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From Metaphor to Management Tool – How the Social License to Operate can Stabilise the Socio-Political Environment for Business

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ABSTRACT

The social license to operate (SLO) began as a metaphor for the ability of communities to stop mining projects. Soon people began to speak of levels of social license and the ability of communities to raise costs without completely stopping exploration or mining activities. Today the concept has spread to other industries and is evolving towards becoming a general management perspective on the socio-political rights and responsibilities of the corporation. The business case underpinning the SLO perspective on management is the need to assess and manage socio-political risk. For mining companies, socio-political risk has been steadily rising for several reasons, including the efforts of NGOs to pre-empt government policy options, the entry of mining companies into jurisdictions weak in the rule of law, and the weakness of global economic and financial regulation. In this perilous world beyond the comfort zone of effective government, mining companies must build their own socio-political stability by engaging directly with stakeholders to develop a strong social license to operate. In order to become a practical management perspective, the SLO needs to be measurable, which amounts to measuring the socio-political risks and opportunities presented by stakeholders. We present the results of efforts since 2009 to develop a globally reliable and valid measurement tool at the project and industry levels, validated in studies in Australia, Bolivia, Mexico and the USA. A factor analysis suggested four factors that mine management can address to raise their SLO level. The most chronically neglected factor involves the political right of the corporation to foster more equitable social contracts locally and regionally in both developed and developing countries. We conclude with recommended steps to earn and maintain the social license at the project and industry levels.

INTRODUCTION

It is often said that socio-political instability is bad for business, but instability can also create opportunities. Therefore, it is important to specify exactly what kind of instability hurts business. In terms of avoiding negative financial impacts, very little advice is available to companies about what they can do to reduce the undesirable kind of political instability. We call on the concept of the social license to operate to create a framework for planning how to make the socio-political environment more stable.

We begin by defining what counts as the socio-political environment as far as business is concerned. Then we briefly look at possible reasons for why mining companies are increasingly encountering socio-political instability in their environments. Next we introduce the concept of the social license to operate and show how it bears directly on the kind of socio-political instability that hurts business. Then we describe how the concept of the social license has evolved from a metaphor to a strategic management tool. A large part of that evolution involved making the social license measurable. We describe our recent efforts to measure the level of social license granted by the actors in community networks around mines in various countries, and finish by suggesting actions that can help managers restore or build the social license when faced with socio-political instability.

Definition of political

We use the term ‘political’ in a broader social sense here. We are not referring to only electoral politics, but rather to socio-political activity that affects policies, regulations, and even social norms whose legal status are debated. Boutilier and Roloff (in prep) define this broader range of political activity as follows:

Activity is political if it attempts to create, modify, or sustain any aspect of the distribution and enforcement of rights and responsibilities, and their associated costs and benefits, among network members.

Businesses depend on many kinds of rights and responsibilities. Mining companies, for example, depend on exploration rights and property rights for their access to resources. They also depend on other actors to discharge their respective responsibilities. For example, they need governments to take responsibility for protecting their exploration and property rights. However, many other social actors come into the political arena claiming rights for themselves and attributing responsibilities to others. In a sense, the object of politics is to convince a majority of the actors in the social network that forms the body politic that one’s own favoured configuration of rights and responsibilities is acceptably fair for all. When a network of actors implicitly agrees on the acceptable fairness of any such proposed distribution, a social contract has been achieved. Obviously, one has a better chance of getting one’s preferred distribution accepted if one forms alliances with those who have similar favoured distributions.

Achieving a social contract at the level of a state or society is a much broader undertaking than achieving a social license to operate (SLO) for a mining project. Obtaining a high level social license involves achieving a small-scale social contract at the project level, but it also involves additional factors which we discuss below. The social license and the social contract, however,

both require mining companies to achieve political accords. Arriving at implicit agreement on the acceptable fairness of the distribution of rights and responsibilities is an important objective of stakeholder relations. For example, stakeholders may accept or approve of a company's right to extract mineral resources if the company accepts community development responsibilities that are seen as fair by the stakeholder network (e.g., guaranteed jobs for local residents, infrastructure improvements, environmental monitoring, etc.).

Familiar examples of how politics affect mining can be found in concepts like corporate social responsibility (CSR). CSR is a movement to attribute responsibilities to corporations above and beyond strict legal requirements. A related example is the human rights movement, which attributes responsibilities to businesses for protecting and respecting human rights and for working towards remedying abuses of human rights (Ruggie, 2011). Similarly, a town may claim a right to decide the future of its own economy and infrastructure, or an environmental group may attribute a responsibility to mining companies to help reduce the global level of carbon fuel use. All of these are examples of political activity, in the broad sense, and they all affect the mining company's image as compliant with the ever-evolving social contract, which in turn constitutes one of the criteria for a higher level of social license at the level of a specific mining project.

Instability is a growing problem

Even though socio-political instability is increasing in some places and decreasing in others, the mining industry is encountering it more often. Manifestations include protests, anti-mining advertising campaigns, abrupt tax increases, dramatic changes in regulatory regimes (e.g., Ecuador), and even the nationalization of mines (e.g., Bolivia). There are at least four reasons.

First, the search for mineral deposits is spreading further and further into the developing world. This means, for example, that mining companies more often encounter indigenous populations that question the sovereign authority of the nation state from which the company received its mining permit. The arrival of the mining company in itself creates instability because it resurrects issues of indigenous autonomy in the face of national claims to territorial sovereignty. Expansion into developing countries also exposes firms to environments in which the rule of law is challenged by the rule of force. The risks of extortion and nationalisation are higher in these places. These phenomena are extreme examples of the kind of socio-political instability that hurts business.

Second, mining continues apace in the developed world, where it increasingly encroaches on urban or semi-urban land or land that is already economically productive. For example, the Waihi gold mine open pit 150 kilometres south of Auckland in New Zealand lies just metres from neighbouring homes. In the states of Queensland (Qld) and New South Wales (NSW) in Australia mining is increasingly competing for land use with agriculture and other industries. Residents action groups like DRAT (Distressed Residents Action Team) at Waihi, GRIP (Gloucester Residents in Partnership, NSW), the Lock the Gate Alliance (Qld), and the Caroon Coal Action Group (NSW) are emerging as grass roots advocates that introduce socio-political instability as they attempt to block or delay access to mineral resources through campaigns and political action. The ability of grass roots opposition to mobilise and form coalitions with like-minded others has been enhanced by technology such as the internet and social media.

Third, the specialisation and rationalisation that has occurred in the global economy, together with the automation and technical advances that have occurred in mining, mean that fewer people see their personal welfare tied to the welfare of primary industries. Over the last 40 years, the mining industry has become increasingly mechanised and efficient with productivity in terms of tonnes mined per man hour reaching numbers that were mindboggling 30-40 years ago. This has had two consequences. First, there are fewer people employed in mining per tonne mined. Mines can no longer employ large numbers of essentially manual labourer. The old relationship, based on of jobs for everyone that wants one, is long gone. Second, increased mechanisation and technological advancement means that new skills are required, narrowing the field of ready potential employees, although over time anyone can be trained if they have certain inherent aptitudes (Conference Board of Canada, 2005). In the current boom phase of the commodity cycle, mining companies have less time for a slow and steady approach to training potential employees from the local community. Since there are often not enough jobs for local residents to satisfy sentiments of social and/or economic equity, the net result is the arrival of a new paradigm for mining-community relations in which there has to be more than employment in the social contract.

Compared with 40 years ago, more communities today calculate their subjective cost/benefit analyses with near zeros on the benefit side, especially if they already have a well-functioning local economy. They cannot trace the financial benefits of mining through the multiple layers and linkages in the global financial system. Therefore, there is less tolerance for the environmental and social costs of mining. Increasingly, mining is perceived as not worth the disruption. Relatedly, new technology enables mining of previously uncommercial resources and development of very large mines. For example, the proposed Wandoan coal mine in Qld, Australia, will be the biggest yet in the Southern hemisphere. Despite technological improvements in pollution mitigation measures, the social and environmental impacts of mining grow commensurately with project size. The local impacts have risen while the local benefits have diminished.

Fourth, there has been an explosive growth in the global civic sector over the past 20 years. The civic sector includes all types of organisations that are neither businesses nor government. Among them are environmental groups, community health groups, neighbourhood groups, unions, and rights advocacy groups. While mining companies are requiring higher levels of qualifications and specialisation, non-government organisations (NGOs) have welcomed workers from all backgrounds and occupations. For example, from 1994 to 2004, the United States gross domestic product grew by an inflation-adjusted 36 percent. The revenues of the non-profit sector, however, grew 61.5 percent in the same period and its assets grew by 90.7 percent (Urban Institute, 2006). In 2000, the civic sector employed 4.4 percent of the workforce in Australia, 6.3 percent in the United States, and 14 percent in the Netherlands. By 2007, there were 1.64 million non-profit organisations in the United States alone (Butler, 2009). The civic sector includes many groups that raise socio-political issues for mining companies. While many of these issues existed 20 years ago, there were not as many people engaged in advocating on them as there are today.

As socio-political opposition to mining becomes more common, mining companies experience less stable socio-political environments in developed, emerging and developing economies, regardless of their form of government. As community members are progressively aware of mining's impacts, and of their rights in relation to these, government approvals and permits offer a minimum standard but can no longer be conflated with a License to operate. Today, mining companies must build their own socio-political stability by engaging directly with stakeholders to develop a strong social license to operate.

Divided stakeholder networks that control access to resources

Stakeholders are defined as those who are potentially affected by a project or who can have an effect on a project. It is more common to define stakeholders as groups rather than individuals (Boutilier, 2009) because groups can usually exert more political pressure than individuals. Moreover, coalitions of stakeholder groups can exert more pressure than single stakeholder groups. For that reason, it is important for companies to understand the network structure of their stakeholder networks in terms of who is allied with whom, who is isolated, and who is more influential.

Powerful socio-political alliances can create the kind of instability that hurts business by restricting access to vital resources. The social license to operate is about getting and keeping access to valuable business resources like markets, financing, talent, raw materials, infrastructure sites, and legal permits. When alliances of stakeholders exercise their 'veto' power over resource access, they withdraw the social license to operate. When they actively help a company gain better access to resources, they are granting a high level of social license to operate.

A very frequent problem in winning the social license is that the stakeholder network is internally divided. Some factions grant a license while others are solidly opposed. Internal divisions in stakeholder networks can signify a healthy openness to public debate. However, without strong institutions for dispute resolution, like those in stable democracies, internal divisions can deteriorate into factional infighting or class warfare. These seldom result in improvements in the well being of the network as a whole.

This is where the corporation can play a political role as a responsible citizen. It can collaborate with other responsible network members to foster the evolution of a more stable, equitable, and balanced network structure that, not coincidentally, is more capable of issuing a valid, durable social license. This amounts to stabilising the socio-political environment. A significant challenge in creating such stability is identifying a version of the social contract that will be acceptable to the vast majority of the social actors and coalitions that can exert a veto, particularly on resource access matters. In the next section we examine the research and theory that has linked the social license to operate with the social contract in the stakeholder network.

WHAT IS THE SOCIAL LICENSE?

History of the social license concept

The social license to operate began as a metaphor comparing the ability of communities to stop mining projects with the ability of governments to do the same. It was coined by Jim Cooney, a

former executive with Placer Dome. He used the phrase in a meeting with the World Bank in 1997 and it gained wider currency at a World Bank sponsored meeting on mining and the community later that year. Susan Joyce and Ian Thomson elaborated on the concept based on their experiences consulting with companies that had lost, or were about to lose, their social licenses (Joyce & Thomson, 2000; Joyce & Thomson, 2002). Thomson and Boutilier (2011) added three important features to the concept based on field experience.

First, they noted levels of social license and the criteria for passing from one level to the next. Second, they gave examples showing how the social license can fluctuate over time. Third, they examined the capacity of the stakeholder network to grant a valid and durable social license. Moreover, they gave the concept theoretical respectability by embedding it in an approach to business strategy and competitiveness known as resource dependence theory. Thomson and Boutilier identified the social license with lower risks related to restricted resource access. Thus they built a sound business case for putting resources into earning and maintaining the social license. Today the concept of the social license has spread to other industries and is evolving towards becoming a general management perspective on the socio-political rights and responsibilities of the corporation.

Components of the social license

Levels, boundaries & dynamics

According to Thomson and Boutilier (2011) stakeholders use the word ‘legitimacy’ to describe the difference between a company that has lost its social License and one that has a minimum social License. Without legitimacy, the social license is withheld. With legitimacy, the company or project has an ‘acceptance’ level of social license. Acceptance is a tentative willingness to let the project proceed. However, complaints and doubts linger. The stakeholders give the project the benefit of the doubt, hoping that their concerns will be addressed. At this level the socio-political environment for the company’s project is unstable.

If the company establishes ‘credibility’ its social license rises to the level of ‘approval’ and the environment becomes more stable. Thomson and Boutilier say that stakeholders view credibility mainly in terms of listening, promise keeping, reciprocity, and fair dealing. The approval level is characterised by stakeholder support for the project and a resistance to the ideas disseminated by critics of the project.

If a company with legitimacy and credibility manages to earn the full trust of stakeholders, the project’s social license can rise to the level of psychological identification. At this level the community sees its future as tied to the future of the project. There is a willingness to fight for the interest of the project because the stakeholders share those interests. The project’s socio-political environment is very stable.

Socio-political risk falls as the level of social license rises. The level of social license can rise and fall throughout the lifecycle of a project. Most operating mines fluctuate between acceptance and approval. The psychological identification level is rare. It often evolves over several decades. A complete loss or withholding of a social license is not as rare but is less commonly found than the acceptance and approval levels.

Factors

Boutilier and Thomson (2011) reported on attempts to develop measures of the social license using agree/disagree statements presented to stakeholders in personal interviews. They refined the wording of the statements and reduced the number of statements from 26 down to 15 by using in an iterative process based on data from exploration projects and operating mines in Australia, Bolivia, and Mexico. Each stakeholder's average agree/disagree rating was deemed to be its social license score. The scores were validated by comparing them with verbal statements elicited from stakeholders during the interviews. High scorers indeed made positive comments while low scorers made critical comments. As of this writing, the measure has been used with 595 different stakeholder groups at 24 different mining projects on three continents. Despite cultural differences among the stakeholders, the 15 statements consistently predict positive and negative stakeholder comments and behaviours.

Boutilier and Thomson used the final set of 15 statements in a repeat round of interviewing with the same stakeholders in Bolivia. A factor analysis of the data from those 74 interviews produced the four factors shown in Figure 1. The colour spectrum from red at the bottom to green at the top corresponds to the range of social license scores. Red represents a withdrawn or withheld social license, yellow represents an acceptance level, light green represents approval, and dark green represents psychological identification. The four factors are superimposed as regions defined by the diagonal lines.

One factor, the legitimacy of benefits, corresponded to the withdrawal level, the lowest level of the social license. It dealt with matters of the perceived net personal benefit or personal harm of the project for the stakeholder. The institutionalised trust factor corresponded to psychological identification, the highest level of social license. It involved perceptions that the company would take account of the community's interests in all its decisions. The middle two levels of social license were captured in two factors that seemed to be involved in establishing credibility, which is the criterion for distinguishing between the acceptance level and the approval level. They called one factor "social capital" and the other "social contract".

The social capital factor of credibility deals with the quality of interpersonal relationships between the stakeholders and the project personnel. It includes listening and keeping promises. The social contract factor is more oriented towards inter-organisational relationships between stakeholder organisations and the project. It dealt with issues of perceived fairness and the welfare of the whole geographic region.

The data also indicated that mining companies were less likely to obtain higher scores on the social contract factor than on the social capital factor. In other words, stakeholders tended to see mining company representatives as decent people working for an organisation with a dubious agenda.

STEPS TO STABILISING THE SOCIO-POLITICAL ENVIRONMENT

Assessment of the situation

The question of how to gain and maintain a social license to operate overlaps a great deal with the question of how to minimise socio-political risk and how to stabilise the socio-political environment with respect to resource access. Boutilier (2009, 2011) offers a process with four main steps.

First, the company should identify all the groups that can affect or be affected by the mining project. Referral or 'snowball' sampling helps insure that they are all included. Second, interviews should be conducted with the stakeholders to hear their concerns, obtain their social license ratings, and record the strength of their relationships with other stakeholders. Third, network maps should be created to show who is allied with whom, who is more influential, and what level of social license each stakeholder group grants. Additional maps showing the psychological connections among the issues in the minds of various factions and alliances are also useful. Fourth, a strategy should be developed (a) to address stakeholder concerns with changes to company plans and practices, (b) to build agreement on shared goals for the community/network, and (c) to build support for a role for mining in the community's prosperity.

Stabilisation of the structure and its dynamics

In terms of overcoming destabilising network structures, Boutilier (2011) recommends different strategies depending on the configuration of the network. If the stakeholder network is mired in a self-perpetuating pattern of factional infighting, the company should build relationships among stakeholders that would increase the connectedness and influence of those who can mediate among the factions in order to improve the network's capacity for honest, non-violent, mutually respectful, decision-making processes. If the network is dominated by a self-serving elite, it is in the best interests of both the company and the stakeholders to foster the development of semi-periphery 'middle class', or middle range power block, that can hold the elite accountable, thereby making membership in the elite more dependent on merit and performance while encouraging a more equitable sharing of benefits. If the network is closed and cohesive to the point of being ethnocentric and suspicious of change and outside influences, then the company can stabilise its environment through a gradual education and outreach process that removes fear from the prospect of change.

These structural approaches to reducing the instability in the socio-political environment are not contingent on the level social license granted by any particular set of stakeholders.

In the next section we look specifically at what advice the social license concept has to offer for reducing harmful instability.

Stabilisation through achieving the levels of the social license

The process of developing and implementing a strategy for gaining and maintaining a social license can be guided by the components of the social license itself. The sequence of goals going from no license to the level of psychological identification provides prioritisation while the factors provide substantive guidance in terms of categories of issues that must be addressed.

Getting legitimacy related to benefits

Unless the stakeholders believe they will receive a personal net benefit from a project, they are unlikely to grant it a social license. The benefit does not have to be financial or even very large. Some stakeholders are more concerned about the prestige or power of their own organisation. Some are more concerned about the net benefit for other family members. In all cases, if the net cost/benefit calculation is negative, the stakeholder is unlikely to grant a social license no matter what else the company does.

If the legitimacy of benefits is granted, the project achieves a social license at the level of acceptance. This is a precarious social license, however, because it is based only on short-term transactional trust. Transactional trust is the type exhibited when a diner pays for a restaurant meal with a credit card. The waiter must trust that the card is not stolen. The diner must trust that the waiter will not steal the information the card contains. The trust does not extend beyond the transaction. For example, neither party would trust the other to borrow its car for a day. Likewise with the acceptance level of social license, the cost/benefit calculation is recalculated daily with no forgiveness for temporary lapses. This is the most unstable type of social license.

Getting credibility through social capital

Moving up to an approval level of social license can improve the stability of the socio-political environment. At the approval level, the project is not only seen as legitimate, but is also seen as conforming with local ideas of how a company should behave and contribute to the well being of the region.

In order to assess the social capital component of credibility, stakeholders consider the behaviour of the company, as embodied by its representatives. The behaviours that most strongly signal credibility and that create social capital, are reciprocity, listening, and promise keeping (Boutilier, 2009). They are combined in the cycle of listening to stakeholder concerns, planning a solution together, and collaboratively implementing the plan. This cycle should be repeated with plans that become progressively more complicated to implement and with different stakeholders who interface with different parts of the company.

Getting credibility through the social contract

In assessing the social contract component of credibility, the stakeholders look at the project or the company as an institution, independently of whatever persons represent it at the moment. They develop feelings about the fairness of process and the distribution of costs and benefits for the whole region, or whatever other collective is most salient. This appears to be an aspect of credibility that many mining companies achieve only partially. We discuss the challenges in more detail in the final section of the paper.

Getting full trust

Once legitimacy and credibility have been achieved, the project's social license can move from approval to psychological identification if full trust is achieved. This takes repeated experiences of having the other party take the initiative to protect and promote one's interests. When the stakeholder network and the company witness this type of behaviour in each other, the trust can deepen to an inter-organisational level. At that point, changes in personnel do not disrupt the

working relationship that has between the organisations. Both parties agree on the distribution of rights and responsibilities between them and there are stable processes for resolving differences. This is the ultimate in socio-political stability.

Internal policies to guide the external stabilisation

Like any technology, the measure of the social license can be abused. The social license measure makes a poor quarterly performance target or key performance indicator because improving it is neither a short-term achievement nor a linear process. In politics, it is impossible to please all the people all of the time. Indeed, attempting to do so may damage one's credibility. Maintaining credibility means sometimes disappointing various stakeholders. These disappointments can result in a lower social license score for periods lasting up to several years. Experience suggests that a five year performance target would be a more appropriate time frame for the use of the measure.

It would also be an abuse to use the social license measure to evaluate only one department in the company. As with safety, stakeholder relations are everyone's responsibility. Even the head office accounting department has external stakeholders (e.g., investors, auditors, government tax departments, payroll recipients). Raising the level of social license is easier in a company that has assimilated the concept that everyone has responsibility for some part of the whole set of stakeholder relations.

QUESTIONS YET TO BE ANSWERED

We have described the latest refinements to the concept of the social license to operate and its measurement. We showed how these are intimately entwined with notions of socio-political risk reduction and the stabilisation of the socio-political environment with respect to resource access. Our advice on how to raise the level of social license entailed both working on the structure of the stakeholder network and achieving relationships with stakeholders that satisfy the four sequentially ordered factors of the social license. This provides mining companies with a validated and measurable road map toward stable, secure resource access. However, it is only a beginning. Research and theory to this point has raised at least as many questions as it has answered.

Measurement questions

Although good progress has been made in measuring the social license, several challenges remain. First, the measure has been validated for exploration projects and operating mines but more has yet to be done for other stages of the mine lifecycle. The construction and closure stages present their own unique challenges. Second, we have found different factor structures in different populations. The four factors described above were derived from Bolivian data on an operating mine. Australian data collected later at several operating mines showed no sub-factors at all. This is evidence for the reliability of the scale owing to its internal consistency. However, the curious difference between countries calls for further research. The numerous cultural, socio-economic, and historical differences between Australia and Bolivia offer fertile ground for hypothesis development.

In addition to generalising the measures to more lifecycle stages and validating them in more cultures, future work on the social license may benefit from applying social network simulation models to the data it generates. Agent-based models seem to hold particular promise in that regard. Ideally we would be able to introduce network and social license data into a model and run tests to see what the resulting level of social license would be if the network structure were altered in one way versus another.

Does the mining industry need to re-negotiate its social contract with society?

There has been a rash of recent setbacks for mining projects in terms of community acceptance. In Latin America, mining projects have completely lost their social licenses at Las Brisas, El Dorado, Esquel, Tambogrande, Tia Maria, and Rio Grande to name only a few. In Canada there have been expensive campaigns waged against oil sands mining. The Queensland and New South Wales coal fields in Australia have also seen intense anti-mining campaigns. Why is this happening?

The levels and factors of the social license explain a great deal of the problem in most cases. However, larger background factors may also be in play. We should not be too quick to assume that all of the industry's problems are rooted in the way companies treat local stakeholders around project sites. Pre-existing social conditions and global social changes may also be contributors. In this regard, three related factors may warrant further investigation.

Diffuse, distant benefits with concentrated, immediate costs

First, the industry's traditional participation in the social contract depended on its financial contributions and its provision of the tools necessary for modern life. Although these contributions are so pervasive that it is difficult to imagine five minutes of modern life without them, the contribution of any one mine in particular is difficult to quantify. Any one mine's contribution to the physical foundations of modern life may be obscured by the complexity of the supply chains and financial systems through which the mine's contributions must pass.

A Colombian coffee farmer may understand that it took mining to produce his motorcycle, but he may not be able to calculate how much more a replacement motorcycle would cost if his land remains dedicated to growing coffee instead of mining. A student protesting coal exports in Newcastle, NSW, might realise that coal provided the energy for the factory that produced his iPad, and that iPads from wind powered factories would cost a lot more, but he might not understand the contribution that the coal exports made to subsidising the cost of his education. The problem is a classic case of concentrated, visible, proximal costs versus widely-distributed, obscure, distant, marginal benefits.

Second, the concentrated costs are no longer offset by concentrated benefits as much as they were in the past. Not only is the environmental and social disruption caused by mining no longer accompanied by a surfeit of good paying jobs for local people with no mining-related technical skills, but more often today the local people already have a decent lifestyle and standard of living that they value as much or more than any incremental income that mining can offer. Moreover, as globalisation raises living standards, more communities already have roads, schools, clinics,

and a tourism industry. The incremental improvement to their lives offered by mining is diminishing.

The problem is complicated by the fact that national level stakeholders are not always keen on seeing more benefits concentrated in local communities. Most of what mines give back to society, apart from almost every man-made object in the world, is given in the form of tax revenues. Local tax credit schemes are ideal for insuring that more of the benefits of mining stay in the communities that also bear more of the costs. However, such schemes are not always entirely in the interests of national politicians.

Third, even when revenues go to the national government, there still should be some perception of mining as a contributor to the common good or the 'commonwealth', in the generic sense of the word. However, this perception may have been undermined by the internationalisation of mining companies. Mexicans, for example, are so suspicious of foreign ownership of resource extraction companies that they enshrined state ownership of their petroleum resources in the constitution. They are not predisposed to believe that foreign mining companies contribute to the common good of Mexicans. Even among the world's affluent middle classes, most people are not cosmopolitans (Skrbis & Woodward, 2007). They are not ready to identify their interests with anything above the nation state, if that. Therefore, the multi-nationalisation of mining companies may have hurt the industry's image as a contributor to the *national* social contract. One gets a whiff of this dynamic at play in Prime Minister Gillard's May 2012 reminder to mining companies in Australia that the minerals they mine belong to the Australian people, not to the mining companies (Baker, 2012).

These problems suggest a challenge to the social license at the industry level, rather than the project level. Rather than attempts to improve the reputation of mining through advertising campaigns (for example, the *This is our Story* campaign by the Minerals Council of Australia, <http://www.thisisourstory.com.au>), the industry could work on regaining credibility through a renewed social contract. Campaigns in support of 'Royalties for Regions' (a well-received West Australian government policy) or 'spreading the benefits of the boom' through a mining tax (Office of the Prime Minister of Australia, 2012) would appear to hold more promise of success when viewed through the lens of the social license.

A global social contract for mining?

Finally, the question arises of how to win a social license from the minority who are looking for a global social contract. Examples are those civil sector organisations working on issues like anthropogenic climate change and human rights. Perhaps the best solution for everyone is to encourage such stakeholders to join the company as a participant in a multi-sectoral, multi-national policy network for the governance of the industry (e.g., Dubash, 2009; Schepers, 2010; Waddell, 2007). This would force them to move from the stance of single-issue critic to that of whole system steward. For example, they would be forced to take seriously the challenge of developing mining industry regulations that would apply as equally to state owned enterprises (e.g., Brazil, Chile, China) as to multinationals. Once they begin taking seriously the economic and political implications of global infrastructure change or global political change, they may make even more valuable contributions.

IMPLICATIONS FOR MANAGERS

The social license has developed in recent years from a metaphor into a management tool. This has been possible because of efforts to measure the social license and theorise it within the domain of business strategy and competitiveness. The definition of factors and levels of the social license leads to direct advice for managers: assess the situation through stakeholder identification, research and analysis; and develop a strategy for stabilising the network structure.

The foundation of the strategy should be ensuring legitimacy related to benefits, making sure that the disproportionate costs of mining borne by local communities are reduced and balanced with meaningful benefits. The traditional tools of CSR and community relations can be oriented to this purpose. Strategic use of community and local infrastructure investment funds, employee volunteering initiatives, local procurement and hiring, partnerships with community, social and environmental groups, collaboration with local business and industry groups, land use conflict policies and so on can all help ensure that stakeholders' daily cost/benefit calculations are positive. Beyond that, different network structures may call for specific efforts to strengthen relations not just between a corporation and its stakeholders (a traditional approach to stakeholder relations), but *among the stakeholders themselves* (a political approach to stakeholder relations).

Second, credibility needs to be established through consistent and trustworthy behaviour of company representatives (both directly employed and contractors) in dealings with stakeholders. Promises made must be kept; unkeepable promises must not be made. While most mining companies have a code of conduct or similar document, the implementation of policies is sometimes inconsistent. Policies, management standards and procedures, contracting rules, performance management processes and regular compliance audits all need to reinforce the required behaviour and correct inappropriate behaviour.

Third, the company as an institution needs to build and strengthen its social contract within communities and regions through its interactions with the other institutions in the community. Corporations need to become political actors in the sense of being good corporate citizens. Corporate citizens have both rights and responsibilities as members of the community. For example, corporations have a responsibility to participate in regional development and in resolving issues that affect both the corporation and the wider community. In Australia, strategic land use planning would be one such issue.

Finally, there may be a limit to how high individual mines and companies can drive their social licenses, even with the best strategies. The benefits of mining are diffuse and far from the mine pit whereas the costs are concentrated, local and cumulative. Industry associations have a special role to play here. Leadership within multi-sectoral, multi-national policy networks for the governance of the industry could help renew the social contract between mining and society. For example, the Dutch Coal Dialogue (2011) and the Upper Hunter Mining Dialogue (New South Wales Mineral Council, 2012) show how this could start.

CONCLUSIONS

The success of the social license in evolving from a metaphor to a strategic management tool is due to the efforts over a number of years to define and measure it with a reliable, valid and practical instrument.

The need to define and measure the social license has been driven by increasing conflict between mining companies and communities over the just distribution of the costs and benefits of mining. Conflict has fuelled socio-political instability in all parts of the mining world from remote locations in developing countries to semi-urban and economically well-established communities in the developed world.

Development of the social license is now at a point where it has been validated as an effective approach at over 40 sites and in very different cultural and political contexts. However, more work remains. Important remaining challenges include modelling different management strategies for the social license, understanding national differences in criteria for granting a social license, and understanding interactions between project and industry levels of the social license. In addition, we need to extend the validation of social license measures to other stages of the mine life cycle, especially the construction and closure/post closure stages.

As a general management perspective, the social license has the potential to transform corporation-community relations, sustainable development outcomes, soft and hard policy and governance approaches to mining. In this paper we have drawn particular attention to the implications of the social license for the socio-political rights and responsibilities of the mining industry in its relationships with society. Our analysis suggests that the ease of winning a social license at the local project level is substantially affected by the rights and responsibilities attributed to the whole mining industry in whatever social contracts exist, or are being promoted, at the national and international levels. Instability at higher levels of socio-political organisation has impacts at the project level.

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FIGURE CAPTIONS

FIG 1 - The factors of the social license superimposed on colour coding of its levels with level labels (in capitals) and transition criteria (in italics) on the right side

FIGURES

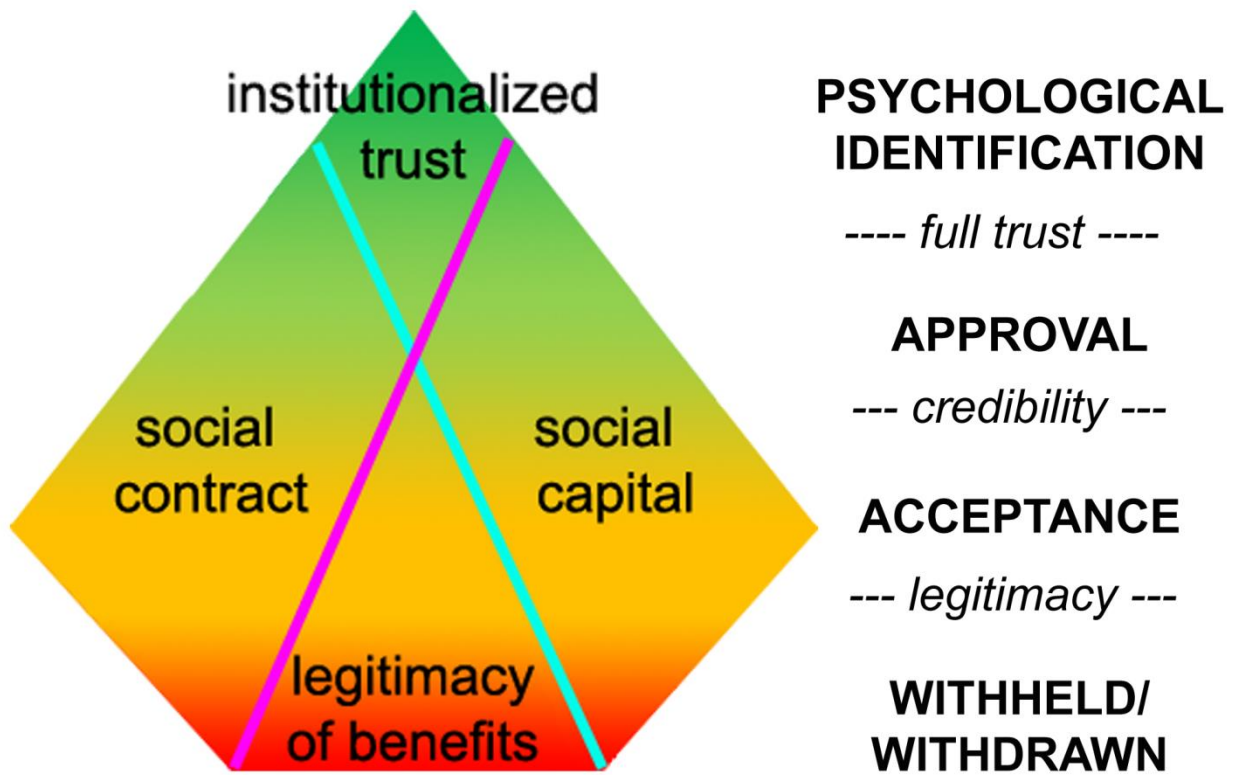


FIG 2 - The factors of the social license superimposed on colour coding of its levels with level labels (in capitals) and transition criteria (in italics) on the right side