once exploited, there may be no resource left for the use of future generations, therefore one needs to ask who is the party legitimately provide such license to operate: a local community, a series of stakeholders or an entire nation. For this purpose, the authors are examining the case of Rosia Montana Gold Corporation (a mining company seeking to exploit gold in Romania), and its

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failure so far both in obtaining the official environmental license to operate as well as being granted a large stakeholder or nationwide social license to operate.

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Edelman's Trust Barometer for 2012 points out that that level of trust in companies has decreased in the last years, reaching in the developed Western countries a level of 53%, with 3 points less than in the previous year. While trust is declining in central government too, stakeholders would like to see a better regulated market and a good consumer protection (<http://www.scribd.com/doc/79026497/2012-Edelman-Trust-Barometer-Executive-Summary>). The study pushes the boundaries a step further and, in the opinion of the authors, businesses should move from thinking their mission in terms of "license to operate" towards "license to lead". Among the "societal" demands for an increased trust, we can observe: works to protect the environment, address society's needs, and impacts positively on the local communities. It is all about better empowering the stakeholders and balancing the weight between stakeholders and shareholders.

Trust in a company, goes hand in hand with it being perceived as a responsible entity or not. A company perceived as responsible will always inspire trust to its constituents. For this reason Post, Preston & Sachs (2002) consider we need to redefine the corporation – its legal and political status, the vision on its ownership and, subsequent, the rights of shareholders versus stakeholders.

The authors of this paper believe that the license to operate offered by communities or other stakeholders to the companies they are affected by is a core and fundamental dimension of the corporate social responsibility. Such license is the result of viewing companies as corporate citizens (Crane, Matten and Moon, 2008), something more

than a nexus of contracts, intermediaries between request and demand on the market, expanding their definition beyond the role stated by Milton Friedman (1970) and the Chicago School.

Philips (2003) looks at the corporation as a social institution, from the first chartered corporations to the modern ones. He offers a metaphor as an argument for this, pointing at the size of the buildings of the institutions and their historic social role – first the churches, then the state and government buildings and today the skyscrapers of the multinational corporations. In this particular order have the above mentioned entities assumed social roles in society. The size of the buildings is, in fact, a token representing their power. And today's corporations are more powerful than ever, sometimes they are stronger, have more financial and logistic resources than national states (Hopkins, 2007).

As a result, the society needs to identify a way in which corporations can assume this role legitimately; Crane, Matten and Moon (2008) consider that the best framework for this is a theory of corporate citizenship. In this way, corporations can align their interest to those of the society in a responsible way; subject of a third party's control. The ways in which such theory would work is either through a share of power (between the state and other actors, including corporations) or by corporations assuming typical governmental roles, a pro-participatory approach as part of their daily business, in order to solve pressing social issues.

Such visions of the modern corporations are being shared by the Romanian academics, Hoffman and Glodeanu (2011, 63) who build on the Durkheimian social solidarity concept and see the corporation as a natural part of the society; a relation of partnership between corporations and society. "The partnership based on corporative principle may lead to the change of the whole institutional system and of the societal practice, introducing into the social relations the non-conflict paradigm of the game with a positive outcome (where all

participants may win or lose) instead of the zero-sum game (a participant's gain is another participant's loss)".

Summarizing the above, we see the theoretical debate aiming towards a corporate actor which needs to re-find its place in the complex social network of institutions, assuming a pro-active role in the relations with the stakeholders and building with them partnerships in order to operate in a legitimate, fruitful way.

The authors of this paper consider that it is needed a relationship between the corporate social responsibility (CSR) and the public (social) interest in order to offer companies an ethical basis and moral legitimacy. At the same time, CSR should be placed into a strong relationship with the sustainable development for companies to have a strong political basis and social legitimacy (Bortun, 2011). At the same time, based on our previous research (Crisan, Reveiu and Andrusenco, 2011) we think that Romanian companies should struggle more to avoid the transformation of CSR into a concept without a meaning, and to move from the managerial type of CSR into a strategic stage.

Such leap, from considering CSR making a means end to becoming aware that being trustworthy and responsible is good for business, requires not only well intentioned corporations with a strong healthy view of their economic and social mission, but also active civic actors, developed and educated societies, who can demand such behavior if that is not displayed.

This situation is particularly of interest for communities who own non-renewable resources and are facing situations where corporations act in partnership with the state in order to exploit such resources.

To operate in a world of non-renewable resources means for companies a constant pressure of increasing demands from various shareholders; even if we are speaking about oil, coal, diamonds or other precious metals. Corporations need to cope with web 2.0 activism, stay profitable but also they need to innovate in ways of extraction, methods of processing, new places for business, working

with hosting communities, complying or juggling with state regulations (Crisan, 2008). Competition is fierce and each invested dollar counts. It is true that business has passed the stage when the mining pioneers like Cecil Rhodes used military power against locals to extract diamonds from South Africa (Fort, 2007) but it does not mean also that the intimidation practices have completely stopped.

We will take a particular look in our paper at Rosia Montana Gold Corporation (RMGC), a Canadian – Romanian gold mining company operating in the Apuseni mountains. It is a typical case of a mining company fighting long battles with communities rather than establishing itself from the beginning as a trustworthy company. The history of shareholder change and initial bad communication with the community have produced currently a situation where the local community is supporting the pit (Rosia Montana has a high unemployment rate, is a mono-industrial area, with a long history of gold mining), but a large portion of the Romanian and international non-governmental organizations as well as the Romanian society in general is opposing it (Crisan, 2008). This pressure has contributed to a current stalemate in the exploitation of gold, while an unpredictable Romanian government supports the project as the only means of job creation in the area, due to the public pressure; it is still not granting RMGC the environmental permit to start operating.

We feel that the parties have reached this situation because RMGC failed in acquiring its social license to operate in Rosia Montana early on. As Doppelt (2003, 31-37) thinks, there are at least seven blunders in achieving business's sustainability and by that, in our case, the license to operate. The first would be the patriarchal thinking that leads to a false sense of security; promoting the idea that the corporation knows best the solution for a problem. RMGC has started the project in a rush, thinking that things will be sorted out fast, and making the mistake of considering that "sustainability is achieved by telling people what to do", by authorizing them to express an opinion.

A company needs a change in its organizational culture to be able to engage effectively with a community. Doppelt (2008) proposes a sustainability thinking blunders scorecard in order to measure where a company stands and defines ten tenets of sustainability thinking and behavior. It is important for companies' managers to change their mental frames, and thus policies and technologies. In order to change from a system of thinking: take-make-waste to a one based on borrow-use-return (McDonough&Braungart, 2002), one must use the appropriate means of change, both for itself and for perceiving the engagement with the local communities. A simple difference is how a company views engagement. Is it enough to provide information or should a company *enable* the community to express an opinion and act towards it? Towards the same goal of acquiring the social license, Boehm (2005, 167) proposed a consultation process in 10 steps, and the sixth stage refers to the duration of the involvement – is it a short term or a long term commitment, while in the last stage, the author suggests that the approach to be an educational one, meaning that the corporation needs to be transparent in relation to the community. Members of the community should be empowered not consulted, they should be partners and owners of the process.

There are other models of community communication / education, proposed by Barr & Hashhagen (2000) or a Communication for Social Change Model proposed by Figueroa et al (2002), which is describing the gradual process through which the community dialogue and the collective action are working together in order to produce a social change in a community. Such social change could lead to stronger, better informed communities, building a corporative partnership model, a non-zero sum game, a potential win-win situation.

A newer development model has been proposed by Boutilier and Thomson (2011, 1), where a social license to operate (SLO) is a “community's perceptions of the acceptability of a company and its

local operations”. In order to reach that point, the company and the communities pass several stages of interaction, from withheld/withdrawn to psychological identification, passing through acceptance and approval. They are going through a course of action involving enabling and empowerment that make the difference between being granted or being denied the environmental and social license to operate.

It is important to point out here WHO the entity is providing the social license to operate. While most of the models explained above focus on the communities and their role in making informed decisions about their resources and property, what we see currently in the world, due to globalization and internet, is an expansion of the stakeholder groups who consider themselves legitimate to have an opinion and have their opinion taken into account. A corporation has not only to demonstrate its good intentions for the local community, but in front of the whole world. At least this is the case currently with RMGC. If we consider the stakeholders of a process those groups or individuals directly affected by the mine operation and who, at the same time, can affect the mine operation, the list is quite stable. On the other hand, taking into account that we are discussing about non-renewable resources, each citizen of Romania may claim, and not completely illegitimate, that the gold must not be exploited now, it could be left for exploitation to the next generations. This means, *reductio ad absurdum*, that the stakeholders list is virtually infinite – it includes all next generations of unborn Romanians.

Again, we feel that the answer is well provided by the SLO model of Boutilier and Thomson (2011), where the authors feel that a corporation has to pass three boundaries: legitimacy, credibility and, finally, *trust* – where the relation between corporation and communities reach the psychological identification for a common goal, an empathetically relationship based on the Golden rule.

However, it is important to understand the timing of the corporative action, the order of steps in which the stakeholders are engaged and empowered. Based on the Romanian law as regards environmental permits and taking into account the RMGC case, in the authors' view, a mining company should struggle to act towards receiving its social license before going public about its operations, in the so-called pre-operational phase. The empowerment of direct stakeholders should happen before enabling the indirect stakeholders and long before releasing in the media information on the activity. Without the social license obtained, any media report containing bits of information or half-truths could prove itself a potential threat to further empowerment of local communities. The process of building trust between the corporation and the community should be transparent and solid. In order to achieve this goal, both the company and the community need to evaluate very seriously the implication in the early stages of the discussions of indirect stakeholders.

In the other scenario, where the empowerment is not solid and genuine, where the corporation is laying the ground for potential abuses, the involvement of media and other stakeholders who may pressure for a better outcome, is mandatory. But in that scenario, there is no discussion on a social license for operation.

RMGC has followed, in our view, a reverse process than the one described above. It has struggled to obtain the environmental permit and governmental approvals before building the institutional trust. It produced media campaigns aimed at winning hearts and minds after the initial public opinion was that the company is exploiting the community and the gold without considering the consequences for the society (Crisan, 2008). General opinion is, in the view of the authors, that the local community was disempowered and manipulated, and a subsequent media campaign with positive testimonials from the locals triggered a boomerang reaction. For these reasons, but not only (as the situation from Rosia Montana has also political and geopolitical

dimensions), RMGC is still waiting the permit to exploit gold and it is impossible to predict if such permit will be issued in the near future.

Conclusions

In order to make profit, a corporation must redefine itself as organization and institution, to behave socially as a corporate citizen. Trust is an important dimension of the society-corporation relationship and it comes as a result of responsible corporate behavior. Corporations need in a globalized society local operating licenses. Such licenses are mandatory from local communities, but they must take into account the agreement from a large array of stakeholders. A process of acquiring the social license to operate must be initiated early on, in the pre-operating stages, otherwise relationships could be hard to rebuild and trust impossible to obtain.

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