



The role of relationships in achieving and maintaining a social licence in the New Zealand aquaculture sector



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ARTICLE INFO

Keywords:

Aquaculture
Company-community relationships
New Zealand
Relational and transactional relationships
Social licence

ABSTRACT

Based on a conceptualization of ‘social licence to operate’ drawn from recent international literature, this research explores the role of relationship building as an element of the process of gaining a social licence. Drawing on an interview-based case study of the aquaculture industry in New Zealand, this paper describes the motivations for seeking social licence, the approaches that have been adopted, the outcomes sought and the challenges faced by those involved. The findings are discussed in a framework of relationship typology – transactional or relational. We find that those companies and communities that are able to form more relational relationships are more likely to gain community buy-in and thus a social licence. Our findings indicate that relationship type is related to scale, and that there are lessons that large-scale companies can incorporate into their business models that enable them to build relational relationships, gaining social licence and thus operating more sustainably.

1. Introduction

Social licence has emerged in recent years as a concept to describe the informal approval or acceptance that communities grant to a resource development company or industry (Thomson and Boutilier, 2011). While social licence, or social licence to operate (SLO), emerged in the discourse from several industries in the mid-1990s (c.f. Moore, 1996; Edwards et al., 2016), it is still a relatively new term in New Zealand. The earliest conceptualization of SLO was around the political risk associated with mining, and the need for mining companies in developing countries to demonstrate their operations were good for the country and government (Cooney, 2017). Moffat and Zhang (2014, 62) have since developed a conceptual model of the most significant elements that contribute to SLO – impacts on social infrastructure, contact quality, contact quantity, procedural fairness, leading to trust, acceptance and approval. From this foundation, Moffat et al. (2016) and Edwards and Trafford (2016) have suggested that there needs to be further examination of how companies and industry can successfully obtain and maintain a social licence to operate.

Understanding the concept of SLO requires consideration of SLO as an *outcome* of various social *processes* arising from the *relationships* between various parties that have overlapping interests in the use of *contested public resources*. When considering the proposition that there may be context-dependent processes to obtain SLO, one core message

that emerged not only from Quigley and Baines (2014), but a significant number of other authors (c.f. Steiner, 2013; Boughen et al., 2014; Hall et al., 2015; Gallois et al., 2016) is the significance of meaningful engagement with communities in order to build solid community-industry relationships.

In addition to engagement, trust-building, and information sharing (Boughen et al., 2014; Hall et al., 2015; Kelly et al., 2017), other processes found to be important in gaining and maintaining a SLO were accountability and clear two-way communication (Vanclay, 2012; Leith et al., 2014; Hall et al., 2015). Vanclay (2012) further noted that industry and communities need to acknowledge and respect each other's values and concerns as legitimate.

Emerging from the literature is the proposition that the outcome and the processes should exhibit certain *attributes* in order for SLO to be established, such as trust, fairness and reciprocity (Boughen et al., 2014; Hall et al., 2015). Furthermore, it is helpful to consider that the establishment of SLO may occur across a *hierarchy* of possible outcomes, ranging from mere *acceptance* of an activity to a *shared identity* between the community and the company associated with the activity (c.f. Thomson and Boutilier, 2011).

In New Zealand, aquaculture has been at the forefront of primary sectors exploring SLO (c.f. Quigley and Baines, 2014; Baines and Quigley, 2015), likely due to recent critical public opinion in response to proposed plans for expansion. Quigley and Baines (2014) note that

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within the next eight years, 70% of all existing marine farm consents (New Zealand ‘regulatory licences’ allowing aquaculture operations) will expire. While a SLO is not a pre-requisite for legal activity, it can be helpful in a regulatory environment to demonstrate widespread social acceptance for an activity (Cooney, 2017). Having social acceptance of a proposed activity (or its renewal) can improve companies’ likelihood of obtaining further legal licences (Haward et al., 2013; Cullen-Knox et al., 2017; Kelly et al., 2017). Cullen-Knox et al. (2017) do highlight that the political pressure generated by communities for a company to obtain a SLO and have a legal licence rest on it may actually override scientific evidence.

Further, as, the Ministry for Primary Industries (MPI) hopes to grow the New Zealand aquaculture sector to a \$1 billion industry (MPI, 2012) Kelly et al. (2017) highlight the essential nature of a SLO for the future of aquaculture. In particular, as aquaculture attempts to move into areas where there are significant numbers of people, tensions between industry and communities may become more prominent (McGinnis and Collins, 2013), increasing the necessity of a SLO.

Social licence is therefore a critical issue for the New Zealand aquaculture sector. Leith et al. (2014) highlight that stakes and interests in coastal areas are just as divergent as in land-based resource developments. For the New Zealand aquaculture sector to grow, the sector must be able to negotiate effectively a social licence with its communities of interest. Effective negotiations require effective relationships and mutual trust. In surveying the social licence literature, Baines et al. (2017) found four ‘key’ elements – communication, engagement, trust and sustainability. Typically, there is no mention of the relationships that are being formed through communication and engagement and are supposed to result in trust.

Relationships can be categorised broadly into relational and transactional relationships (Millward and Hopkins, 1998), which differ with respect to focus, time-frame, stability, scope and tangibility (Grimmer and Oddy, 2007). Relational relationships are broadly based on socio-emotional factors, for example, opportunities for development or an improved environment, and can be more intangible (Grimmer and Oddy, 2007; Montes and Irving, 2008). Transactional relationships are generally short term and are based on compensation, often monetary (Grimmer and Oddy, 2007; Montes and Irving, 2008) or some form of collateral expectation, i.e. corporate promotion in exchange for sponsorship. Either can form the basis for what has been termed a ‘psychological contract’, that is, the beliefs (sometimes highly subjective) about the conditions of an agreement between two parties, which go beyond a formal contract (Grimmer and Oddy, 2007). We can thus draw some parallels between the psychological contract and social licence, particularly the socio-emotional factors, intangibility, and its reach beyond the formal or legal.

Recent research by Lytle (2016) in the forest products industry seems to suggest that the ‘level’ of SLO granted by a community is higher when local companies are involved as community and industry values are more aligned, which is mediated through relational relationships. Conversely, corporates, or non-local companies, are so far removed from the local context that the relationships they develop (more transactional) do not necessarily reflect aligned values and thus a lower level of or non-existent SLO.

With this in mind, we examine what it is about the relationships between communities and companies that will likely lead to a social licence, the fullest manifestation of which is evidenced by widely-acknowledged high levels of mutual trust (Thomson and Boutilier, 2011). Many studies of social licence have focused on a single company, operation or community. However a more comprehensive examination of social licence across a range of communities and companies is required to understand the phenomenon more fully. By studying several companies of very different scales in the aquaculture industry, interviewing both company and community representatives, we aim to offer some more generalizable insight into the relationship factors that support a successful SLO outcome. We aim to identify approaches, processes and

methods for commercial entities to develop and maintain relationships that can lead to a social licence to operate in a manner that promotes sustainable utilisation of contested public resources based on socially inclusive management.

2. Methodology

A selective review of international literature, focusing specifically on the marine and aquaculture sectors and the topic of ‘social licence’ was undertaken in order to update previous New Zealand-focused work by Quigley and Baines (2014) and Edwards and Trafford (2016). Some additional examination of recent conceptual papers was also undertaken, however, literature specific to other sectors was not included because of our narrow focus on aquaculture. The primary objective of the review was to identify and distil what might be considered as the essence of the concept of SLO and its potential applicability with respect to marine sectors: aquaculture, fisheries, ports and off-shore mining.

Identifying the concepts underpinning SLO allowed us to develop a semi-structured interview frame (c.f. Kvale, 1996) to explore the current New Zealand experience of SLO. In each case, interviewees were selected both from within the operating company and from external interests. Because of the amount of rich material obtained from the aquaculture sector, this paper will focus on the learnings from aquaculture.

The interview frame adopted a 2-stage approach. In the first part of the interview, the phrase “social licence” or “social licence to operate” was never used by the interviewer. Rather, the interviewer asked questions about the existence and nature of relationships between the commercial operator and other parties that were considered important. The interview canvassed the processes involved in developing such relationships, the attributes supporting good relationships, the outcomes desired and the factors considered likely to influence success. In the latter stages of each interview, the concept of SLO was formally raised for discussion. This involved considering how the concept might be similar to or different from the outcomes of relationships already discussed in the early stages of the interview. The interview also then explored the perceived challenges to developing and maintaining SLO and the interviewee’s assessment of the current status of SLO for the company concerned.

As this work is exploratory, this paper draws upon the responses from eight interviews conducted by two interviewers using a common semi-structured interview rubric; interviews lasted between 60 and 90 min each. The interviews involved several large and small companies in the New Zealand aquaculture sector and four associated community representatives/groups. Where the context does not indicate, quotes in the results have been coded with a (*) for large aquaculture companies, (+) for small aquaculture companies, (#*) for community groups commenting on large companies and (#+) for community groups commenting on small companies. Several criteria might be used to differentiate large from small companies - tonnages produced, capitalisation, nature of company ownership, and number of production sites. For this research, we focused on the last of these criteria – number of sites, because we are interested in the extent of interactions with communities of interest.

The interviews were transcribed and each was manually coded according to the relationship-related themes below:

- Approaches to engagement that are used or support SLO
- Outcomes as a result of community/company relationships
- Key attributes supporting good relationships
- Who is involved in the relationships associated with SLO?
- Success factors in establishing SLO
- Challenges in developing relationships

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