Earning and maintaining social licence to operate

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Context

Companies have never been subject to as much scrutiny from society as they are now. In the context of global warming and societal issues, businesses need to demonstrate their contribution towards tackling key problems. 'Business as usual', with a sole focus on profitability, has become obsolete. Purpose-driven companies are reaping the benefits of a focus on their triple bottom line of people, planet and profit — positioning themselves for sustainable success. The time has come to focus, not on being the best in the world, but the best for the world. In other words, companies need to earn their 'social licence to operate' (SLO).

Obtaining the 'social licence to operate' from local communities has been a challenge for South African companies across many industry sectors (with perhaps those in the mining industry being the most prominent). Companies need to create real value for the communities in which they operate (across their value chains) in order to succeed, otherwise they risk facing increasing opposition to new and existing projects.

Due to an increased risk of events related to climate change, such as water stress, new business models also need to integrate the needs of the community, and protection of ecosystems, with corporate ambitions.

By creating jobs, training workers, building physical infrastructure, procuring raw materials, transferring technology, paying taxes, and expanding access to products and services ranging from food and healthcare to energy and information technology, companies affect people's assets, capabilities, opportunities, and standards of living — sometimes positively, sometimes negatively.

Because these people are employees, customers, suppliers, distributors, retailers, and neighbours of the companies, their growth and well-being matters to the bottom line. Furthermore, decisions taken by companies influence whether or not they have happy customers, healthy value chains, contented local communities, and supportive governments and other stakeholders — now and into the future.

Historically, businesses took a view that social justice was a matter that should be addressed by government. While the provision of a social safety net is no doubt a primary role of government, the macro-economic shocks associated with a vulnerable society remain persistent and endemic, for a range of reasons both within and outside direct government control. As such, it is in the interests of all role players to address social concerns.

The United Nations Sustainable Development Goals (SDGs) provide goals and targets for companies to consider in their efforts to address social (as well as environmental and governance) issues. The SDGs also provide a multitude of commercial opportunities for companies that seek to solve key problems through the development of relevant products and services.

Best practice

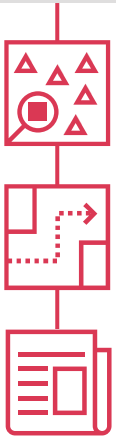
Maintaining and enhancing a social licence to operate could take the form of a coordinated, large-scale effort (covering multiple business activities), but it is more likely to be shaped by the company's response to individual issues faced by communities on a daily basis, for example:

- Improving relationships with various stakeholders (e.g. investors, regulators, communities and employees);
- Demonstrating return on investment (RoI) and/or social return on investment (SRoI);
- Addressing risks and concerns in the company's value chain; and
- Approaching engagement with specific stakeholder groups.

So, what can companies do while tackling such challenges?

Following a robust and logical process is key to ensuring that efforts are effective in yielding the desired outcomes.

An example of this is Awareness



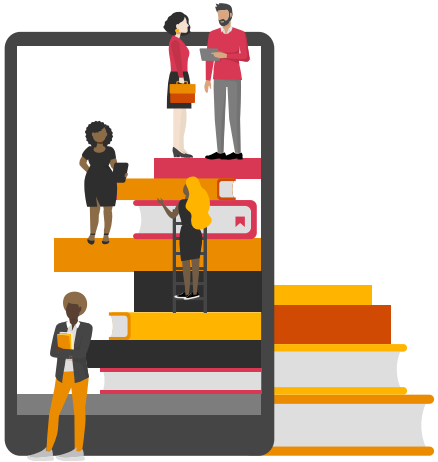
Prioritisation

Strategy and implementation

Impact measurement and reporting

Firstly, companies need to obtain a deep understanding of the communities in which they operate — what do they want/expect from the company and what issues do they struggle with daily (the awareness phase). A big mistake some companies make is thinking that they 'know best' when it comes to working with local communities rather than taking their cue from what people have to say. This has a great potential of alienating stakeholders (and in turn can lead to severe disruption to business models through strikes and protest action).

Methods that can be used to gain understanding include:



- Community leader engagement
- Surveys and interviews across stakeholder groups and demographics
- Sourcing and interpreting relevant publicly available information (e.g. census data, economic, health, education and crime statistics)
- Social impact assessments
- Economic impact assessments

Gaining a full understanding of the social landscape can enable companies to make informed decisions about their strategic direction.

Companies need to consider what impacts they want to make in order to address the issues identified during the awareness phase. It is impossible to tackle everything, so companies need to think about those issues they care about the most (perhaps those that are most aligned with their organisational culture) and prioritise them.

During the prioritisation phase, companies can consider the United Nations Sustainable Development Goals (SDGs) and how these relate to their business. By undertaking a process of considering which SDGs resonate the most (ideally those where it can create the most profound impact), the company can narrow down its list of priorities to something that is realistically achievable.

The strategy and implementation phase sees the company developing solutions and an overall project plan and timetable. Examples of initiatives could be:

- Local procurement projects
- Small business incubation
- Encouraging other companies into the area (job creation)
- Scholarships and other education initiatives.

It is not necessarily the case that the solutions need to take the form of corporate social investment (CSI). Interventions should ideally have a commercial purpose, even if they are long-term in nature, rather than being CSI focused. The SDGs will create billions of dollars of commercial opportunities by 2030. By focusing on how they can address social problems, companies can take advantage of these commercial opportunities rather than simply increasing CSI spend.

As mentioned above, alignment with all the 17 SDGs is unlikely to be possible (and efforts to achieve this may be counterproductive). In South Africa, 'empowering people and ensuring inclusiveness and equality' has been identified as the government's immediate mission.

Accordingly, a number of goals have been prioritised by government, including:

Goal 8 (Promote sustained, inclusive economic growth, full and productive employment and decent work for all)

Goal 4 (Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all)

Goal 13 (Take urgent action to combat climate change and its impacts)

Goal 10 (Reduce inequality within and among countries)

Goal 16 (Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels).

The prioritisation of these goals aims to address some of the major challenges to sustainable development in the country, such as: persistent high levels of inequalities, violence against women and femicide, discrimination rooted in the past, and a high degree of dependency on fossil fuels.

Companies that are unsure of what impacts they want to achieve can consider those SDGs that have been emphasised by government. This will help them to align their contribution to the national development effort — which is also aligned with the South African National Development Plan (NDP).

It is important to remember that dialogue with communities hasn't stopped at this phase. It will be important to 'test the water' with stakeholders to ensure that the company doesn't waste time and resources going down the wrong path.

Another important consideration is to think of the bigger picture:

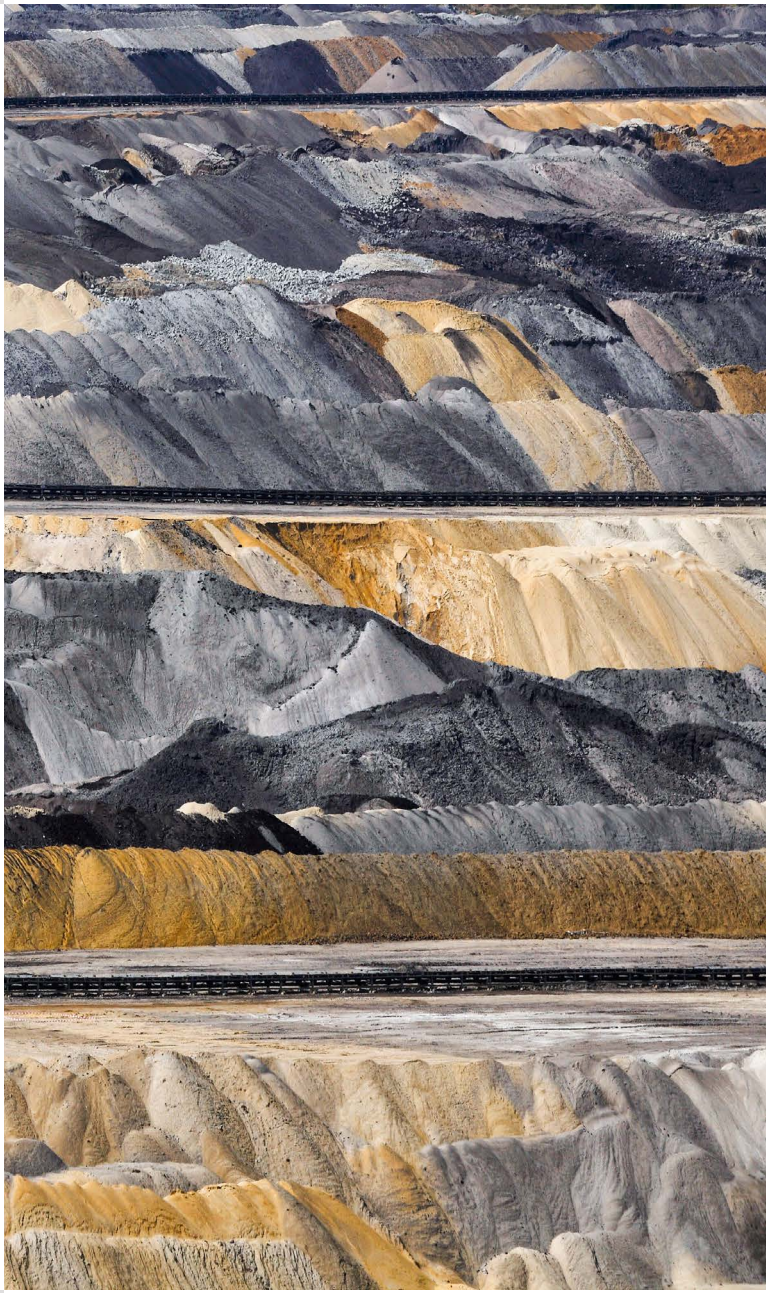
1. Are there other companies operating in the same communities? How can you cooperate and coordinate with them to have a meaningful impact?

2. Can you complement existing initiatives instead of competing with them?

Another benefit of aligning SLO strategy with the SDGs is the individual targets related to each SDG. These provide a sound basis for companies to establish their own targets against which to measure the progress of their SLO initiatives as they contemplate the impact measurement and reporting phase.

It is critical that companies continually monitor and evaluate (both qualitatively and quantitively) the impact that their SLO initiatives are having. This will help not only to gauge success, but to also change plans where there is a need to. This reinforces that the SLO process is not linear and could involve 'going back to the drawing board' on certain facets. This should not be seen as failure but rather an effort to make everything the company is doing as relevant as possible to the communities in which it operates. This message will resonate with stakeholders if communicated effectively.

High quality reporting and other forms of communication are crucial. This can be something as straightforward as including SLO as a material topic in an integrated report (along with details of how it is being addressed) or a more complex series of dialogues with communities on the progress of initiatives. Communication must also be balanced — stakeholders appreciate clarity even when the message might not be what they want to hear.



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