

# Social performance – a new professional discipline

It is vital for mining companies to understand ‘social performance’ and how it affects their business

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**E**xtractive industries are mostly unwelcome in advanced economies. However difficult for Australian mining professionals to accept, it is unlikely that our industry will ever be liked in its home base – the best we can hope for is quiet acceptance. For that matter, nor are we well-liked in most of the off-shore frontiers we have been moving to for several decades. While we might be welcomed as agents of development, we are largely regarded as outlanders.

Intuitively we know that we may alienate local people and face high risk of project delay or suspension through community conflict, and increasingly we have quantifiable verification of this. Davis and Franks (2014) provide a sample of 50 extractive projects globally in the past decade where 20–30 per cent have been delayed, suspended or curtailed because of one form of social conflict or another. The ICMM has published similar statistics (2012), with both studies refining analysis to identify proximal and underlying causes.

Many extractive sector defenders seek to blame the world for this situation, saying things like ‘the problem is out there’ and ‘we are just not getting our message across’. While some of this may be true – extractive businesses are indeed the target of vexatious claims, of vested interests, of resource nationalism, rent-seeking and of ideologically driven anti-development lobbyists – much of the difficulty is due to our industry’s own lack of social competence.

With some exceptions, as an industry, we suffer a deficit of professional competence for analysing and understanding socioeconomic and socio-political circumstance. No matter how many times we tweak our ‘stakeholder maps’, we will not find a

pathway to development consent by seeking popularity through advocacy. We should stop trying to be popular and simply accept that we are an awkward neighbour to be tolerated. The way to acceptance is to demonstrate consistent respect and behaviours towards our near neighbours to earn their trust (which is different to being liked). In industry shorthand, this is often referred to as ‘earning a social licence’, and the necessary governing framework is increasingly known as ‘social performance’.

To achieve systemic ‘social licence’ improvement, whole-of-business comprehension on what constitutes social performance is necessary. Such a business-driven approach can emulate the performance excellence our industry demands of itself in other work domains, such as safety, operations and financial management. The current lack of comprehension is epitomised in the frequent confusing of external affairs for social performance.

### Social performance and external affairs

It is appropriate to examine the mistaken belief that social performance and external affairs (also known as public affairs or corporate affairs) are the same thing and can substitute for one another. They cannot.

In a nutshell, social performance concerns asset-level behaviours and activities involving direct and local social interactions; external affairs is a corporate function that delivers value by representing company policies, commitments and achievements to a broader audience. It complements social performance in the same way it complements safety, environmental and financial performance.

### The realm of social performance

Securing project consents and maintaining societal stability and public approval in the 21st century requires a radical realignment of thinking, not dissimilar to the realignment that occurred in OH&S in the past two decades. This new thinking is the realm of social performance.

The realignment is required because the last 30 years have seen a dramatic shift in the social expectations of extractive businesses. Historically, ‘community relations’ was regarded as an add-on function that was marginal to the real business of ore discovery, mining and processing. Having secured legal permits from government, extractive businesses frequently functioned as closed systems, epitomised by the purpose-built mining town managed by the company as an essential element of its production system.

In the 21st century, while governmental regimes still issue legal permits and maintain control of taxation and royalty streams, local community groups increasingly have greater control over their own destiny on day-to-day issues. This means that instead of relying solely on sovereign legal entitlement, businesses must also secure a ‘social licence to operate’; in essence an intangible social contract that derives from a developer’s ability to work with communities and stakeholders and demonstrate to them that it is in everybody’s best interest to develop and exploit a natural resource. Governments are then more comfortable endorsing what is being proposed and issuing permits to the developer.

When asked what is most important to them, people living in economic frontiers (which is where new extractive projects tend to be) will usually answer in words of their own ‘economic and livelihood





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certainty’, ‘respect for our way of life’ and ‘environmental security’. On this basis, extractive businesses are best served by a strategy that contributes to local governance and local economic development, and demonstrates respect for local culture and local environmental values.

An effective ‘social licence’ strategy needs to fundamentally turn on whether a mine has a projected short or long life and whether it is in a populated or unpopulated area. If a mine has a short projected life (less than 15 years), the strategy from day one should be directed to closure planning. In these circumstances, businesses must do all that they can to contribute to the local economy in return for support, but recognise that time is a limiting factor. This means minimising the mine’s impact on local communities and environment; reducing the physical ‘footprint’, minimising development expectations, setting aside a remedial bond and planning for successor beneficial land use.

Long-life assets (greater than 15 years projected life), and particularly those with many people living close by, require fundamentally different thinking. Long-term business certainty, amongst other things, requires operational security. This is dependent on long-run social legitimacy and political acceptance; which in turn is dependent on long-run societal stability. Militating against this in many parts of the ‘developing’ world is rapid, but unevenly distributed, economic growth; disruption of traditional industries (especially agriculture); and

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high rates of population growth as child mortality rates decrease, life expectancy is extended and in-migration brings many newcomers into the region. These newcomers are often unwelcome as they place an increased burden on existing resources and social services. A burgeoning population of unemployed young people, many of who are ‘outsiders’, is a recipe for social unrest, which is a first step towards business disruption. Intergenerational transition can be a particularly difficult period. In these circumstances, fostering stable social norms, growing broad-based livelihoods and evolving civic governance to match new circumstances is vital. This is not currently a big issue in most of Australia, but is frequently an overwhelming issue elsewhere.

To understand this and the likely trajectory of local development and how to work within it, extractive business personnel need to participate in properly constituted local induction courses, comparable to behavioural safety training. Think of this as the first pillar of social performance. Courses should oblige personnel to listen, reflect and discuss the

consequences of poor behaviour, and should apply to all the workforce, not just expatriates and those in specialist roles. National staff members need the instruction as much as any, particularly if they come from an urban background, which is where many young professionals in extractive businesses are recruited from. Perhaps most important of all, the curriculum for local induction courses should largely be determined by local people based on what is important to them, not outsiders.

The next pillar of social performance is addressed along functional department lines. For instance, human resources needs to give concerted attention to employing local people who have frequently never worked in an industrial environment, linked into local education options that enhance ‘employability’. Procurement needs to provide for scaffolding local service and supply on an escalating trajectory, and link it to expanding the indirect and induced economy.

The security department needs to set up site access and exclusion protocols that acknowledge local people and local



authorities who can serve as ears and eyes, and who gain recognition for their status as custodians of civic order. After all, they are just as interested as extractive businesses in preventing unlawful and antisocial behaviours by marginalised people in their midst. Similarly, the environmental department should acknowledge and involve local people in the understanding and management of environmental resources, eg mitigation, intervention and monitoring, recognising them as custodians of the local landscape. Land restitution, life-of-mine planning and post-closure land use aligned to local perspectives needs to be central to this thinking.

The finance and accounts department can usefully assist with local governance and civic administration, such as helping local government (but not substituting for it), assistance with local fiscal management, audit advice, mentoring local interns and assisting with submissions to central government. Infrastructure and asset managers can design and manage company assets and ancillary infrastructure in a way that provides for maximum civic access (as appropriate), acknowledged and suitably paid for if necessary.

Maintenance and operations staff should mentor local young people as trainees and foster their development as future valuable artisans and employees. Occupational health and safety professionals can recognise and enhance the natural tendency for employees to take learnt safe behaviours home, such as wearing seat belts, drug and alcohol self-management and measures to reduce injury and disease.

Management should consciously recognise that securing social, and particularly local, support for their business is a fundamental role for general managers, and dedicate a serious amount

of time to social performance work commensurate to risk and opportunity. Debate on the detail of this is presented by Harvey (2013) and Kemp and Owen (2016).

The third pillar of social performance is the work of specialists. Depending on circumstance, this work can include: socioeconomic situational analysis and scenario planning; undertaking social impact and risk assessments, community liaison, monitoring, reporting and communication; delivery and governance of local level agreements and CSR; cultural heritage protection and management; the management of local concerns, issues, grievances and achievements; compensation for damage, resettlement and economic displacement; human rights due diligence; dealing with the challenges of migration, influx and local population growth; interface with Indigenous and land-connected peoples; addressing local 'resource curse' issues, such as inflation and economic leakage; being responsive to community gender considerations, minorities and marginalised people; dealing with community health issues, including the control of transmittable diseases; and working to improve local civic and fiscal governance where government is weak, corrupt or absent.

Discussion on each of these highly specialised areas could fill a textbook. Increasingly, as relevant, they are performance imperatives to secure Equator Bank and other financing (IFC, 2012).

### **The realm of external affairs**

External affairs has a different purpose to social performance. Its overarching purpose is to communicate to stakeholders the things the business wants them to know. When this

communication is done well, it is segmented into informational, attitudinal and behavioural dimensions. To be effective, the messaging needs to be tailored to target audiences whilst preserving key content. For instance, directly affected community groups usually prefer their communication the traditional way: face-to-face with asset-based personnel who have technical or managerial authority. The denizens of social media prefer their communication spoon-fed as imagery and sound bites.

The management of government interface at national and regional level is an important external affairs function (local government interface should be the remit of asset-based personnel who understand local context and norms). Government interface needs to consider the elements of successful governance and authority, described by Fukuyama (2011) as 'accountable government', 'functional government' and the 'rule and certainty of law'. Focal areas of engagement include seeking to positively influence legislative review and reform, seeking to optimise taxation and other 'rents' and the shepherding of licences and permits through bureaucratic processes to achieve timely approvals.

Managing investor relations is market-sensitive external affairs work that I know little about, other than knowing any asymmetric release of information can get executives and board members into serious trouble. Likewise, media management is something of a black art, not just the simple preparation of press releases. Before social media, surely more than a million media stories could have potentially made it on to the front pages of the many thousands of newspapers around the world every day. Now, social media adds an exponential new challenge. The art of securing front page attention to business-positive stories in a maelstrom of media noise takes real skill, as does drowning out any negative stories.

Engaging with non-local NGOs and international agencies is a vital requirement to keep abreast of international agendas and the ever-shifting gun sights of scrutiny, whether they are material to actual business circumstance or not. Participation in extractive industry representative bodies is the other side of the coin. Extractive businesses are subject to the phenomenon of the lowest common denominator; while individual businesses seek to positively differentiate themselves, poor industry norms can drag all down and no

businesses want to be tarred by association. Similarly, working with other extractive businesses and industry sectors is important, particularly on matters of safety, social, and environmental performance improvement. Coordinating with other businesses and learning from other sectors can be highly effective; however, great care must be exercised to avoid anti-competitive behaviour.

Engagement and enlistment of other nations in high sovereign risk situations is important, including synergy with their soft-power and direct aid programs. In countries where sovereign risk (not the same as societal risk) is extreme, extractive businesses need to be able to influence the international network of responsible sovereign nations to 'lean in'.

National and provincial-level giving programs, including formal trusts, funds and foundations, are an external affairs function (notwithstanding the paramount importance of local social performance, it is also important to demonstrate allegiance to provincial and national stakeholders). This is a particularly difficult activity to manage and keep everybody honest; hence legal oversight alongside external affairs is important.

The compilation and reporting of a company's position on cross-cutting themes and international agendas, such as human rights, biodiversity and climate change, is another important external affairs function, particularly to promote company achievement and to stay engaged in international debates and dialogue. An important subset of this work is completing survey instruments, such as

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the Dow Jones Sustainability Index, in a way that secures superior ranking.

Working closely with the legal function, external affairs manages quasi-legal correspondence that threaten legalism on stakeholders of various kinds where necessary, with the aim of testing any vexatious intentions and the potential boundaries of legal remedy before entering full legal relations.

Brand promotion is a focus of many external affairs departments, although personally I am not sure why 'pure play' extractive businesses put much effort into this. They are not selling into a customer sensitive market, so who exactly is the target of such marketing? Supply-side stakeholders are mostly not amenable to brand persuasion and reputational negatives accrue far more persistently than positives, so it would seem to me that 'keeping your nose clean and head down' is the only sensible brand strategy. For downstream integrated businesses brand promotion makes sense.

The specialised skills needed to undertake external affairs work are as diverse and demanding as social performance, but require a very different skill set, as outlined in greater detail by Harvey (2017).

### Conclusion

All the above activities, and doubtless more, are necessary for success in a 21st century extractive context. There is understandably a high temptation to adopt a 'Madison Avenue' approach to social licence, which may work for short-life assets where intergenerational societal stability does not matter. For long-life assets, however, it is counterproductive, because it works against building trust. The proof of this is that lobbyists and politicians, with their superb engagement and advocacy skills, are trending lower in published trustworthiness surveys every year.

Much of the communication undertaken by the extractive industry has an absolutist tone, almost guaranteed to provoke the ire of intelligent commentators. It appears to be targeted at a global audience and is of no benefit to securing local, nor frequently even national, support; the net effect being to agitate global commentators into reaction and local people into annoyance. Furthermore, even as 'puffery' it frequently turns out badly; societal discontent and instability cannot be mollified by persuasion and can escalate to outrage ▶

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as attempts at political shortcut are revealed.

Maintaining societal stability and earning broad-based social licence is a vital competency for maintaining extractive assets. Social engagement in the extractive sector has evolved, essentially from a 'gated' perspective in the 20th century where everything outside the fence was brokered through government, into a paternalistic approach in the early 21st century involving corporate welfare, donations, advocacy and dependency. Industry is again at an evolutionary juncture; it needs to move to a social performance approach, adjusting management perspectives away from quarantined thinking and risk modelling

into leveraging competitive advantage to create wealth, societal stability and political support local to extractive operations. Broader support through external affairs work can then be nucleated from this. Equally, social performance does not apply beyond the valley of the asset and attempts to apply external affairs approaches locally cannot substitute for social performance.

The AusIMM promotes professional development and competence in the extractive sector. The Institute can advance this objective by helping to fine-tune professional recognition to make clear the complementary – but distinct – skills of social performance and external affairs specialists. **B**

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