

CREATING SHARED VALUE TO
GET SOCIAL LICENSE TO OPERATE
IN THE EXTRACTIVE INDUSTRY

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CREATING SHARED VALUE TO GET SOCIAL LICENSE TO OPERATE IN THE EXTRACTIVE INDUSTRY

A Framework for Managing and
Achieving the Social License to
Operate

BY

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Dedicated for

- *my children who always fight to achieve their dreams;*
- *my wife who always supported me in my dreams;*
 - *my parents who tried hard to educate me;*
 - *my sisters who encouraged me to continue.*

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PREFACE

Cesar Saenz

One of the major problems behind the extraction of natural resources is the bad relationship between the companies and communities. This relationship has suffered damage over time; for example, the communities have been displaced from their lands without prior consent, and they have undergone major changes in their lifestyle and have seen their land and water sources contaminated. On the other hand, companies have also suffered in this process such as the stoppage of their operations and damage to their reputation and their business value. However, over time, this company–community relationship has improved in many cases and has shown that it is possible to have a good coexistence, and that they are able to reach agreements where both parties feel like winners and get the social license to operate (SLO). To achieve this, the company has had to create strategies of shared value creation to demonstrate that development is for everyone.

This book presents a framework of the strategic management of shared value creation to get SLO. The framework is the result of various investigations carried out in various cases of extractive companies where the company–community relationship, the conflict between the parties, and the creation of value to obtain the SLO were analyzed. This book, therefore, provides a comprehensive vision of how to manage the creation of shared value to gain the SLO.

To start with this new knowledge, we start with Chapter 1 where we define the creation of shared value and its relationship with the SLO. In Chapter 2, we learn about the stages of a social conflict, in order to analyze their motivations, the strategies of both actors, and the conflict resolution mechanisms. Then, we go through Chapter 3, where we will learn to evaluate the internal and external factors of the company’s social management that will allow the company to generate a social management improvement plan. In Chapter 4, we will learn about the creation of value based on a good company–community relationship where we will differentiate different models of company–community relationship. In Chapter 5, we will learn that it is

necessary to build legitimacy and trust between the parties for the creation of shared value. Chapter 6 presents the extractive game triangle model to understand the perceptions of the main social actors in a social conflict. Finally, Chapter 7 shows the implementation of shared value creation to achieve sustainable development goals and presents diverse examples of real cases where companies show the creation of shared value as a strategy to achieve sustainable development goals.

The framework is dynamic and continuous. A change in any one of the major components in the framework can necessitate a change in any or all of the other components. For instance, a shift in either internal or external conditions could represent a major opportunity and require a change in long-term objectives and strategies; a failure to build legitimacy could require a change in policy; or a major government's change in strategy could require a change in the firm's objective.

Welcome to the strategic management of shared value creation to get SLO framework. This is a challenging and exciting capstone topic that will allow you to function as the owner or chief executive officer of an extractive company. Your major task in this topic will be to make strategic decisions to create shared value to earn SLO. Strategic decisions determine the future direction and competitive position of an extractive company enterprise for a long time.