

Essays on Social License and Nonmarket Strategies Based on Social Contract Theory

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Thesis Submitted in Partial Fulfillment of the
Requirements for the Degree of
Doctor of Philosophy

in the
Segal Graduate School
Beedie School of Business

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SIMON FRASER UNIVERSITY
Summer 2022

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Abstract

Social License (SL) has emerged to become a concept significant to states, markets, and societies, but business management, when compared to other academic fields, has limited understanding of SL, because of some confusion between corporate social responsibility (CSR) and SL. In Chapter 1, I make clarifications by reviewing multidisciplinary literature through a bibliometric analysis. I found that, while SL, which is based on social contract theory, refers to community approval associated with CSR, the literature on CSR has mostly overlooked SL, because it is often grounded in stakeholder theory that seldom considers communities salient in terms of corporate financial performance.

In response to a research direction provided in Chapter 1, I examine in Chapter 2 a boundary condition challenging the positive association between CSR and SL, which many international business scholars take for granted. Applying justice-based and consent-based social contract theory, I hypothesize that CSR, which a multinational corporation (MNC) engages at the global and the local levels respectively, enhances the MNC's degree of SL approved by a local community, but this degree is offset by polarization among community members. Measured through such natural language processing and big data techniques as sentiment and emotion analysis, SL was found to be positively affected by both global and local CSR, and yet the effect of local CSR, but not global CSR, is negatively moderated by community polarization.

Responding to another research direction provided in Chapter 1, I further examine in Chapter 3 the necessary and sufficient conditions of two fundamental nonmarket strategies, specifically CSR and corporate political activity (CPA), for both SL and legal license (LL), which represent social and political legitimacies respectively in international business. Combining social contract theory with deliberative democracy theory, I hypothesize that, under deliberative democracy, high CSR and low CPA are necessary for SL, but low CSR and high CPA offer sufficiency for LL. Through a necessary condition analysis on a sample of MNCs operating in Australia, which is a deliberatively democratic country, it was found that CSR is a necessary condition for SL, whereas CPA is a sufficient condition for both LL approval and SL disapproval.

Keywords: social license; corporate social responsibility; social contract theory;
corporate political activity; legal license; deliberative democracy theory

Dedication

This work is completely dedicated to my respectful parents and close friends, without whose constant support, the completion of this thesis would not be possible. My thanks also go to my thesis supervisors. Not only have they enlightened me with academic knowledge, but they have also given me valuable advice.

Acknowledgements

An earlier version of Chapter 2 was nominated by the Academy of Management as a Best Paper for the Carolyn B. Dexter Award in 2020 and has won the Temple/AIB Best Paper Award of the Academy of International Business in 2021. An earlier version of Chapter 3 has won the Peter J. Buckley & Pervez N. Ghauri Prize for the Best Paper by an Early Career Researcher of the Academy of International Business, United Kingdom & Ireland Chapter in 2022. I acknowledge data support by the World Wide Fund.

Table of Contents

Declaration of Committee	ii
Abstract	iii
Dedication	v
Acknowledgements	vi
Table of Contents	vii
List of Tables	ix
List of Figures	x
List of Acronyms	xi
Glossary	xiii
Preface	xiv
References	xx

Chapter 1. Getting Social License Right:

A Bibliometric Analysis Using Multidisciplinary Literature	1
1.1. Introduction	1
1.2. Methodology	4
1.2.1. Co-word analysis	8
1.2.2. Co-citation analysis	9
1.2.3. Bibliographic coupling analysis	10
1.3. Findings and synthesis	11
1.3.1. Concepts	11
1.3.2. Knowledge bases	14
1.3.3. Research fronts	23
1.3.4. Synthesis	32
1.4. Discussion	36
1.4.1. Future research agenda	37
1.4.2. Theoretical contributions	40
1.5. Conclusion	41
1.6. References	42

Chapter 2. Global versus Local:

Can Corporate Social Responsibility Lead to Social License?	55
2.1. Introduction	55
2.2. Literature review on social license as a continuum of trust versus anger	57
2.3. Theoretical development	59
2.3.1. Compliance with global CSR under macro-social contract	61
2.3.2. Commitment to local CSR under micro-social contract	62
2.3.3. Community polarization and macro-social contract	63
2.3.4. Community polarization and micro-social contract	65
2.4. Research method	68
2.4.1. Dependent variable	70
2.4.2. Independent variables	71

2.4.3.	Moderating variable.....	71
2.4.4.	Control variables	72
2.4.5.	Estimation model.....	74
2.5.	Results and findings	74
2.5.1.	Robustness checks	79
2.6.	Discussion and conclusion	82
2.6.1.	Theoretical contributions	83
2.6.2.	Empirical contributions	85
2.6.3.	Managerial implications.....	85
2.6.4.	Limitations and future research	87
2.6.5.	Conclusion	88
2.7.	References.....	89
Chapter 3.	Nonmarket Strategies for Social and Legal Licenses:	
	A Necessary Condition Analysis.....	99
3.1.	Introduction.....	99
3.2.	Social contract and deliberative democracy theories as applied to corporations, government, and communities.....	103
3.3.	Theoretical development	107
3.3.1.	The condition of CSR for SL.....	107
3.3.2.	The condition of CPA for SL.....	108
3.3.3.	The condition of CSR for LL	109
3.3.4.	The condition of CPA for LL	111
3.4.	Research method	112
3.4.1.	Level of SL.....	113
3.4.2.	Difficulty in obtaining LL	114
3.4.3.	CSR	115
3.4.4.	CPA	115
3.4.5.	NCA	116
3.5.	Results and findings	116
3.5.1.	Robustness checks	119
3.5.2.	Ad-hoc analyses.....	122
3.6.	Discussion and conclusion	125
3.6.1.	Theoretical contributions	127
3.6.2.	Empirical contributions	128
3.6.3.	Managerial implications.....	128
3.6.4.	Limitations and future research	129
3.6.5.	Conclusion	130
3.7.	References.....	131

List of Tables

Table 1-I. Network of Co-Cited References about CSR in Business Management	19
Table 1-II. Network of Co-Cited References about CSR in Other Fields	20
Table 1-III. Network of Co-Cited References about SL in Business Management	21
Table 1-IV. Network of Co-Cited References about SL in Other Fields.....	22
Table 1-V. Network of Bibliographically Coupled Articles about CSR in Business Management	28
Table 1-VI. Network of Bibliographically Coupled Articles about CSR in Other Fields ...	29
Table 1-VII. Network of Bibliographically Coupled Articles about SL in Business Management	30
Table 1-VIII. Network of Bibliographically Coupled Articles about SL in Other Fields.....	31
Table 1-IX. Clusters of Knowledge Bases and Research Fronts in The Literature on CSR versus SL in Business Management versus Other Fields.....	35
Table 1-X. Future Research Directions.....	39
Table 2-I. Descriptive Statistics and Correlation Matrix.....	76
Table 2-II. Main Results	77
Table 2-III. Robustness Checks	80
Table 3-I. Summary of Main Results	117
Table 3-II. Summary of Robustness Checks	120
Table 3-III. Summary of Ad-Hoc Analyses.....	123

List of Figures

Figure 1-1. Number of Sampled Articles on CSR versus SL in Business Management versus Other Fields between 2000 and 2021	7
Figure 1-2. Maps of Co-Word Clusters	13
Figure 1-3. Networks of Co-Cited References	18
Figure 1-4. Networks of Bibliographically Coupled Articles	27
Figure 2-1. Moderating Effect of Community Polarization on the Relationship between Local CSR and SL.....	78
Figure 3-1. The Interplay among Corporations, Government, and Communities across Time.....	106
Figure 3-2. Scatter Plots for Main Results	118
Figure 3-3. Scatter Plots for Robustness Checks	121
Figure 3-4. Scatter Plots for Ad-Hoc Analyses.....	124
Figure 3-5. Supported Conditions for SL and LL.....	126

List of Acronyms

ABDC	Australian Business Deans Council
CABS	Chartered Association of Business Schools
CBA	Community Benefit Agreement
CEO	Chief Executive Officer
CEP	Corporate Environmental Performance
CFP	Corporate Financial Performance
CI	Confidence Interval
CPA	Corporate Political Activity
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
EL	Economic License
ESG	Environment, Social, and Governance
FPIC	Free, Prior, and Informed Consent
GCI	Global Competitive Index
GDP	Gross Domestic Product
G-Econ	Global Gridded Geographically Based Economic Data
GeoEPR	Geo-Referencing Ethnic Power Relations
GID-DB	Gender, Institutions and Development Database
GPW	Gridded Population of the World
GRI	Global Reporting Initiative
IA	Impact Assessment
ISI	Institute for Scientific Information
LCA	Life-Cycle Assessment
LL	Legal License
MNC	Multinational Corporation
NCA	Necessary Condition Analysis
NGO	Non-Governmental Organization
NRC	National Research Council
OECD	Organisation for Economic Co-operation and Development

PPP	Purchasing Power Parity
R&D	Research & Development
ROA	Return On Assets
SCIE	Science Citation Index Expanded
SCM	Supply Chain Management
SD	Standard Deviation
SL	Social License
SSCI	Social Sciences Citation Index
UN	United Nations
UNGP	United Nations Guiding Principles
UNGC	United Nations Global Compact
WDI	World Development Indicators
WGI	World Governance Indicators
WoS	Web of Science
WWII	World War II

Glossary

Corporate Social Responsibility	A social 'contract' between society and business wherein a community grants a firm a social license to operate and in return the matter meets certain obligations and behaves in an acceptable manner.
Corporate Political Activity	Corporate attempt to shape government policy.
Social License	The acceptance or approval by local—if not indigenous—communities and stakeholders of a business enterprise's operations or projects in a certain area.

Preface

The concept of social license (SL) emerged from the mining industry, where Jim Cooney, former Director in International and Public Affairs and later Vice President in International Government Affairs of Placer Dome, had coined the term in a roundtable organized by the World Bank in Washington, DC, USA between 19-20 March 1997 (Cooney, 2017). Its importance to the mining industry has been growing in the two decades since its introduction. In 2017, Barrick Gold's founder, Peter Munk, regarded SL as "[t]he single most critical factor" in the global mining industry (quoted from Dorobantu & Fleming, 2017, p. 4). According to a press release by Ernst & Young (2018), SL has become the biggest business risk faced by global mining companies since 2018. It has continued to be the biggest risk until COVID-19 hit in 2020 (Ernst & Young, 2019, 2020, 2021).

The concept of SL has gradually expanded from the mining industry to other extractive and resource industries, including, but not limited to, the energy industry (Curran, 2017), the marine industry (Cullen-Knox, Haward, Jabour, Ogier, & Tracey, 2017; Kelly, Pecl, & Fleming, 2017), and forestry (Wang, 2019). It has also reached manufacturing and service sectors (Graafland & Smid, 2017). Since 2020, it has begun to challenge big tech giants, such as Amazon and Google (Boston Consulting Group, 2022; Forbes, 2020; Investopedia, 2020, 2021).

In addition to its significance to business practice, SL is now crucial to global society, local communities, and nation states. At the global level, SL is recognized as a version of Free, Prior, and Informed Consent (FPIC) that such initiatives as United Nations Guiding Principles (UNGP) on Business and Human Rights demand corporations operating in Indigenous communities to obtain (Buhmann, 2016; Rodhouse & Vanclay, 2016; Wilburn & Wilburn, 2011). At the local level, Community Benefit Agreement (CBA) is being used by multinational corporations (MNCs) as a tool to obtain SL from communities (Cascadden, Gunton, & Rutherford, 2021; Dorobantu & Odziemkowska, 2017; Noble & Fidler, 2011), whether the communities are Indigenous or non-Indigenous. Other than international organizations, MNCs, and local communities, state governments play an essential role in supporting SL. For example, the Prime Minister of Canada, Justin Trudeau, has stated that "[w]e are working very hard right across the country with municipal leaders and with provincial leaders to

ensure we are creating the social licence [...] and the partnership with communities to get our resources to market in a responsible way, because that is what it takes in the 21st century” (Ottawa Citizen, 2016, p. 1).

The prominence of SL has been indicated by both an increasing appearance in news media and a rise in academic research. According to Gehman, Lefsrud, and Fast (2017, p. 293), “after mentioning the concept of social license in less than 10 articles a year from 1997 through 2002, news media mentioned social license in more than 1,000 articles a year from 2013 to 2015, and more than 2,000 articles in 2016”. Owing to high relevance of SL to extractive industries, of which environmental impacts are relatively large (Oh, Shapiro, Ho, & Shin, 2020), and to UNGP, which is considered a soft law for protecting human rights (Buhmann, 2016), SL has prompted research work in a variety of academic fields, such as environmental science (e.g., Prno, 2013; Prno & Slocombe, 2012), impact assessment (e.g., Boutilier, 2014; Dare, Schirmer, & Vanclay, 2014), legal studies (e.g., Gunningham, Kagan, & Thornton, 2004; Kagan, Gunningham, & Thornton, 2003), and human rights (e.g., Hanna & Vanclay, 2013; Morrison, 2014).

There have been indications from these articles that both human rights defenders and business practitioners distinguish SL from corporate social responsibility (CSR). For instance, John Morrison, the Executive Director of the Institute for Human Rights and Business, asserted that “CSR is often too peripheral to the core business model, [...] whereas] ‘social licence’ is a much more useful concept than CSR, as the social licence requires any business to ensure its activities respect the rights of all of those in any community” (The Guardian, 2014, p. 1). For another instance, Paul Klein, a consultant for Fortune 500 corporations, added that “Twenty twelve was the year when CSR was found to be an inadequate way of aligning business results and social outcomes. Twenty thirteen will be the year of the social license” (Forbes, 2012, p. 1).

However, not only has the academic field of business management paid limited attention to SL, but many scholars in the field have also treated SL as an extension of CSR or stakeholder theory (Raufflet, Baba, Perras, & Delannon, 2013). Indeed, the research topic of SL has hardly created a resonance within business management more than a Special Issue of the *Journal of Business Ethics* (Demuijnck & Fasterling, 2016). This Special Issue has defined SL as the “approval by local—if not indigenous—communities and stakeholders of a business enterprise’s operations” (Demuijnck &

Fasterling, 2016, p. 675). Yet, due to a sizeable body of literature on CSR as opposed to SL, business management scholars have taken for granted that CSR strategies are generically applicable to all stakeholder groups (Raufflet et al., 2013), including local communities, and that the use of CSR strategies is a common sense for improving relationships with stakeholders (Oetzel, Westermann-Behaylo, Koerber, Fort, & Rivera, 2009).

Given that the understandings about SL versus CSR are seemingly fragmented between business management and other fields, such as human rights, a multidisciplinary literature review is needed to clarify the relationship and the distinction between the two concepts, as well as the convergence and divergence between business management and other fields. Chapter 1 of this thesis serves this need by conducting a bibliometric analysis. It reveals that the concept of SL is based on social contract theory, which explains the relationship between CSR and SL, but since the literature on CSR is often grounded in stakeholder theory, which regards local communities as stakeholders secondary to corporate financial performance, the literature has mostly overlooked SL. It also reveals that the distinction between CSR and SL arises from a divergence in cognitive frame rather than academic field, as the theoretical foundations of both CSR and SL appear to be largely convergent between business management and other fields. On top of these findings, Chapter 1 provides several directions for future research on SL.

As a matter of fact, even though a diversity of theoretical foundations has given rise to multiple definitions of CSR in prior literature, social contract theory defines CSR as “a [social] ‘contract’ between society and business wherein a community grants a firm a [social] license to operate and in return the matter meets certain obligations and behaves in an acceptable manner” (Dahlsrud, 2008, p. 10). According to this definition, the exchange of CSR for SL may not always be perfect (Gond, El Akremi, Swaen, & Babu, 2017), because what is considered acceptable is at the discretion of the community instead of the corporation. However, prior literature has generally assumed that CSR can secure SL in terms of generating positive community perceptions about corporations by improving corporation-community relations (Oetzel et al., 2009; Prno & Slocombe, 2012). Thanks to some case studies, the existence of examples contrary to this assumption has been shown. For example, Chevron had initiated a partnership with the local Niger Delta community to engage in such CSR activities as social investment

and infrastructure development, but this initiative not only failed to win SL approval from the community but also led to an inter-ethnic conflict within the community (Henisz, 2016; Hoben, Kovick, Plumb, & Wright, 2012).

Addressing one of the research directions outlined by Chapter 1, Chapter 2 uses social contract theory to examine a socio-political condition that circumscribes the attainment of SL through CSR in international business. It takes both the justice-based (Lacey & Lamont, 2014) and the consent-based (Demuijnck & Fasterling, 2016) approaches advocated by social contract theorists into account. The justice-based social contract sets some universal principles called hyper-norms that transcend different communities, whereas the consent-based social contract allows moral free space for each community to create obligatory ethical norms according to its own beliefs while being compatible with hyper-norms (Donaldson & Dunfee, 1999). Accordingly, the justice-based and the consent-based social contracts correspond to the CSR activities that MNCs conform to at the global level and that MNCs customize at the local level respectively. While a social contract between CSR and SL relies on equal moral status among communities and members of communities (Lacey & Lamont, 2014), real societies are distorted by unequal socio-political power (Ast, 2019). According to social contract theory, people who know their own statuses or positions in front of the veil of ignorance tend to support initiatives that will result in outcomes beneficial to themselves at the expense of other people's interests (Donaldson & Dunfee, 1999). Such imperfection can lead to hyper-norms that are biased towards colonial or patriarchal culture (Grosser & Moon, 2019), and thus, a reduction in morality at the global level (Lacey & Lamont, 2014). At the local level, as majority vote substitutes for community consent (Demuijnck & Fasterling, 2016), marginalized groups are silenced (Lacey & Lamont, 2014). As such, Chapter 2 theorizes that both global and local CSR increase the extent to which a community grants an SL to an MNC, but this increase is counterbalanced by a polarization in socio-political power within the community.

Empirically, Chapter 2 utilizes news articles and introduces such natural language processing (Boutillier & Bahr, 2020) and big data technique (Gehman et al., 2016) as sentiment and emotion analysis (Mohammad & Turney, 2013) to operationalize SL. It is found that global CSR and local CSR both have positive influences on SL, but the influence of global CSR is larger than that of local CSR. It is also found that an increase in community polarization turns the influence of local CSR from positive to

negative but does not moderate the influence of global CSR. These findings imply that it is justice as opposed to consent that effectuates the social contract between CSR and SL in this imperfect world. Therefore, the justice-based approach is what brings the world closer to the ideal of socio-political equality.

Demonstrated in Chapter 2, CSR is indeed necessary but is itself not sufficient for SL, which manifests socio-political stability (Boutillier, Black, & Thomson, 2012), because equality in socio-political power is another necessary condition for SL. Speaking of socio-political stability, corporate political activity (CPA) is the nonmarket strategy apart from CSR that prior international business literature has claimed to help stabilize socio-political risks (Mellahi, Frynas, Sun, & Siegel, 2016). However, while CPA, as “[a] corporate attempt[...] to shape government policy” (Hillman, Keim, & Schuler, 2004, p. 837), may help an MNC secure legal license (LL), it is antithetical to SL, because, according to social contract theory, it “allow[s] a subsection of society (shareholders of publicly listed companies) to enjoy disproportionate [political] influence” (Dahan, Hadani, & Schuler, 2013, p. 376). In other words, LL may sufficiently be achieved by increasing CPA, but decreasing CPA is necessary for achieving SL. Hence, there seem to be tensions not only between the sufficient condition for LL and the necessary condition for SL in terms of CPA but also between CSR and CPA in terms of the necessary conditions for SL, both of which require further examination.

The complementarity versus tension between CSR and CPA is inconclusive in prior literature (Mellahi et al., 2016; Sun, Doh, Rajwani, & Siegel, 2021) for two reasons. First, previous studies have examined how resources gained through one nonmarket strategy support or oppose the other nonmarket strategy, but they have not focused on how the two nonmarket strategies, when used together, support or oppose the stabilization of socio-political risks. Second, many studies have neglected the way that differences in stakeholder pressures across countries affect the results regarding nonmarket strategies. Under institutional voids of such emerging economies as China, CSR and CPA tend to be complementary (e.g., Kostka & Zhou, 2013; Marquis & Qian, 2014; Wang & Qian, 2011), because corporations can fill the voids politically by pursuing social objectives on behalf of the state government, which is the most powerful stakeholder in the country (Mellahi et al., 2016; Sun et al., 2021). Yet, there are some other countries where the power of citizen communities is comparable to that of the state government. In these cases, as socio-political risks stem not only from state government

but also from citizen communities, social risk and political risk need to be examined for communities and government respectively.

Complementing social contract theory with Habermasian theory of deliberative democracy (Frynas & Stephens, 2015; Habermas, 1996, 2001; Scherer & Palazzo, 2007), Chapter 3 responds to the call for research on “how the strength of the social contract between the state and its citizens across a firm’s different host countries [...] serves to legitimize or delegitimize different combinations of nonmarket strategies and hence affects the performance of such strategies” (Mellahi et al., 2016, p. 167). It elucidates that deliberative democracy strengthens social contract in a country by empowering communities to engage in public discourses for policymaking and to monitor the behaviours of corporations, thereby pressuring government and corporations to act in the interests of society at large (Cragg, 2000; Neiman). Thus, in a deliberatively democratic country, not only SL is vital, but communities also deem CPA an opposition to their power and interests.

Methodologically, Chapter 3 enhances causal inferences by conducting Necessary Condition Analysis (NCA) developed by Dul (2016, 2020) and proposed by Aguinis, Ramani, and Cascio (2020) on a sample of MNCs operating in Australia, which is a deliberatively democratic country (Pemstein et al., 2022). Results support both high CSR and low CPA as necessary conditions for SL. Results also support high CPA as a sufficient condition for LL. That is, CSR and CPA are indeed in tension, when it comes to attaining SL within a deliberatively democratic country. Yet, NCA offers corporations a way to determine the degree of CPA in which they can engage to obtain LL without eliminating the possibility of attaining SL.

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Chapter 1.

Getting Social License Right: A Bibliometric Analysis Using Multidisciplinary Literature

Despite the importance of social license (SL) in society and the challenges faced by corporations seeking SL in various industries, our understandings about SL in business management is, in contrast to other academic fields, still limited and unclear, perhaps because business management has been treating SL as an extension of corporate social responsibility (CSR) or stakeholder theory. To make sense of different perspectives between business management and other fields, this chapter exercises scientific mindfulness to make clarifications by reviewing multidisciplinary literature on CSR and SL through bibliometric analysis. It reveals that SL, which refers to the approval from a community, is based on social contract theory, which relates CSR to SL. However, the literature on CSR has mostly overlooked SL, as it is often grounded in stakeholder theory, which does not consider communities salient for corporate financial performance. To call for research on SL, future research directions are provided.

1.1. Introduction

Social license (SL) has progressively become prominent for state, market, and society in the last two decades (Cooney, 2017). “We are working very hard right across the country with municipal leaders and with provincial leaders to ensure we are creating the social licence [...] and the partnership with communities to get our resources to market in a responsible way, because that is what it takes in the 21st century”, stated the Prime Minister of Canada, Justin Trudeau (Ottawa Citizen, 2016, p. 1). The Forbes’ Corporate Social Responsibility (CSR) Blog and Paul Klein, who is a consultant for Fortune 500 corporations, reported that “Twenty twelve was the year when CSR was found to be an inadequate way of aligning business results and social outcomes. Twenty thirteen will be the year of the social license” (Forbes, 2012, p. 1). The Executive Director of the Institute for Human Rights and Business, John Morrison, commented in the Guardian’s sustainable business column that “CSR is often too peripheral to the core business model, [...] whereas] ‘social licence’ is a much more useful concept than CSR, as the social licence requires any business to ensure its activities respect the rights of all of those in any community” (The Guardian, 2014, p. 1). Apparently, Klein and Morrison

have conveyed SL and CSR as two different constructs.

However, recent literature in business management barely reflects the importance of SL and the distinction between SL and CSR. Raufflet, Baba, Perras, and Delannon, (2013) indicated that research on SL in business management is still scarce. Indeed, the very few articles in business management of which SL was the central idea can only be found in the *Journal of Business Ethics* Special Issue of the 26th European Business Ethics Network Annual Conference, which was held under the subject matter of SL (Demuijnck & FASTERLING, 2016), but since then, they have not received much echo. A potential factor contributing to the lack of attention on SL in business management literature is that, as Raufflet et al. (2013) have suggested, many scholars simply view SL as an extension of CSR or stakeholder theory. First, while SL is defined as the “approval by local—if not indigenous—communities and stakeholders of a business enterprise’s operations” (Demuijnck & FASTERLING, 2016, p. 675), business management scholars have treated SL as interchangeable with CSR, as they define CSR as “a ‘contract’ between society and business wherein a community grants a firm a [social] license [(SL)] to operate and in return the matter meets certain obligations and behaves in an acceptable manner” (Dahlsrud, 2008, p. 10). Second, while this definition of CSR implies that CSR can be used to exchange for SL (to operate), and that, therefore, CSR and SL are two explanatory and response variables, business management scholars have simplified these two separate variables into two sides of the same coin, as they take the perfect exchange between CSR and SL for granted. For instance, Oetzel, Westermann-Behaylo, Koerber, Fort, and Rivera (2009, p. 361) mentioned that “Corporate social responsibility [(CSR)] behaviours are regularly practiced in these examples, and it is common sense that they would improve respectful relationships”. Third, given their taken-for-granted-ness, business management scholars claim that generic CSR activities for stakeholder relationship management would be applicable by considering local communities, which grant SL, just another group of stakeholders (Raufflet et al., 2013).

Literature seems fragmented across academic fields, because, although SL fails to establish a place in business management like CSR does, it has attracted investigations from scholars in other fields. Since the concept of SL was first introduced in the mineral resource and mining industry two decades ago (Cooney, 2017), environmental scientists examining SL have published articles in *Resources Policy* (e.g.,

Moffat & Zhang, 2014; Owen & Kemp, 2013; Parsons, Lacey, & Moffat, 2014; Prno, 2013; Prno & Slocombe, 2012), which is a journal directly relevant to the resource industry, as well as other journals of their field, such as *Impact Assessment and Project Appraisal* (e.g., Boutilier, 2014; Dare, Schirmer, & Vanclay, 2014). As the concept of SL gradually diffuses from the mineral resource and mining industry to other natural resource and extractive industries, not only have environmental scientists further published articles on SL in *Marine Policy* (e.g., Cullen-Knox, Haward, Jabour, Ogier, & Tracey, 2017; Kelly, Pecl, & Fleming, 2017) and *Land Use Policy* (e.g., Luke, 2017), but economists have also started to publish their studies on SL in *Energy Policy* (e.g., Curran, 2017) and *Forest Policy and Economics* (e.g., Wang, 2019). Now that the concept of SL has been diffused to manufacturing and service sectors (Graafland & Smid, 2017), other fields, including but not limited to law (e.g., Gunningham, Kagan, & Thornton, 2004; Kagan, Gunningham, & Thornton, 2003) and human rights (e.g., Hanna & Vanclay, 2013), are addressing it as well. As a matter of fact, several articles (e.g., Parsons & Moffat, 2014) have been published in the *Social Epistemology* Special Issue on SL to document scientific communication regarding the theorization of SL in and across multiple academic fields (Rooney, Leach, & Ashworth, 2014).

While the literature on SL is relatively lacking in business management in contrast to other academic fields, since 2020, SL has begun to challenge digital giants, such as Amazon and Google, in practice (Boston Consulting Group, 2022; Forbes, 2020; Investopedia, 2020, 2021). Exercising scientific mindfulness, which international business and management scholars refer to as “a holistic, cross-disciplinary, and contextual approach, whereby researchers need to make sense of multiple perspectives with the betterment of society as the ultimate criterion” (Jonsen et al., 2010, p. 44), this chapter aims to respond to the call for consolidating fragmented research fields and generating robust understanding about SL in order to inform practice by reviewing and comparing multidisciplinary literature (Raufflet et al., 2013). Specifically, this chapter seeks to contribute to the literature by clarifying: (1) the relationship and distinction between CSR and SL, (2) the convergence and divergence in the literature on CSR and SL between business management and other fields, and (3) the evolution and trends in the literature. If CSR and SL are found to be understood in dissimilar ways, then future research on SL will be needed in business management, which has been focusing much on CSR as opposed to SL. If a divide in understandings between business management

and other fields is found, then, in future business management research, various perspectives shall be adopted from other fields, which have been working a lot on SL. Otherwise, as business management and other fields inform different audiences in society respectively, their divide can lead to misunderstandings or even conflicts between business and society in practice. This chapter also contributes to the literature on SL in business management by providing future search directions that will bridge the knowledge gaps discovered in the literature review.

This chapter is organized as follows. The next section describes the methodology used to analyze the concepts and the literature of CSR and SL in business management and other fields. After that, analytical results are synthesized based on a two-by-two matrix of CSR versus SL and business management versus other fields. Thereafter, a future research agenda is provided, followed by a discussion on the theoretical contributions of this chapter. Finally, a conclusion is presented.

1.2. Methodology

This study adopts a meta-analytical and objective approach called bibliometric analysis to conduct the literature review. This is because it not only provides conclusive information about multifaceted literature (Seyedghorban, Matanda, & LaPlaca, 2016; Trujillo & Long, 2018), but it also minimizes biases by researchers conducting analyses in unfamiliar fields (Liu, Yin, Liu, & Dunford, 2015; Shafique, 2013). It is a vigorous method (Podsakoff, MacKenzie, Podsakoff, & Bachrach, 2008; Seyedghorban et al., 2016; Shafique, 2013), which has previously been used for literature reviews on CSR (de Bakker, Groenewegen, & den Hond, 2005, 2006).

To conduct bibliometric analysis, articles from both social science and science fields were gathered from the Social Sciences Citation Index (SSCI) and the Science Citation Index Expanded (SCIE) databases (Rotolo & Petruzzelli, 2013) via the *Web of Science* (WoS), which the Institute for Scientific Information (ISI) manages (de Bakker et al., 2005, 2006). Following prior analyses (Guerreiro, Rita, & Trigueiros, 2016; Rodrigues & Mendes, 2018), this study considers only the articles written in English. The articles for CSR and SL were retrieved based on different sets of search terms. For CSR, this study follows prior literature reviews (Grewatsch & Kleindienst, 2017; Ortiz-Avram, Domnanovich, Kronenberg, & Scholz, 2018) by using “corporate social *”, “corporate

environmental*”, “social responsib*”, “environmental responsib*”, “social perform*”, and “environmental perform*” as search terms, because CSR consists of both social and environmental pillars (Baughn, Bodie, & McIntosh, 2007; de Bakker et al., 2005, 2006; Dahlsrud, 2008; Lock & Seele, 2015; Lynes & Andrachuk, 2008; van Marrewijk, 2003). For SL, the search terms are “social licen*”, “benefit* agreement*” and “free prior and informed consent”. The term, “benefit* agreement*”, is included, because Community Benefit Agreement (CBA), also called Impact (and) Benefit Agreement (Cascadden, Gunton, & Rutherford, 2021), is a tool for SL (Dorobantu & Odziemkowska, 2017; Noble & Fidler, 2011). Free, Prior, and Informed Consent (FPIC) is also included, because it is a version of SL (Rodhouse & Vanclay, 2016). The use of asterisk (“*”) as a wildcard, which represents any group of characters, takes different variants and lemma of the search terms into account. If any of the search terms exists in the topic of an article (Rodrigues & Mendes, 2018), specifically in the title, abstract, author keywords (de Bakker et al., 2005; Seyedghorban et al., 2016), and/or Keywords Plus, i.e., the frequently appearing terms automatically harvested by WoS from the titles of the article’s references (de Bakker et al., 2006), then the search result will include the article. This search resulted in 28,771 articles on CSR and 772 articles on SL that had been published between 2000 and 2021, i.e., in the recent two decades since the introduction of SL in the industry (Cooney, 2017). The bibliographic metadata about these articles, such as their authors, year published, publication name, cited references, publication type, and WoS categories, was downloaded (Rodrigues & Mendes, 2018).

Extra steps were taken for filtering the articles by following prior bibliometric analyses. First, based on the publication type of the articles, only journal articles are included, while other types, such as books and theses, are excluded (Seyedghorban et al., 2016). Second, based on the journal impact factors obtained from ISI’s *Journal Citation Reports* (Rotolo & Petruzzelli, 2013), only the articles published in the journals of which the impact factors are above average in SSCI or in SCIE are included, because “the inclusion of journals with a lower impact factor would raise quality issues” (Guerreiro et al., 2016, p. 114). On average, the impact factor of the journals in SSCI within this study was about 1. This cut-off value aligns with the figures in several prior studies that used SSCI journals (Corley & Sabharwal, 2010; Fortis, Maon, Frooman, & Reiner, 2018; Guerreiro et al., 2016; Schulz & Nicolai, 2015). This cut-off is also convertible into the journals rated 3 and above in the Chartered Association of Business Schools (CABS)

Academic Journal Guide, which were sampled in Sedziniauskiene, Sekliuckiene, and Zucchella's (2019) study, as well as the A* and A journals in the Australian Business Deans Council (ABDC) Journal Quality List, which were sampled in John and Lawton's (2018) study. At this point, it needs to be mentioned that the average journal impact factor of 1 for SSCI would be inappropriate for SCIE because of the heteroskedasticity in citation rates, which influence the impact factors in the two databases (Wang, 2014). Correspondingly, the average impact factor of 2 for the journals in SCIE within this study was used as its cut-off value, which aligns with the figure in Hellsten and Leydesdorff's (2016) study that used SCIE journals. These steps of filtering narrowed the number of articles down to 21,303 for CSR and 566 for SL.

To subcategorize the articles into business management versus other fields, an article will be classified as business management, if its WoS categories contain the word(s) "Business" and/or "Management", or else, it will be classified as other fields. This categorization led to a sample of 6,962 articles about CSR in business management, 14,341 articles about CSR in other fields, 34 articles about SL in business management, and 532 articles about SL in other fields. There are more articles in other fields than in business management, because the other fields include up to a sample of 180 WoS categories, where the top three categories are "Green & Sustainable Science & Technology" (4,627 articles for CSR; 61 articles for SL), "Economics" (858 articles for CSR; 22 articles for SL), and "Environmental Sciences" (690 articles for CSR; 33 articles for SL). Even though CSR originates from business management, these other fields contribute to a large number of articles on CSR, as many of them provide technical means, especially for the environmental pillar. Figure 1-1 shows the number of sampled articles on CSR and SL within business management and other fields on a year-by-year basis.

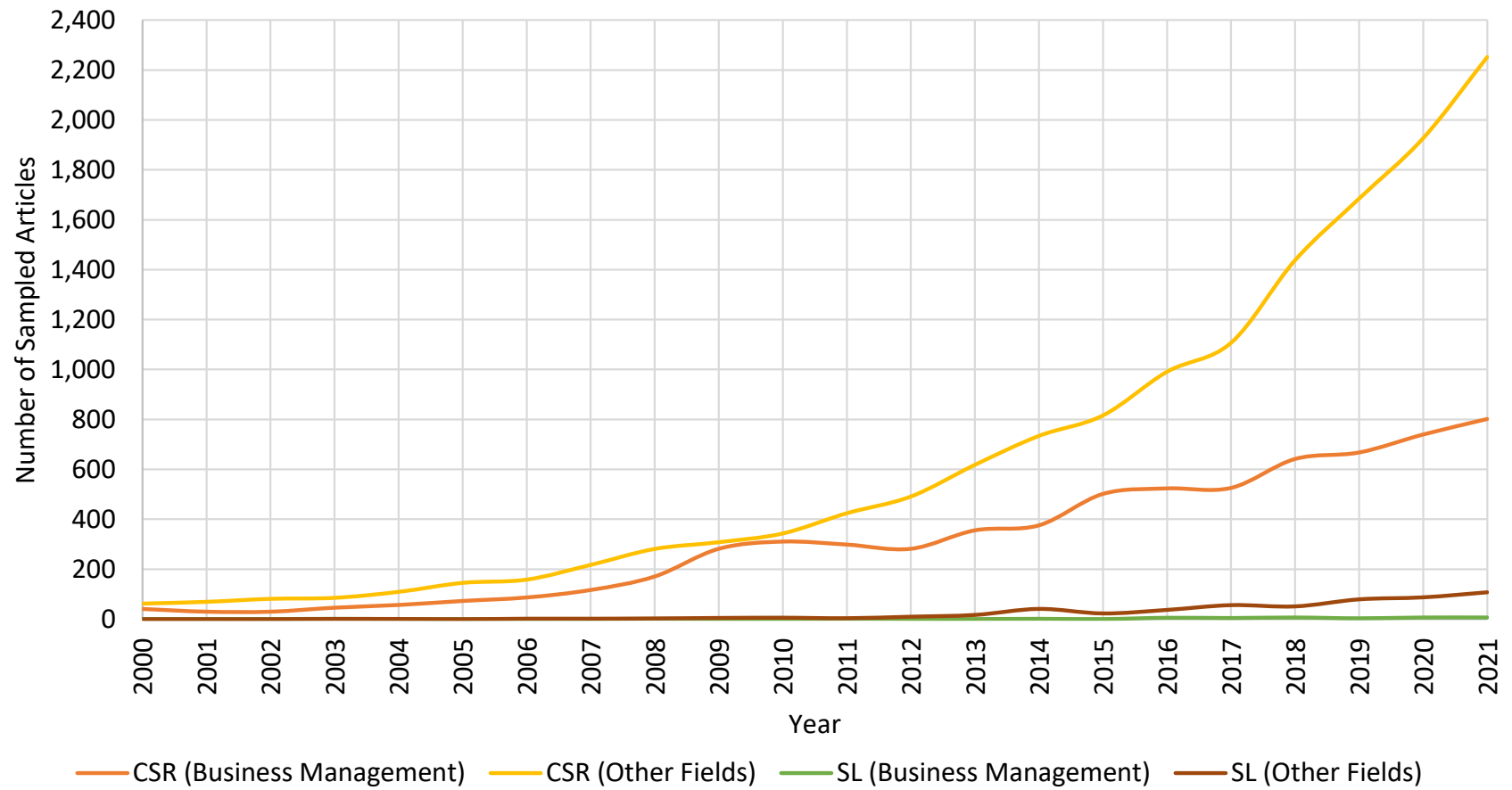


Figure 1-1. Number of Sampled Articles on CSR versus SL in Business Management versus Other Fields between 2000 and 2021

Both the words and the references of the sampled journal articles are analyzed. To clarify the relationship and distinction between CSR and SL, the concepts of CSR and SL are outlined based on keywords. To examine the convergence and divergence in the literature on CSR and SL between business management and other fields, knowledge bases and research fronts are identified (Wagner et al., 2011; Zhao & Strotmann, 2014). To reveal the evolution and trends in the literature, the shifts from the knowledge bases to the research fronts identified are observed. Using VOSviewer (Leung, Sun, & Bai, 2017), co-word analysis (Callon, Courtial, Turner, & Bauin, 1983; Callon, Courtial, & Laville, 1991) was adopted to outline the concepts based on keywords, whereas co-citation analysis (Small, 1973; Leung et al., 2017) and bibliographic coupling (Kessler, 1963; Ferreira, 2018) were adopted to identify knowledge bases and research fronts respectively based on cited references.

1.2.1. Co-word analysis

As words are written to make sense of the concept of an article, if some words frequently occur together in multiple articles, then these keywords attribute to the concept (Callon et al., 1983; Callon et al., 1991; Ding, Chowdhury, & Foo, 2001; Whittaker, 1989). The larger the number of co-occurrences among two or more keywords in a pattern, the more clustered are the keywords in illustrating the dominant attributes of the concept (Callon et al., 1983; Callon et al., 1991; Su & Lee, 2010). This study follows Leung, Sun, and Bai's (2017) study and employs VOSviewer as a software tool to visualize (Waltman, van Eck, & Noyons, 2010) the maps of co-word clusters for all four groups of articles sampled. For each group, VOSviewer first extracts distinct words from the texts, such as the titles and the abstracts of the articles, and stems them into noun phrases by default, without taking abstract labels nor copyright statements into account. It then counts the occurrences of each phrase based on the number of articles that mention the phrase, regardless of the number of mentions in each article. By setting a minimum number of occurrences as a threshold, around a hundred phrases were shortlisted for each group of sampled articles to improve the readability of each respective co-word map. VOSviewer further narrows the shortlisted phrases down to those in which their co-word patterns with one another are, on average, more systematic than random. Apart from this, the phrases that are commonly used in academic literature, including but not limited to "article", "concept", "hypothesis", "sample", "research", and the phrases that

overlap with the search terms were manually removed to enhance the conciseness of the co-word maps. The remaining phrases frequently co-occurring with one another in patterns are automatically displayed by VOSviewer in each co-word map as keywords, which add up to several clusters that attribute to the concept corresponding to the map.

1.2.2. Co-citation analysis

Complementing co-word analysis is co-citation analysis that goes beyond knowing about the attributes, which construct a concept (Callon et al., 1983; Callon et al., 1991; Su & Lee, 2010), and examines the base of knowledge upon which the concept is developed (Leung et al., 2017). Different from co-word analysis, which examines co-occurrences based on keywords, co-citation analysis is based on cited references. Two references that are cited together in more than one article are considered a co-citation (Small, 1973). When some references are consistently co-cited together in the articles within a strand of literature, these references establish a base of knowledge that supports theoretical developments in the literature (Ferreira, 2018; Seyedghorban et al., 2016; Small, 1973). Various knowledge bases can be presented in the form of clusters within a network of co-cited references through co-citation analysis (Leung et al., 2017).

Co-citation analysis, in other words, is a forward-looking method (Ferreira, 2018), which unveils the knowledge bases that a strand of literature heavily draws upon (Zhao & Strotmann, 2014). As knowledge diffuses through co-citations (Leydesdorff, Wagner, & Bornmann, 2018), co-citation analysis illustrates the degree to which multiple theories are intellectually interrelated (Seyedghorban et al., 2016; Tang, Cheng, & Chen, 2017). Additionally, by contrasting the coherence of these intellectual structures across the co-citation networks that correspond to different strands of literature (Rafols & Meyer, 2010), the gaps in knowledge bases can be determined for knowledge integration in the future (Tang et al., 2017; Trujillo & Long, 2018).

Again, this study uses VOSviewer (Leung et al., 2017) to visualize the network of the most highly co-cited references for each group of the sampled articles. To improve the readability of each co-citation network, this study follows Seyedghorban, Matanda, and LaPlaca's (2016) study and confines the number of co-cited references appearing in each network to twenty or below, by requiring a minimum number of co-citations. The content of the co-cited references in each network was then summarized manually along

with a label indicating the cluster of the knowledge base to which each reference belongs.

1.2.3. Bibliographic coupling analysis

Whereas co-citation analysis unveils the knowledge bases underlying a strand of literature, bibliographic coupling uncovers the fronts of research that the literature actively deals with (Zhao & Strotmann, 2014). In contrast to co-citation analysis, which determines the references that are co-cited in more than one article (Small, 1973), bibliographic coupling analysis identifies the articles that cite one or more references in common (Kessler, 1963). Bibliographic coupling analysis is a retrospective method that complements co-citation analysis (Ferreira, 2018). Instead of illustrating the extent to which theories within a strand of literature are interrelated coherently like co-citation analysis does (Seyedghorban et al., 2016), bibliographic coupling analysis demonstrates knowledge integration within a strand of literature (Leydesdorff et al., 2018; Wagner et al., 2011) by examining cognitive heterogeneity (Rafols & Meyer, 2010), which is the diversity of theories intellectually coupled in the literature (Tang et al., 2017). In addition, by comparing such intellectual structures as diversity in the clusters of bibliographically coupled articles across different strands of literature, the trends of research fronts shared by these strands of literature can also be identified, especially in a multidisciplinary research setting (Li, Porter, & Suominen, 2018).

Accordingly, bibliographic coupling analysis is useful for uncovering the alignments in research fronts, even when literature evolves over time. VOSviewer (Ferreira, 2018) is used again in this study to visualize the network of bibliographically coupled articles for each group of the sample. To improve the readability of each network, like the procedure used for conducting the co-citation analysis in this study (Seyedghorban et al., 2016), the number of bibliographically coupled articles in each network was confined to twenty or below by setting a lower bound for the strength of bibliographic coupling. The content of these bibliographically coupled articles was manually summarized. The cluster of the research front to which each article belongs was also labelled.

1.3. Findings and synthesis

This section first reports the concepts, knowledge bases, and research fronts identified respectively in the co-word, co-citation, and bibliographic coupling analyses, and then synthesizes such findings.

1.3.1. Concepts

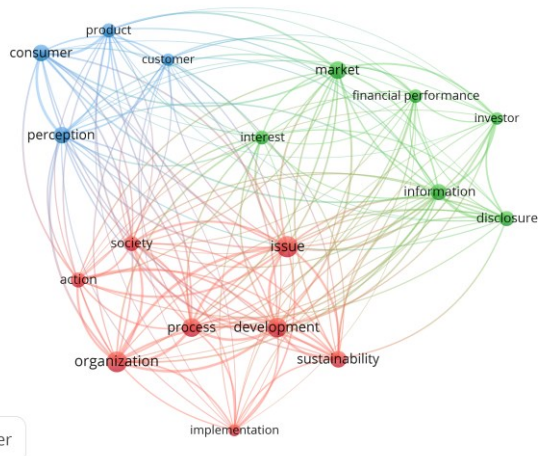
CSR in business management. There are three clusters of keywords attributing to the concept of CSR in business management (Figure 1-2A). The first cluster pays attention to the social issues of sustainable development on which organizations act through their processes of implementation. The second cluster focuses on the disclosure of information of interest to investors for financial performance in the market. The third cluster centers on customer perceptions about consumer products. In sum, business management treats CSR as a case in which organizations can disclose information about social sustainability to improve their financial performances through positive perceptions from customers and investors.

CSR in other fields. There are two clusters attributing to the concept of CSR in other fields (Figure 1-2B). The first cluster attends to system-wide life-cycle assessment (LCA) of the environmental impacts across all building blocks of a production process in terms of the cost efficiency of technologies as well as emission and energy reduction under different scenarios. The second cluster concentrates on the social issues of sustainable development beyond consumer products that are promoted by governmental policies in different countries to benefit not only firms but also multiple stakeholders. In short, the other fields regard CSR as a system-wide assessment of social sustainability which takes all firms, governments, and stakeholders in different countries into account. In contrast to business management, which sees the financial performance of a focal organization as the ultimate outcome of CSR, the other fields look at the outcomes of CSR at the broader system level.

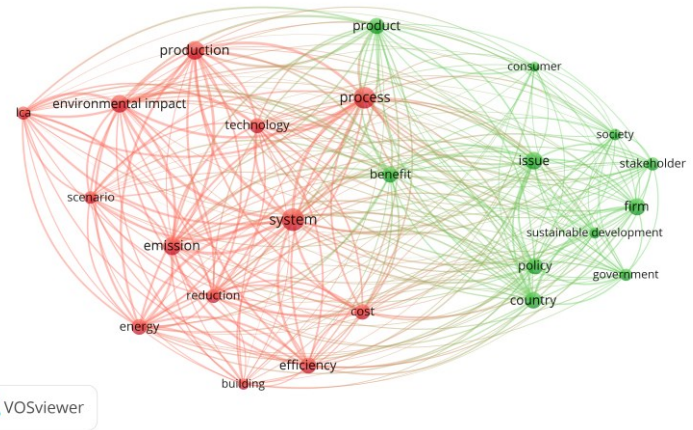
SL in business management. There are three clusters for the concept of SL in business management (Figure 1-2C). The first cluster deals with public relations which prevent conflicts by serving the interests of local communities in society. The second cluster examines the interactions among CSR, law, and development in different

countries. The third cluster bridges the first two clusters by indicating the complexity for corporations to gain legitimacy in local communities of different countries. In summary, SL in business management involves the legitimization of corporations by building relationships with and satisfying the interests of local communities in various countries through CSR.

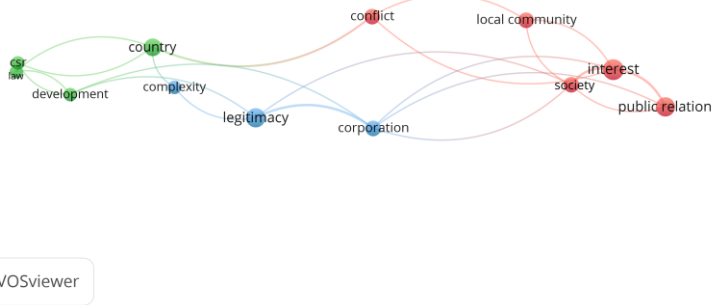
SL in other fields. There are three clusters for SL in other fields (Figure 1-2D). The first cluster gives attention to the opportunities and the rights of indigenous people to take part in policy-implementation and decision-making processes for the governance of resources extracted from the land in different countries. The second cluster directs attention to the CSR activities conducted by companies in various industries beyond regulations to gain legitimacy for their operations within local communities in society. The third cluster is intertwined with the second cluster. It turns to stakeholders' perceptions about a company in the form of trust, which depends on the stakeholders' personal interests and concerns about sustainability as well as public information about the company. Adding to the concept of SL in business management, the clusters of the other fields illustrate that a company's legitimacy gained through CSR within a local community is manifested in terms of trust from the perspective of the community members. The other fields also emphasize human rights and civil governance that are overlooked by business management.



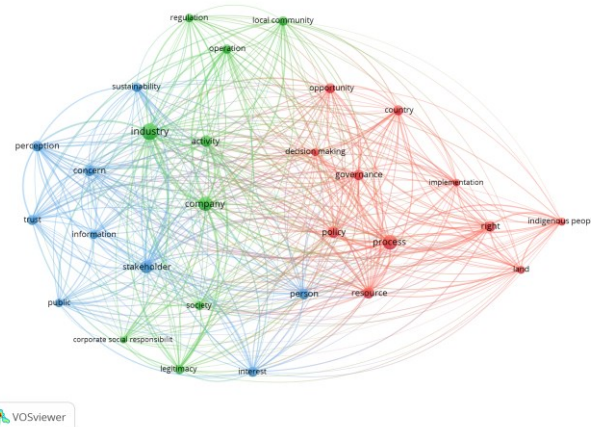
A. CSR in Business Management



B. CSR in Other Fields



C. SL in Business Management



D. SL in Other Fields

Figure 1-2. Maps of Co-Word Clusters

1.3.2. Knowledge bases

Figure 1-3 presents the clusters of co-cited references representing the knowledge bases of CSR in business management, CSR in other fields, SL in business management, and SL in other fields that are summarized in Tables 1-I, 1-II, 1-III, and 1-IV respectively.

CSR in business management. There are four clusters of co-cited references representing the knowledge bases of CSR in business management (Table 1-I). The first knowledge base is about corporate financial performance (CFP). Although some scholars argued that the relationship between CSR investment and CFP is neutral (McWilliams & Siegel, 2001), some others found that not only is the relationship between corporate social performance (CSP) and CFP positive bi-directionally (Waddock & Graves, 1997), but corporate environmental performance (CEP) is also in a positive relationship with CFP (Orlitzky, Schmidt, & Rynes, 2003). The bi-directional CSP-CFP relationship is positive because, by balancing economic objectives with social involvement (Margolis & Walsh, 2003), corporations can create value for such primary stakeholders as shareholders (Hillman & Keim, 2001). The positive CEP-CFP relationship arises from various competitive advantages that corporations can gain from their natural environments (Hart, 1995). The second knowledge base is strategic management according to stakeholder theory (Freeman, 1984), which is an empirical and normative hybrid useful for research on business and society (Donaldson, 2003). This knowledge involves managing salient stakeholders, who are perceived to have high power, legitimacy, and/or urgency (Mitchell, Agle, & Wood, 1997), within the processes of corporate social responsiveness (Wood, 1991), which is an essential dimension of CSP (Carroll, 1979). The third knowledge base is about marketing strategy, which prioritizes social issues underlying a corporation's competitiveness (Porter & Kramer, 2006), specifically those that interest the customers of the corporation. Based on a comprehensive statistical testing system developed in marketing (Fornell & Larcker, 1981), it was found that CSR enhances consumer evaluation about a corporation (Sen & Bhattacharya, 2001) and thus the products of the corporation (Brown & Dacin, 1997). The fourth knowledge base is legitimization in society according to institution theory (DiMaggio & Powell, 1983). Institutions not only influence corporate responsible versus irresponsible behaviours (Campbell, 2007), as well as explicit versus implicit CSR

(Matten & Moon, 2008), but institutions also determine a corporation's pragmatic, moral, and cognitive legitimacies in society (Suchman, 1995).

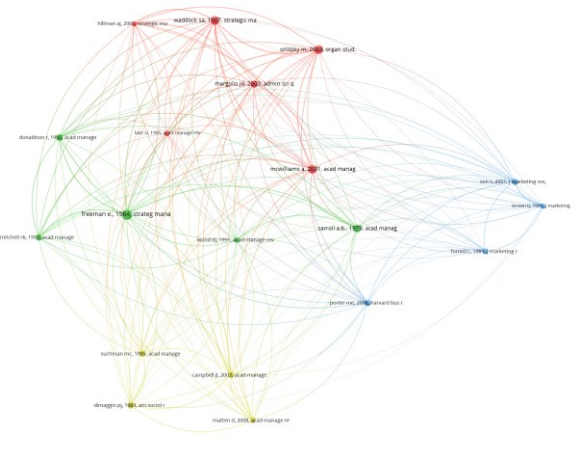
CSR in other fields. There are three clusters representing the knowledge bases of CSR in other fields (Table 1-II). The first knowledge base is CFP (McWilliams & Siegel, 2001; Orlitzky et al., 2003; Waddock & Graves, 1997) in strategic management according to stakeholder theory (Freeman, 1984) and institution theory (Aguinis & Glavas, 2012). Carroll (1999) showed that stakeholder theory had evolved from the literature along with other thematical frameworks, such as CSP (Carroll, 1979), which subcategorizes social responsibilities into economic, legal, ethical, and philanthropic ones (Carroll, 1991). Corporate philanthropy, as a kind of strategic CSR (Porter & Kramer, 2006), enhances CFP at the organizational level through the improvement in stakeholder relations at the institutional level (Aguinis & Glavas, 2012). The second knowledge base is environmental management according to institution theory (DiMaggio & Powell, 1983) and resource-based view (Hart, 1995; Russo & Fouts, 1997). Institutionalists suggested that corporations tend to behave responsibly when such external stakeholders as environmentalists take part in strengthening regulations (Campbell, 2007). Economists resisted the notion that environmental regulations enhance industrial competitiveness (Porter & van der Linde, 1995), but according to resource-based view, a corporation can gain competitive advantage through pollution prevention, product stewardship, and sustainable development (Hart, 1995), thereby improving CFP (Russo & Fouts, 1997). The third knowledge base is about research method. It includes statistical techniques that address unobservable variables and measurement errors (Fornell & Larcker, 1981) as well as cognitive biases in behavioural research (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

SL in business management. There are two clusters of knowledge bases for SL in business management (Table 1-III). The first knowledge base is community engagement according to social contract theory (Dare et al., 2014; Demuijnck & Fasterling, 2016) and public relation theory (Heath, 2006; Hurst, Johnston, & Lane, 2020). As Demuijnck and Fasterling (2016) suggested, stakeholder theory, which emphasizes primary stakeholders but overlooks vulnerable stakeholders, is ill-suited for securing SL that is issued by local communities (Prno, 2013), which are affected by corporate operations. In contrast, social contract theory indicates that corporations, which target high levels of SL (Thomson & Boutilier, 2011), must satisfy local

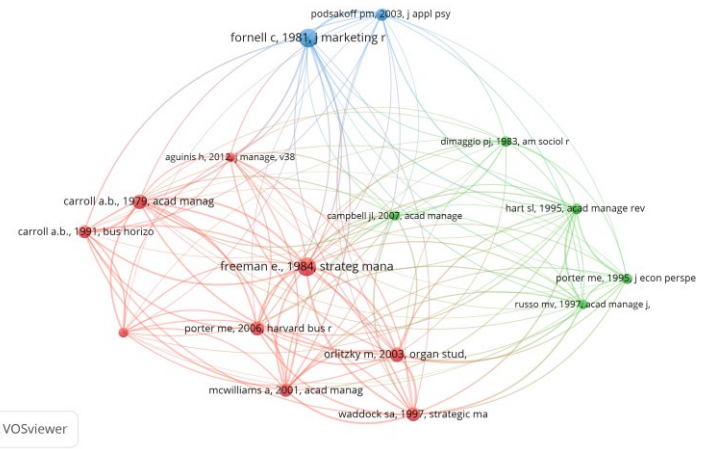
communities through negotiations beyond the requirements for legal license (LL) obtainment (Gunningham et al., 2004), because they are bounded by social contracts at the micro-scale (Dare et al., 2014). As SL depends on the quality of a corporation-community relationship (Hurst et al., 2020), public relation theory recommends relational community engagement (Johnston, Lane, Hurst, & Beatson, 2018), through which corporations can have a dialogue to communicate with communities about both convergent and competing ideas (Heath, 2006), with a view to make decisions that are mutually beneficial (Taylor & Kent, 2014), thereby building up relational social capital (Johnston & Lane, 2018). The second knowledge base is legitimization in communities according to stakeholder theory (Freeman, 1984), which refers to vested stakeholders as salient stakeholders (Mitchell et al., 1997), who have a vote to approve or disapprove the SL of a corporation within a community (Wilburn & Wilburn, 2011). In the long run (Bowen, Newenham-Kahindi, & Herremans, 2010), community engagements, which facilitate civil regulatory processes (Prno & Slocombe, 2012), pay off a corporation's moral legitimacy through normative approval by these stakeholders (Suchman, 1995), who manifest their approval in terms of trust (Moffat & Zhang, 2014).

SL in other fields. There are two knowledge bases of SL in other fields (Table 1-IV). The first knowledge base addresses contextual differences according to social contract theory (Dare et al., 2014). While SL represents the relationship between industry and society (Moffat, Lacey, Zhang, & Leipold, 2016), the application of SL not only varies across different industries (Hall, Lacey, Carr-Cornish, & Dowd, 2015), but the understanding of SL is also different across diverse groups of people (Boutilier, 2014). As SL is non-binary (Parsons & Moffat, 2014), impact assessment (IA) is needed to fully understand the socio-environmental impacts faced by different groups of affected people (Esteves, Franks, & Vanclay, 2012), to minimize observer bias (Jijelava & Vanclay, 2017). Accordingly, an impact and benefit agreement (Hanna & Vanclay, 2013), which represents a social contract, can be established to translate socio-environmental risks into business costs for each group (Franks, Davis, Bebbington, Ali, Kemp, & Scurrah 2014). The second knowledge base is about social-risk management and legitimization in communities. While SL is understood as a form of legitimacy (Parsons et al., 2014), which corporations consider essential (Bice, 2014), it is granted by local communities (Prno, 2013), which play a role in regulating the social environment of a corporation (Prno & Slocombe, 2012), resembling the way in which the state governs the legal

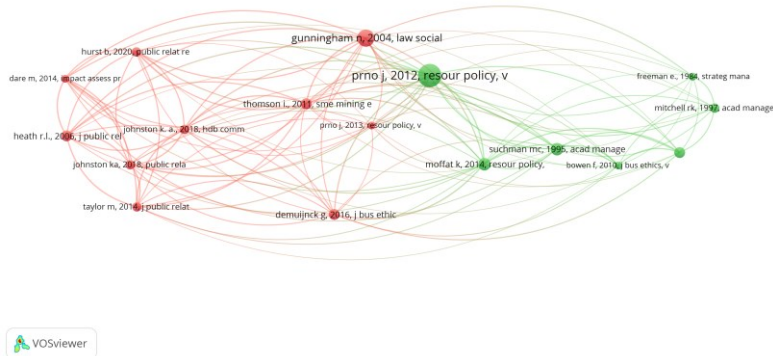
environment (Gunningham et al., 2004). If the SL of a corporation is withdrawn by a local community (Thomson & Boutilier, 2011), such withdrawal will be expressed in terms of conflicts (Joyce & Thomson, 2000). To minimize the social risks of conflicts, corporations must legitimize themselves by engaging with communities less defensively (Owen & Kemp, 2013), for instance, by enhancing procedural fairness and contact quality (Moffat & Zhang, 2014).



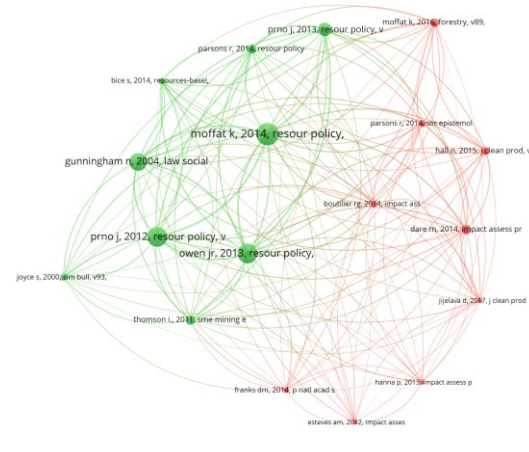
A. CSR in Business Management



B. CSR in Other Fields



C. SL in Business Management



D. SL in Other Fields

Figure 1-3. Networks of Co-Cited References

Table 1-I. Network of Co-Cited References about CSR in Business Management

Cluster #	# Citation	Reference	Type	Summary
1	873	McWilliams & Siegel, 2001	Conceptual	The ideal level of CSR investment can be determined through a cost and benefit analysis of demand and supply, but the relationship between CSR investment and CFP is neutral.
1	852	Waddock & Graves, 1997	Empirical	The theory of slack resources supports the positive impact of prior CSP on CFP, and meanwhile, the theory of good management supports the positive impact of prior CFP on CSP.
1	844	Orlitzky et al., 2003	Empirical	The CSP-CFP as well as the CEP-CFP relationships are significantly positive, although different operationalizations moderate the relationships.
1	705	Margolis & Walsh, 2003	Empirical	Descriptive research and normative inquiry help address how business organizations can respond to the tension between corporate economic objective and corporate social involvement.
1	507	Hillman & Keim, 2001	Empirical	Primary stakeholder management is positively associated with shareholder value creation, while social issue participation has negative impact on it.
1	491	Hart, 1995	Conceptual	The natural-resource-based view suggests that pollution prevention, product stewardship, and sustainable development help a firm gain competitive advantage from its natural environment.
2	1,017	Freeman, 1984	Conceptual	The stakeholder approach to strategic management suggests that internal and external stakeholders can be categorized based on their economic and socio-political power to a corporate function.
2	737	Carroll, 1979	Conceptual	Social responsibility categories, the philosophy of social responsiveness, and the social issues involved are three essential dimensions of CSP.
2	652	Donaldson, 2003	Conceptual	Empirical and normative hybrids, such as social contract theory, stakeholder theory, as well as experimental economics or game theory are useful for researching on business ethics and society.
2	596	Mitchell et al., 1997	Conceptual	Stakeholder salience increases with the cumulative number of three attributes, namely the power, legitimacy, and urgency of stakeholders perceived by managers.
2	499	Wood, 1991	Conceptual	The CSP model consists of the principles of CSR, the processes of corporate social responsiveness, and the outcomes of corporate behaviour.
3	617	Porter & Kramer, 2006	Conceptual	The strategic approach to corporate social involvement separates responsive CSR from strategic CSR, which prioritizes social issues underlying a corporation's competitiveness.
3	611	Sen & Bhattacharya, 2001	Empirical	A company's CSR record has a positive impact on consumer evaluation about the company, while consumer support for CSR positively moderates such impact.
3	538	Fornell & Larcker, 1981	Conceptual	A comprehensive statistical testing system is developed in marketing to facilitate the analysis of structural equation models that contain unobservable variables and measurement errors.
3	487	Brown & Dacin, 1997	Empirical	Corporate ability increases product evaluation through both product sophistication and corporate evaluation, while CSR increases it through only corporate evaluation.
4	583	DiMaggio & Powell, 1983	Conceptual	Coercive, mimetic, and normative isomorphisms and collective rationality make organizations similar.
4	552	Matten & Moon, 2008	Conceptual	Liberate markets tend to associate with explicit CSR that depends upon the perceived expectations from various stakeholders, while implicit CSR that depends on institutions and codified requirements consented by all major groups in society tend to be found in coordinated markets.
4	549	Suchman, 1995	Conceptual	Three forms of legitimacy, namely pragmatic, moral, and cognitive legitimacies, are grounded on self-interest, normative approval, and taken-for-granted-ness respectively.
4	534	Campbell, 2007	Conceptual	The relationship between economic conditions and the likelihood that corporations behave responsibly as opposed to irresponsibly is mediated by several institutional conditions.

Table 1-II. Network of Co-Cited References about CSR in Other Fields

Cluster #	# Citation	Reference	Type	Summary
1	592	Freeman, 1984	Conceptual	(As in Table 1-I, Cluster 2)
1	467	Carroll, 1979	Conceptual	(As in Table 1-I, Cluster 2)
1	464	Orlitzky et al., 2003	Empirical	(As in Table 1-I, Cluster 1)
1	451	Porter & Kramer, 2006	Conceptual	(As in Table 1-I, Cluster 3)
1	444	Waddock & Graves, 1997	Empirical	(As in Table 1-I, Cluster 1)
1	414	McWilliams & Siegel, 2001	Conceptual	(As in Table 1-I, Cluster 1)
1	409	Carroll, 1991	Conceptual	The pyramid of CSR consists of four levels, namely economic, legal, ethical, and philanthropic responsibilities from lowest to highest.
1	310	Carroll, 1999	Conceptual	The historical evaluation of the concept of CSR has transformed into such thematic frameworks as CSP, stakeholder theory, business ethics theory, and corporate citizenship.
1	299	Aguinis & Glavas, 2012	Conceptual	The predictors, mediators, moderators, and outcomes of CSR can be analyzed at the institutional, organizational, and individual levels.
2	353	Hart, 1995	Conceptual	(As in Table 1-I, Cluster 1)
2	336	Porter & van der Linde, 1995	Conceptual	Economists resist the notion that environmental regulations enhance industrial competitiveness, and their mindset that environmentalism is costly induces regulator-industry conflicts.
2	328	DiMaggio & Powell, 1983	Conceptual	(As in Table 1-I, Cluster 4)
2	310	Campbell, 2007	Conceptual	(As in Table 1-I, Cluster 4)
2	302	Russo & Fouts, 1997	Empirical	The resource-based view posits that CEP has a positive impact on CFP, and that industry growth positively moderates such impact.
3	591	Fornell & Larcker, 1981	Conceptual	(As in Table 1-I, Cluster 3)
3	393	Podsakoff et al., 2003	Empirical	Different procedural and statistical techniques are provided to control method biases, which affect responses to measures through some cognitive processes in various behavioural research settings.

Table 1-III. Network of Co-Cited References about SL in Business Management

Cluster #	# Citation	Reference	Type	Summary
1	11	Gunningham et al., 2004	Empirical	The interaction between SL and LL explains why businesses engage in corporate environmental behaviours beyond complying with environmental regulations.
1	7	Demuijnck & Fasterling, 2016	Conceptual	Based on social contract theory, the instrumental use of business case that draws from stakeholder theory is ill-suited for securing SL, as it marginalizes less powerful and vulnerable stakeholders.
1	7	Heath, 2006	Conceptual	In public relations, communication involves forming and responding to ideas, which are shared social realities that can be competing or convergent.
1	7	Thomson & Boutilier, 2011	Conceptual	SL consists of four levels, namely withheld/withdrawn, acceptance, approval, and identification from lowest to highest, that are bounded by legitimacy, credibility, and trust.
1	6	Hurst et al., 2020	Conceptual	SL depends on the quality of the relationship between an organization and its stakeholders, but how this occurs has been overlooked by the literature on public relations.
1	6	Johnston et al., 2018	Conceptual	Relational community engagement and episodic community engagement help achieve SL at the organizational level and at the project level respectively.
1	6	Johnston & Lane, 2018	Empirical	Relational as opposed to episodic community engagement is a continuous activity through which organizations can build up relational social capital with communities for mutual benefit.
1	6	Taylor & Kent, 2014	Conceptual	Engagement is a dialogue in which organizations and the public interact to make decisions that build social capital.
1	5	Dare et al., 2014	Empirical	SL is a continuum of micro-scale to society-wide social contracts that requires organizations to negotiate and to meet the expectations of local and regional communities and society.
1	5	Prno, 2013	Empirical	Local communities' issuance of SL to projects depends on context, relationship, sustainability, benefit provision and public participation, as well as adaptability.
2	15	Prno & Slocombe, 2012	Empirical	SL emerges from co-management, public-private, and private-social arrangements interplaying among civil society, state, and market.
2	8	Moffat & Zhang, 2014	Empirical	The SL path model suggests that procedural fairness and contact quality increases community acceptance through trust, but negative impacts on social infrastructure decreases it.
2	8	Suchman, 1995	Conceptual	(As in Table 1-I, Cluster 4)
2	7	Wilburn & Wilburn, 2011	Conceptual	Based on stakeholder theory, stakeholders are classified into vested stakeholders, who have a vote in SL during negotiations in a community, and non-vested stakeholders, who only have a voice.
2	6	Mitchell et al., 1997	Conceptual	(As in Table 1-I, Cluster 2)
2	5	Bowen et al., 2010	Conceptual	It is long-term legitimacy as opposed to immediate cost-benefit improvements that community engagement pays off.
2	5	Freeman, 1984	Conceptual	(As in Table 1-I, Cluster 2)

Table 1-IV. Network of Co-Cited References about SL in Other Fields

Cluster #	# Citation	Reference	Type	Summary
1	57	Dare et al., 2014	Empirical	(As in Table 1-III, Cluster 1)
1	49	Moffat et al., 2016	Conceptual	The model of SL illustrates that trust, fairness, and governance are fundamental to developing and sustaining the relationship between industry and society.
1	48	Hall et al., 2015	Empirical	The application of SL varies across industries, depending on its duration of use, the maturity of industry, and the way of understanding.
1	40	Parsons & Moffat, 2014	Empirical	A textual analysis, which examines SL discourse in sustainable development reports, concludes that a dialogic process is needed to avoid treating SL as binary.
1	38	Boutilier, 2014	Conceptual	Questions related to SL, such as stakeholder power, ethical and political issues, stakeholder diversity, as well as project, company, and industry levels, are addressed.
1	35	Franks et al., 2014	Empirical	Company-community conflicts regulate the company's social and environmental performance by translating social and environmental risks into business costs.
1	30	Hanna & Vanclay, 2013	Conceptual	Companies should respect FPIC beyond CSR standards by concluding it with an impact and benefit agreement for meeting international human rights standards and for achieving SL.
1	29	Esteves et al., 2012	Conceptual	Such emerging trends as FPIC, human rights, and social performance standards improve the relevance and the value of IA, which supports affected peoples by understanding impacts.
1	29	Jijelava & Vanclay, 2017	Empirical	SL, which is conceptualized in terms of legitimacy, credibility, and trust, is proved to be a robust model applicable to the case of a company's local operations, despite potential observer bias.
2	132	Moffat & Zhang, 2014	Empirical	(As in Table 1-III, Cluster 2)
2	119	Owen & Kemp, 2013	Conceptual	The notion of SL failed to compel the industry to address stakeholder expectations, but the industry must engage with communities less defensively to reduce opposition.
2	117	Prno & Slocombe, 2012	Empirical	(As in Table 1-III, Cluster 2)
2	105	Gunningham et al., 2004	Empirical	(As in Table 1-III, Cluster 1)
2	80	Prno, 2013	Empirical	(As in Table 1-III, Cluster 1)
2	58	Thomson & Boutilier, 2011	Conceptual	(As in Table 1-III, Cluster 1)
2	52	Parsons et al., 2014	Empirical	Managers understand SL in relation to legitimacy, localization, process, and continuum, as well as manageability.
2	42	Joyce & Thomson, 2000	Conceptual	SL is a mechanism for managing social risks, which arise from a history of conflicts, an absence of benefits, legislative inconsistencies, and a lack of perceived legitimacy.
2	39	Bice, 2014	Empirical	A content and discourse analysis of sustainability reports shows that corporations recognize the necessity of SL, but they have not defined SL explicitly.

1.3.3. Research fronts

Figure 1-4 presents the clusters of bibliographically coupled articles that represent the research fronts summarized in Tables 1-V, 1-VI, 1-VII, and 1-VIII.

CSR in business management. There are four clusters of bibliographically coupled articles representing the research fronts of CSR in business management (Table 1-V). The first research front is CFP (McWilliams & Siegel, 2001) according to institution theory (Campbell, 2007; Godfrey, Merrill, & Hansen, 2009) and stakeholder theory (Surroca, Tribó, & Waddock, 2010). The communion of multiple stakeholders (van Marrewijk, 2003), who are driven by different motives (Aguilera, Rupp, Williams, & Ganapathi, 2007), shape the institutional conditions for corporate responsible behaviours (Campbell, 2007), which enhances CFP through various intangible resources (Surroca et al., 2010). For instance, the significance of research and development (R&D) contributed by such primary stakeholders as employees cannot be underestimated in the relationship between CSR and CFP (McWilliams & Siegel, 2000). For another instance, institutional CSR, which targets secondary stakeholders, engenders an insurance-like protection provided by these stakeholders that improves CFP (Godfrey et al., 2009). The second research front is about environmental management. It emphasizes both financial and non-financial aspects (Berrone, Cruz, & Gomez-Mejia, 2012), specifically the integration of social, environmental, and economic performances (Carter & Rogers, 2008), for which best practices in supply chain management (SCM) are important (Zhu & Sarkis, 2004). It also stresses the importance of complementary assets, such as process innovation and implementation (Christmann, 2000), for strengthening the relationship between proactive environmental strategies, which cover not only primary but also secondary stakeholders (Buisse & Verbeke, 2003), and competitive advantage (Aragón-Correa & Sharma, 2003). The third research front is about marketing strategy (Sen & Bhattacharya, 2001), which illustrates that CSR generally increases financial return through customer satisfaction (Luo & Bhattacharya, 2006), although the reactions can vary across different customer segments (Bhattacharya & Sen, 2004). The fourth research front is voluntary disclosure theory. It demonstrates not only the positive and bi-directional relationship between the cost of equity capital and CSR disclosure (Dhaliwal, Li, Tsang, & Yang, 2011) but also the positive relationship between CEP and corporate environmental disclosure (Clarkson, Li, Richardson, & Vasvari, 2008).

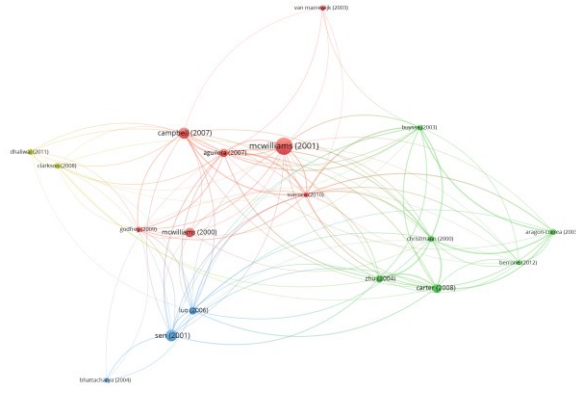
CSR in other fields. There are three clusters representing the research fronts of CSR in other fields (Table 1-VI). The first research front is about sustainability. It examines social and environmental impacts at the process, facility, and supply chain levels (Dufloy, Sutherland, Dornfeld, Herrmann, Jeswiet, Kara, Hauschild, & Kellens, 2012), because individual decisions made at these levels add up to sustainability at the national level (Hutchins & Sutherland, 2008). To account for the contributions of nature (Boyd & Banzhaf, 2007), social and environmental reports are disclosed (Jenkins & Yakovleva, 2006). The second research front, which is mainly shaped by scholars in industrial engineering, focuses specifically on sustainable SCM, which integrates social, environmental, and economic considerations into an inter-organizational business system (Ahi & Searcy, 2013). To implement this well (Zhu, Sarkis, & Lai, 2007), a multi-criteria model is developed to facilitate the selection of green suppliers (Govindan, Khodaverdi, & Jafarian, 2013), based on both quantitative and qualitative criteria (Büyüközkan & Çifçi, 2012). The third research front is about moralization and philanthropy. As the moralization of the market gradually dissolves the distinction between society and economy (Shamir, 2008), individuals become increasingly prosocial. CSR is seen as an exercise of philanthropy driven by these individuals (Bénabou & Tirole, 2010).

SL in business management. There are five clusters of research fronts for SL in business management (Table 1-VII). The first research front is moral legitimization according to social contract theory (Buhmann, 2016; Demuijnck & Fasterling, 2016) and normative theory (Buhmann, 2016; Melé & Armengou, 2016; Néron, 2016). The United Nations Guiding Principles (UNGP) on Business and Human Rights can be considered a global social contract that formalizes the normativity of business, such as CSR, beyond the limits of public law (Buhmann, 2016). Under this social contract, moral legitimacy underpinning the SL of a business is normatively evaluated based on intended end, elected means, concurrent circumstances, and foreseeable consequences (Melé & Armengou, 2016). When managers fulfill their moral obligations (Cui et al., 2016), it is illegitimate for them to engage in corporate political activity (CPA), because, based on normative theory, CPA contributes to the self-interests of businesses rather than public good (Néron, 2016). The second research front is about corporate motivations for improving corporation-community relationship. Corporations are motivated to meet public expectations (Jain, 2017), when they need to gain legitimacy for their new entries

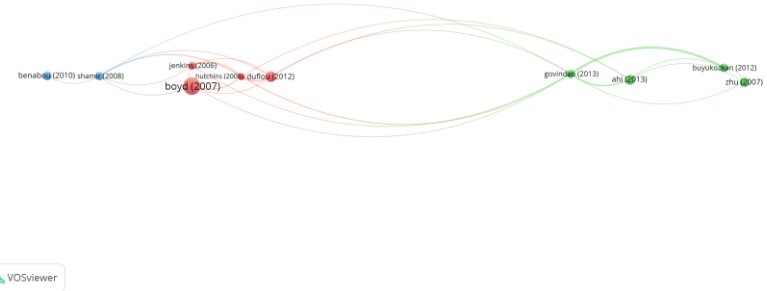
in countries with relatively weak institutions (Hornstein & Zhao, 2018). Financial return is also an incentive that motivates a corporation to sign a CBA with a community (Dorobantu & Odziemkowska, 2017), which symbolizes corporation-community partnership (Esteves & Barclay, 2011). The third research front reveals the limitations of environmental management in communities according to social contract theory (Lynch-Wood & Williamson, 2014). It is found that although SL, LL, and economic license (EL) all pressure corporations to improve environmental performance (Thornton, Kagan, & Gunningham, 2003), SL prompts micro-social contracts that serve focal communities rather than the public (Lynch-Wood & Williamson, 2014). As such, corporations do not have to report the environmental issues in each community to the public (Kuruppu, Milne, & Tilt, 2019), nor do they need to adopt any certifiable standard for environmental management when a community accepts their activities (Boiral, Heras-Saizarbitoria, & Brotherton, 2018). The fourth research front is the corporate discourse for improving corporation-community relationship according to public relation theory (Hurst et al., 2020). Specifically, letters written by a chief executive officer (CEO), which detail the discourse of a corporation along with moral reasoning (de-Miguel-Molina, Chirivella-González, & García-Ortega, 2019), help secure legitimacy of the corporation through effective communication and engagements with communities (Provasnek, Schmid, & Steiner, 2018). The fifth research front is about legitimacy at host communities in international business. As corporations may face difficulties in attaining SL at host locations despite the potential help from their home country governments (Shapiro, Vecino, & Li, 2018), corporations need to interact with host communities by improving CSP (Gifford & Kestler, 2008), when they internationalize (Symeou, Zyglidopoulos, & Williamson, 2018).

SL in other fields. There are four research fronts of SL in other fields (Table 1-VIII). The first research front is about civil and state governance, which are both needed for fostering responsible business practices (Gjørlberg, 2009). Although state governance helps advance regulatory compliance (Kagan et al., 2003), as state authorities are not always strong enough to protect human rights and to distribute benefits in a just manner (Rist, Feintrenie, & Levang, 2010), civil governance, which SL entails, fills this void. For civil governance, disclosures (Pellegrino & Lodhia, 2012), such as those compatible with Global Reporting Initiative (GRI), are needed to examine whether a corporation comes up to the expectations of various stakeholder communities in civil society (Azapagic,

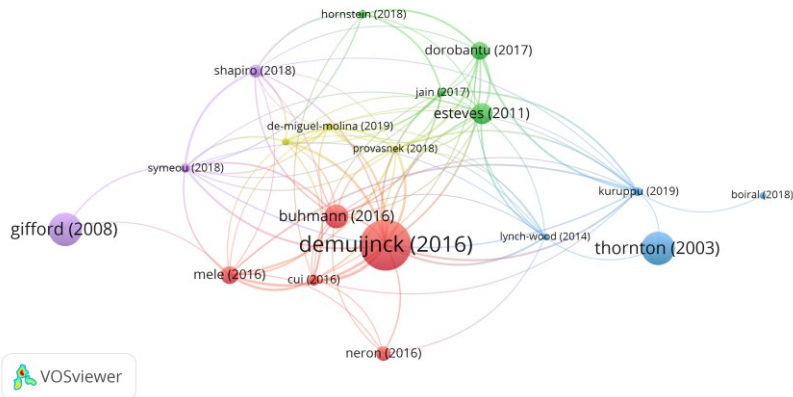
2004). The second research front is IA (Esteves et al., 2012) and benefit agreement (Hanna & Vanclay, 2013) according to social contract theory (Dare et al., 2014). It discusses how IA can be used to manage socio-environmental issues related to SL, legitimacy, and CSR (Vanclay, 2012) and how benefit agreement can be used to compensate for such issues as project-induced displacement (Vanclay, 2017). The third research front introduces “SL for research” (Carter, Laurie, & Dixon-Woods, 2015). Taking the public health service sector as an example (Hall et al., 2015), (health-related) research is considered legitimate (Parsons et al., 2014), only if it values reciprocity and fairness (Moffat & Zhang, 2014), because voluntary participants in research expect their personal data be used to serve the interests of the people encountering similar (health) conditions (Carter et al., 2015). The fourth research front is about the failure of SL under low community capacity and weak government activity (Cheshire, 2010). As SL requires community participation (Prno & Slocombe, 2012) and state governance (Prno, 2013), some scholars criticize that SL in many cases fails to compel corporations to address community expectations (Owen & Kemp, 2013).



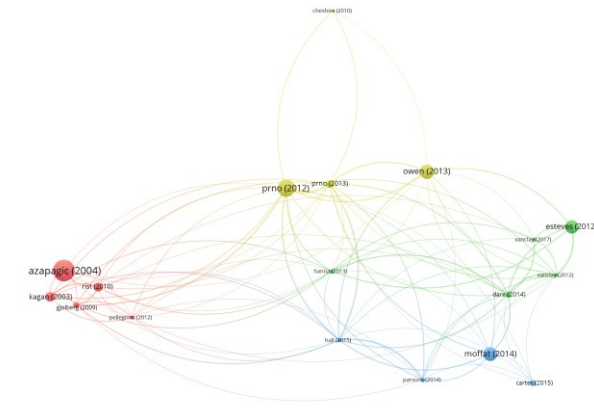
A. CSR in Business Management



B. CSR in Other Fields



C. SL in Business Management



D. SL in Other Fields

Figure 1-4. Networks of Bibliographically Coupled Articles

Table 1-V. Network of Bibliographically Coupled Articles about CSR in Business Management

Cluster #	# Citation	Article	Type	Summary
1	3,078	McWilliams & Siegel, 2001	Conceptual	(As in Table 1-I, Cluster 1)
1	2,038	Campbell, 2007	Conceptual	(As in Table 1-I, Cluster 4)
1	1,674	McWilliams & Siegel, 2000	Empirical	As R&D and CSP are positively correlated, the impact of CSR on financial performance is overestimated without considering R&D intensity.
1	1,491	Aguilera et al., 2007	Conceptual	Driven by various instrumental, relational, and moral motives, multiple actors, including employees, stakeholders, governments, and non-governmental organizations push corporations to engage in CSR.
1	1,044	Godfrey et al., 2009	Empirical	Institutional CSR activities that target secondary stakeholders provide an insurance-like protection, but technical CSR activities that target trading partners do not provide such protection.
1	1,035	van Marrewijk, 2003	Conceptual	Based on the principle of communion, CSR is associated with stakeholder dialogue, sustainability reporting, and transparency.
1	912	Surroca et al., 2010	Empirical	According to stakeholder theory and resource-based view, the indirect relationship between corporate responsibility performance and CFP is mediated by a corporation's intangible resources.
2	1,602	Carter & Rogers, 2008	Conceptual	Sustainable SCM requires strategy, risk management, transparency, and organizational culture that integrate social, environmental, and economic performance.
2	1,302	Zhu & Sarkis, 2004	Empirical	The positive effect of green SCM on environmental and economic performance is positively moderated by the quality of a corporation's management practices.
2	1,112	Aragón-Correa & Sharma, 2003	Empirical	The relationship between a proactive corporate environmental strategy and a corporation's competitive advantage is moderated by uncertainty, complexity, and munificence.
2	1,110	Christmann, 2000	Empirical	Such complementary assets as process innovation and implementation positively moderate the positive effect of the best practices for environmental management on cost advantage.
2	1,031	Buysse & Verbeke, 2003	Empirical	Proactive environmental strategies are not associated with an increasing importance of environmental regulations, but instead, a larger coverage of primary and secondary stakeholders.
2	951	Berrone et al., 2012	Conceptual	Strategic choices in family business are made through a socio-emotional wealth approach that considers such non-financial aspects as affective endowments.
3	2,135	Sen & Bhattacharya, 2001	Empirical	(As in Table 1-I, Cluster 3)
3	1,419	Luo & Bhattacharya, 2006	Empirical	CSR as well as its interactions with product quality and innovativeness capacity increase financial return through customer satisfaction.
3	969	Bhattacharya & Sen, 2004	Conceptual	Customers, who benefit from CSR initiatives alongside with the corporation, are heterogeneous in their reactions across different segments and are apparent in their behaviours.
4	1,151	Dhaliwal et al., 2011	Empirical	According to the theory on voluntary disclosure, high cost of equity capital in the previous year leads to CSR disclosure, which lowers the cost of equity capital in the subsequent year.
4	1,096	Clarkson et al., 2008	Empirical	The positive relationship between CEP and corporate environmental disclosure is consistent with economics theory, specifically voluntary disclosure, but inconsistent with socio-political theories.

Table 1-VI. Network of Bibliographically Coupled Articles about CSR in Other Fields

Cluster #	# Citation	Article	Type	Summary
1	1,069	Boyd & Banzhaf, 2007	Conceptual	Ecosystem services units are advocated based on economic principles to account for the contributions of nature as a measurement for evaluating environmental performance.
1	661	Duflou et al., 2012	Empirical	A structured approach that examines energy and resource effectiveness in manufacturing consists of the unit process, multi-machine, factory, multi-facility, and supply chain levels.
1	473	Jenkins & Yakovleva, 2006	Empirical	Social and environmental reports disclosed by mining companies are increasingly sophisticated, but their maturity varies in terms of content and style.
1	466	Hutchins & Sutherland, 2008	Empirical	CSR requires corporations to assess their social impacts on the owners, suppliers, workers, communities, and the greater society throughout their supply chains, as individual corporate decisions affect sustainability at the national level.
2	612	Ahi & Searcy, 2013	Empirical	Sustainable SCM is characterized by the voluntary integration of social, environmental, and economic considerations into an inter-organizational business system that satisfies both stakeholder requirements and organization objectives over time.
2	597	Zhu et al., 2007	Empirical	Poor implementation of green SCM limits the improvements in social, environmental, and economic performances, despite high regulatory and market pressures as well as internal drivers that lead to the adoption of green SCM practices.
2	524	Govindan et al., 2013	Empirical	Based on the triple bottom line that includes social, environmental, and economic aspects, a fuzzy multi-criteria model is developed for supplier selection operations in sustainable SCM.
2	518	Büyükoçkan & Çifçi, 2012	Empirical	A hybrid fuzzy multi-criteria model is developed to consider both quantitative and qualitative criteria in deciding green suppliers in SCM.
3	555	Bénabou & Tirole, 2010	Empirical	CSR is understood as the adoption of long-term perspective and the exercise of philanthropy, the latter of which is driven by individual motivations for prosocial behaviour.
3	504	Shamir, 2008	Conceptual	Based on the market rationality of governance and the notion of CSR, the moralization of the market that dissolves the distinction between society and economy sustains neo-liberalism.

Table 1-VII. Network of Bibliographically Coupled Articles about SL in Business Management

Cluster #	# Citation	Article	Type	Summary
1	83	Demuijnck & Fasterling, 2016	Conceptual	(As in Table 1-III, Cluster 1)
1	39	Buhmann, 2016	Conceptual	The UNGP on Business and Human Rights, in which SL is advocated, shows the juridification of CSR that formalizes the normativity of business beyond the limits of conventional public law.
1	29	Melé & Armengou, 2016	Empirical	Moral legitimacy underpinning SL is evaluated normatively based on intended end, elected means, concurrent circumstances, and foreseeable consequences.
1	24	Néron, 2016	Conceptual	Based on the presumption of normative theory, a corporation's entitlement to SL is against its legitimacy to engage in CPAs, because SL requires the corporation to contribute to public good, but such self-interested activities as lobbying undermines egalitarianism, which is the principle for equal distribution of public good.
1	18	Cui et al., 2016	Empirical	Due to religious teaching on the moral obligations of managers for employees, firms with high religiosity tend to have employee-friendly practices that may lead to SL.
2	35	Esteves & Barclay, 2011	Empirical	The performance of a corporation-community partnership can be evaluated based on contribution, appropriateness, effectiveness, and ability to achieve goals.
2	29	Dorobantu & Odziemkowska, 2017	Empirical	As a tool for SL, CBA signed by communities with strong property rights, institutional action histories, and extra-institutional mobilization increases financial return.
2	14	Hornstein & Zhao, 2018	Empirical	When corporations have greater needs for SL to operate in countries where institutions are weak, their foundations give more in these countries.
2	14	Jain, 2017	Empirical	Firms signal their conformity to public expectations for enhancing SL only in the absence of legitimacy threat.
3	54	Thornton et al., 2003	Empirical	The tightness of SL, LL, and EL leads to convergent improvement in environmental performance among corporations, but it is SL pressure that gives rise to the variance among them.
3	15	Kuruppu et al., 2019	Empirical	Environmental issues highly visible to the public in the long run are addressed through both direct actions and external reporting for gaining legitimacy, but the issues affecting salient stakeholders for the short term are only addressed directly without reporting.
3	11	Boiral et al., 2018	Empirical	Negative social acceptability of activities significantly impacting natural habitats in local communities drives corporations to adopt certifiable standards for biodiversity management.
3	10	Lynch-Wood & Williamson, 2014	Conceptual	Civil regulation tends to reinforce environmental compliance that addresses stakeholder self-interests through micro-social contract rather than public interests.
4	13	de-Miguel-Molina et al., 2019	Empirical	CEO letters detailing the discourse of a corporation as well as moral reasoning influence its degree and activities of involvement in a community for obtaining SL to operate in the community.
4	12	Hurst et al., 2020	Conceptual	(As in Table 1-III, Cluster 1)
4	10	Provasnek et al., 2018	Empirical	Most companies lack communication and engagement measures for developing company-stakeholder relationships that help secure their legitimacy.
5	54	Gifford & Kestler, 2008	Empirical	Corporations should use locally based community interaction model, namely local legitimacy strategy, to co-analyze, plan, and add sustainable benefit to community for gaining SL.
5	21	Shapiro et al., 2018	Empirical	Chinese firms may gain assistance from Chinese government in obtaining LL in their host countries but face more difficulties in attaining SL.
5	16	Symeou et al., 2018	Empirical	When firms internationalize, they have greater needs to improve their CSP for enhancing their SL.

Table 1-VIII. Network of Bibliographically Coupled Articles about SL in Other Fields

Cluster #	# Citation	Article	Type	Summary
1	513	Azapagic, 2004	Conceptual	An integrated framework of economic, environmental, and social indicators of interested to various stakeholders and compatible with GRI is developed to assess the security of SL.
1	226	Kagan et al., 2003	Empirical	While economic pressure limits beyond-compliance investments, SL explains differences in environmental performance more than regulation does, unless they are coordinative.
1	213	Rist et al., 2010	Empirical	Company-community conflicts result from opacity, lack of FPIC, unclear land rights, and uneven distribution of benefits that are partly contributed by authorities and cooperatives.
1	150	Gjøølberg, 2009	Empirical	The globalist hypothesis that strong sentiments against companies necessitate the companies to obtain SL and the institutionalist hypothesis that companies strongly embedded in political-economic system will succeed in CSR suggest that both civil and state regulations have a role in fostering responsible business practices.
1	92	Pellegrino & Lodhia, 2012	Empirical	Environmental disclosures from both companies and industry are needed for SL, as industry bodies alter society expectations on behalf of companies via lobbying.
2	322	Esteves et al., 2012	Conceptual	(As in Table 1-IV, Cluster 1)
2	143	Dare et al., 2014	Empirical	(As in Table 1-III, Cluster 1)
2	113	Hanna & Vanclay, 2013	Conceptual	(As in Table 1-IV, Cluster 1)
2	98	Vanclay, 2012	Empirical	IA incorporates community engagement to predict project impacts and to develop effective strategies that help manages social and environmental issues related to SL, legitimacy, and CSR.
2	93	Vanclay, 2017	Conceptual	The conditions for resettlement, compensation for displacement, restoration of livelihoods, the role of shared value, and the improvement of practices are discussed not only to prevent project-affected peoples from becoming impoverished but also to provide opportunity for development.
3	335	Moffat & Zhang, 2014	Empirical	(As in Table 1-III, Cluster 2)
3	147	Carter et al., 2015	Empirical	Underpinning an SL for research is the values of reciprocity and fairness, as voluntary participants in research expect their personal data be used for serving the interests of the people encountering similar conditions.
3	111	Parsons et al., 2014	Empirical	(As in Table 1-IV, Cluster 2)
3	101	Hall et al., 2015	Empirical	(As in Table 1-IV, Cluster 1)
4	417	Prno & Slocombe, 2012	Empirical	(As in Table 1-III, Cluster 2)
4	344	Owen & Kemp, 2013	Conceptual	(As in Table 1-IV, Cluster 2)
4	194	Prno, 2013	Empirical	(As in Table 1-III, Cluster 1)
4	85	Cheshire, 2010	Empirical	The contribution from SL-seeking companies to remote communities is a patronage that exploits weak government activity and low community capacity.

1.3.4. Synthesis

The clusters of knowledge bases and research fronts in the literature on CSR versus SL in business management versus other fields are summarized in Table 1-IX.

Based on the co-word clusters as well as the knowledge bases and the research fronts in the literature on CSR within both business management and other fields, scholars primarily regard CSR as a case for gaining CFP by focusing on customers and investors. Although business management used to provide some knowledge regarding how CSR improves legitimization in society, this theme no longer appears in its recent research fronts. While the other fields used to share substantial alignment with business management in terms of their knowledge bases, except for legitimization, they recently perform research on the integration of social, environmental, and economic performances for sustainable development at the system level, which goes beyond but still requires CSR and CFP at the organizational level.

In contrast to the literature on CSR, which does not relate to SL like CSR by its definition is supposed to (Dahlsrud, 2008), the literature on SL shows that SL is the legitimacy granted by a local community to a corporation, which maintains a relationship with and satisfies the interests of the local community through CSR. CSR, as a way for legitimization in local communities, is a theme common to both business management and other fields. However, the other fields not only stress that the legitimacy of a corporation is manifested in the degree to which a local community trusts the corporation, but for fostering CSR, they also take human rights and civil governance into consideration.

On top of the conceptual and thematic differences between CSR and SL, the theoretical lenses underpinning the literature on CSR versus SL are inconsistent. While CSR is based predominantly on stakeholder theory and institutional theory, there is a scientific consensus across academic fields that SL is based on social contract theory. Such inconsistency between CSR and SL exists not only in business management but also in other fields. While recent literature in business management and prior literature in other fields have used voluntary disclosure theory and resource-based view respectively to study CSR, these two theoretical lenses are not commonly used over time nor across fields. Moreover, while the literature on SL in business management has previously used

stakeholder theory to study legitimization in communities and has recently used normative theory, which is a pillar of institution theory, to further study moral legitimization, neither of them were frequently used by scholars studying SL in other fields. Business management has also been using public relation theory in the literature on SL. Though useful, public relation theory has not been used by other fields to study SL.

As such, SL is unlikely an extension of CSR nor stakeholder theory that many scholars have previously supposed (Raufflet et al., 2013). Stakeholder theory that is used to study CSR covers stakeholder groups of varying salience and thus largely focuses on primary stakeholders, such as customers and investors, which directly influence a corporation's financial performance. Yet, as SL pinpoints to the local communities, which are secondary stakeholders directly affected by corporate operations, social contract theory and public relation theory enable scholars and corporations to narrow their focuses onto this specific group of stakeholders. Although business management scholars used to apply stakeholder theory to study SL, perhaps by drawing upon the literature on CSR, the application of stakeholder theory to the literature on SL may no longer be valid even within business management. In business management, however, normative theory that is used to study SL can be seen as an extension of institution theory that was used for studying CSR, as the latter focuses on the legitimization of a corporation in society, while the former describes various evaluative standards used by different local communities in society to determine the legitimacy of the focal corporation.

However, as CSR, by definition, links to SL (Dahlsrud, 2008), stakeholder theory often adopted in the literature on CSR can also be a useful theoretical lens when studying SL, if it is used with the awareness that stakeholder salience can be considered in terms of SL. Specifically, vested stakeholders who have a vote to approve or disapprove the SL of a corporation are more salient than non-vested stakeholders who only have a voice (Wilburn & Wilburn, 2011). Moreover, stakeholder theory complements social contract theory (Donaldson, 2003) in the literature on SL. As SL is defined as the approval by not only local communities but also stakeholder groups (Demuijnck & Fasterling, 2016), based on social contract theory, it prompts multiple social contracts for communities and groups (Lynch-Wood & Williamson, 2014) of various scales (Dare et al., 2014). The strength of the social contract for a stakeholder group depends on the

group's salience, which is attributed to its power, its legitimacy, and its urgency (Mitchell et al., 1997) in approving or disapproving SL.

For both the literature on CSR and the literature on SL, given that the knowledge bases overlap substantially between business management and other fields, the theoretical understandings about CSR and SL converge across fields. For both business management and other fields, however, the literature diverges between CSR and SL. Therefore, it is a difference in cognitive frame rather than academic field that CSR and SL entail. CSR, which is frequently used as a business case, triggers a businessperson to cognitively relate it to CFP. In contrast, as SL entails not only the assessment of socio-environmental impacts but also CSR, which is associated with CFP, it requires people to paradoxically maintain a balance between the social, environmental, and economic objectives.

When compared to business management, other fields are relatively more apparent in using a paradoxical frame for theoretical developments. For instance, in the literature on CSR, while business management has formed separate clusters for CFP, stakeholder management, and environmental management, the other fields have integrated them into the research on sustainable development. For another instance, in the literature on SL, the other fields demonstrate how IA and benefit agreement can be used to settle socio-environmental issues while making the economic costs for such settlement transparent.

Although business management has merely been doing knowledge recombination in the literature on CSR, it has expanded the literature on SL from two knowledge bases to five research fronts. The other fields have also expanded the literature on SL from two knowledge bases to four research fronts. In terms of the ratio of research fronts to knowledge bases, the literature on SL has displayed prominent growth, while the literature on CSR appears to be saturated.

Table 1-IX. Clusters of Knowledge Bases and Research Fronts in The Literature on CSR versus SL in Business Management versus Other Fields

Business Management		Other Fields		
Knowledge Base	Research Front	Knowledge Base	Research Front	
CSR	<ol style="list-style-type: none"> 1. CFP 2. Strategic management according to stakeholder theory 3. Marketing strategy 4. <u>Legitimization in society</u> according to institution theory 	<ol style="list-style-type: none"> 1. CFP according to institution and stakeholder theories 2. Environmental management 3. Marketing strategy 4. Voluntary disclosure theory 	<ol style="list-style-type: none"> 1. CFP in strategic management according to stakeholder theory and institution theory 2. Environmental management according to institution theory and resource-based view 3. Research method 	<ol style="list-style-type: none"> 1. Sustainability 2. Sustainable SCM 3. Moralization and philanthropy
SL	<ol style="list-style-type: none"> 1. Community engagement according to social contract theory and public relation theory 2. <u>Legitimization in communities</u> according to stakeholder theory 	<ol style="list-style-type: none"> 1. Moral legitimization according to social contract theory and normative theory 2. Corporate motivations for improving corporation-community relationship 3. Limitations of environmental management in communities according to social contract theory 4. Corporate discourse for improving corporation-community relationship according to public relation theory 5. <u>Legitimacy</u> at host communities in international business 	<ol style="list-style-type: none"> 1. Contextual differences according to social contract theory 2. Social-risk management and legitimization in communities 	<ol style="list-style-type: none"> 1. Civil and state governance 2. IA and benefit agreement according to social contract theory 3. "SL for research" 4. The failure of SL under low community capacity and weak government activity

Note: Common theories, themes, and levels of analysis are displayed using different font colors, highlight colors, and font styles respectively.

1.4. Discussion

This chapter exemplifies the exercise of scientific mindfulness for attaining “SL for research”. As a cognitive frame, a business case for CSR can easily induce one to emphasize CFP as opposed to other socio-environmental outcomes. So, if a researcher applies a business case frame to examine CSR, then very likely, such research will generate knowledge that benefits businesses but neglects some other communities in society. It is not until this multidisciplinary literature review paradoxically includes diverse frameworks that community interests, which used to be marginalized by the literature on CSR, are highlighted and can be addressed by devoting more research efforts into SL. In other words, the betterment of society, which includes but is not limited to businesses and communities, requires scientific mindfulness, which is “a holistic, cross-disciplinary, and contextual approach, whereby researchers need to make sense of multiple perspectives” (Jonsen et al., 2010, p. 44). Importantly, researchers exercising scientific mindfulness must apply “their own theoretical tools ‘back on themselves to illuminate the status of their own scholarship” (Mitchell, 2004, p. 213, as cited in Jonsen et al., 2010, p. 51). Interestingly, this chapter, which researches on SL, calls for “SL for research” (Carter et al., 2015), which states that research is only legitimate if it uses data sampled from a group of social actors in a fair and reciprocal manner by giving back to that group.

To give back to the researchers, whose articles on CSR and SL were sampled in this study, this study makes three major clarifications relevant to them by synthesizing the findings of a bibliometric analysis. (1) SL is conceptually an outcome of CSR at the affected community level, but the literature on CSR has not paid enough attention to this outcome, but rather to another outcome, specifically CFP. (2) There appears to be a divergence in cognitive frame between the literature on CSR and SL, but there appears to be a convergence in theoretical foundations between business management and other fields for both CSR and SL. (3) Despite the differences in research fronts between business management and other fields, the literature on SL is undergoing a more recognizable growth in theoretical development than the literature on CSR does, especially in business and management.

1.4.1. Future research agenda

Since the literature on CSR and the literature on SL are framed through different sets of theoretical lenses, more research on SL will be needed in business management, which seems to have falsely assumed that SL issues were addressed in the literature on CSR. Future business management research should enrich the literature on SL by aligning with other fields, because they are working on different but related research fronts, despite their common use of social contract theory in some of their research fronts. While business management and other fields examine their research fronts from the perspective of a corporation embedded in a community (e.g., moral legitimization in international business) and from the perspective of a community embedded in society (e.g., community capacity and government activity for civil and state governance) respectively, merging these research fronts better the harmony between corporations and communities in society.

First, although scholars in international business have been investigating strategies for gaining local legitimacy in host countries (Gifford & Kestler, 2008; Shapiro et al., 2018), future research should examine the way in which various conditions surrounding civil and state governance support the attainment of SL at various host locations (Gjølberg, 2009), not only by considering how these conditions influence responsible business practices (Symeou et al., 2018), but also by taking distributive fairness in the socio-political context into considerations (Rist et al., 2010). Second, while communities grant SL by evaluating whether the concurrent circumstances and the foreseeable consequences resulting from corporate activities come up to their expectations (Melé & Armengou, 2016), future research should examine how the corporate disclosures (Pellegrino & Lodhia, 2012), which are compatible with global social contracts, such as GRI (Azapagic, 2004) and UNGP (Buhmann, 2016), are useful for civil governance that micro-social contracts sustain at the local community level (Dare et al., 2014). Third, as communities deem CPA morally illegitimate (Néron, 2016), in a sense that it exploits low community capacity and weak government activity without contributing genuinely to communities (Cheshire, 2010), future research should examine how the strengths of community participation (Prno & Slocombe, 2012) and state institution (Prno, 2013) matter to SL in terms of limiting CPA.

Within the literature on SL, the research front regarding environmental

management in business management and the research front regarding IA and benefit agreement in other fields are the only two research fronts that balance the perspectives of both the corporations and the communities, as these research fronts focus on protecting the natural environment rather than benefiting from the other party. According to social contract theory, micro-social contracts are biased towards community interests instead of public good (Lynch-Wood & Williamson, 2014). While IA and benefit agreement fulfill micro-social contracts by supporting the management of environmental issues at the community level (Vanclay, 2012), future research should examine the degree to which IA discourages corporations from reporting these atomic issues to the public (Kuruppu et al., 2019) and the extent to which corporations substitute recognized environmental standards with benefit agreements (Boiral et al., 2019), thereby hurting the SL of the corporations at the broader society level.

Using public relation theory and discourse analysis, business management scholars can respond to the call for research on the distinctive ways that corporations of a different nature and in different industries take to improve their communication with communities for attaining SL (de-Miguel-Molina et al., 2019; Provasnek et al., 2018). Instead of following conventional stakeholder theory for relationship management (Raufflet et al., 2013), this call for research echoes with social contract theory (Dare et al., 2014), which addresses contextual differences across industries (Hall et al., 2015) and individuals (Boutilier, 2014). Apart from using an appropriate theoretical lens, when business management scholars study the motivations for corporations to improve their relationships with communities, they should avoid falling into the same pitfall as they did in the literature on CSR by looking beyond the financial incentives of attaining SL (Dorobantu & Odziemkowska, 2017).

As the literature on CSR frequently refers to it as a business case for improving CFP, whereas the literature on SL assesses not only social and environmental but also economic impacts of CSR, they are shaped by what Hahn, Preuss, Pinkse, and Figge (2014) described as business case frame and paradoxical frame respectively. Furthermore, as the fields other than business management integrate the knowledge bases of CFP, stakeholder management, and environmental management into their research front on sustainable development, and as they balance between socio-environmental issues and economic costs through IA, the use of paradoxical frame as opposed to business case frame is relatively apparent in the fields other than business

management. Future research can investigate how collective cognitive frames among researchers, specifically business case versus paradoxical frames, affect the trajectories of various strands of literature and/or the outcomes of different academic fields, including their “SL for research” as perceived by multiple audiences in society.

Presented in Table 1-X is a summary of the future research directions abovementioned, including theoretical perspectives, themes, and key research questions.

Table 1-X. Future Research Directions

Theoretical Perspective	Theme	Key Research Question(s)
Social contract theory	International business	<ul style="list-style-type: none"> - How do the conditions for civil and state governance, such as socio-political fairness, influence the attainment of SL at different host locations? - How useful are the global standards of corporate disclosures for civil governance regarding SL at the local community level? - How do community participation and state institution affect SL through CPA?
	Environmental management, IA, and benefit agreement	<ul style="list-style-type: none"> - To what degree does IA discourage corporations from reporting community-level environmental issues, thereby hurting SL at the broader society level? - To what extent do corporations replace environmental standards with suboptimal benefit agreements, thereby hurting SL at the society level?
	Cognitive frame and SL for research	<ul style="list-style-type: none"> - How do business case versus paradoxical frames held by researchers alter the trajectory of a literature and/or the outcome of a field, including “SL for research”, which is the approval from relevant audiences in society?
Public relation theory	Business management in general	<ul style="list-style-type: none"> - What are the distinctive ways that corporations of various nature and/or in different industries communicate with communities to attain SL?

1.4.2. Theoretical contributions

The contributions of this chapter are three-fold. First, while it appears to many business management scholars that SL is an extension of stakeholder theory (Raufflet et al., 2013), this chapter contributes to the literature by rectifying the scientific consensus that SL is fundamentally based on social contract theory. To examine SL, although business management literature has also used other theories, such as normative theory, which is a pillar of institution theory drawn from the literature on CSR, social contract theory is the only theoretical lens widely recognized by both business management and other fields in the literature on SL.

Second, this chapter contributes to the literature on SL by justifying an agenda for business management scholars to divert some of their attention from CSR to SL in future research. As this chapter has revealed, SL is conceptually defined by social contract theory as an outcome of CSR in an affected local community (Dahlsrud, 2008), but SL has often been overlooked by the literature on CSR, because the literature on CSR is grounded in stakeholder theory, according to which, local communities, while being a stakeholder group, are less salient than other stakeholders, such as customers and investors, which directly affect CFP. To fill this research gap, this chapter has provided various research directions.

Third, this chapter contributes to social epistemology by exemplifying the importance of scientific mindfulness and by advocating that the cognitive frames held by researchers might be associated with fragmented knowledge and differentiated perspectives. Business case versus paradoxical frames were found to be influencing how managers make decisions about corporate sustainability (Hahn et al., 2014), but how these two cognitive frames influence scholars researching on this topic has never been investigated. If knowledge is primarily generated based on a business case frame in academia, then given that academia informs practices, it is unlikely that decision making in practice will paradoxically integrate social, environmental, and economic perspectives, which are sometimes conflicting.

1.5. Conclusion

This chapter exercises scientific mindfulness to conduct a bibliometric analysis of multidisciplinary literature on CSR and SL. It clarifies that SL is based on social contract theory rather than stakeholder theory, which the literature on CSR draws upon. It also reveals that SL is a social outcome formed by the perceptions of an affected community, which the business case frame of CSR tends to omit in contrast to a financial outcome affected by such stakeholders as customers and investors. For the betterment of society, which includes not only businesses but also communities, community interests that used to be overlooked can be addressed by paying attention to SL. Scholars, for instance, can contribute to developing the growing body of literature on SL by responding to calls for research that this chapter has outlined. By providing knowledge to both communities and businesses through research, scholars can likely receive “SL for research” from both parties. Based on a synthesis of the findings in this chapter, “SL for research” can be considered an approval from relevant parties in the general public, when researchers are perceived by these parties to be behaving in accordance with the social contract between academia and society.

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Chapter 2.

Global versus Local: Can Corporate Social Responsibility Lead to Social License?

Social license (SL) refers to the approval by local communities. While prior literature takes the attainment of SL through corporate social responsibility (CSR) for granted, this study examines a condition under which this CSR-SL relationship is challenged. According to justice-based and consent-based social contract theory, this study theorizes that global CSR and local CSR improve the level to which a local community grants an SL to a multinational corporation (MNC), but such level is counterbalanced by polarization within the community. Using 4,004 articles about 44 MNCs located in 535 communities between 2008 and 2020, this study shows that both global and local CSR positively influence SL, but global CSR has a larger influence than local CSR, and community polarization negatively moderates the influence of local CSR but not global CSR. Therefore, justice as opposed to consent is what makes the CSR-SL social contract effective, given polarization in our imperfect world.

2.1. Introduction

In practice, social license (SL) “can stabilise the socio-political environment for business” (Boutilier, Black, & Thomson, 2012, p. 227). Not only was SL noted by Barrick Gold’s founder, Peter Munk, as “[t]he single most critical factor” in the global mining industry (quoted from Dorobantu & Fleming, 2017, p. 4), but it has also begun to challenge such giants as Amazon and Google in the high-technology industry since 2020 (Boston Consulting Group, 2022; Forbes, 2020; Investopedia, 2020, 2021). As these companies encounter high socio-political risk (Richert, Rogers, & Burton, 2015), they “must build their own socio-political stability by engaging directly with stakeholders to develop a strong social license” (Boutilier et al., 2012, p. 227).

In academic literature, SL is referred to as “the acceptance or approval by local—if not indigenous—communities and stakeholders of a business enterprise’s operations or projects in a certain area” (Demuijnck & Fasterling, 2016, p. 675). Prior literature claimed that socially responsible corporations are viewed positively by communities (Prno & Slocombe, 2012) and it is common sense that regularly practicing corporate

social responsibility (CSR) behaviours improves respectful relationships with communities (Oetzel, Westermann-Behaylo, Koerber, Fort, & Rivera, 2009). However, such common sense is at odds with what some actual cases have exemplified — CSR do not always pay off in terms of securing SL. For example, Chevron’s Niger Delta Partnership Initiative, with which Chevron had aimed at engaging with the local Niger Delta community through such CSR activities as social investment and infrastructure development, did not lead to an SL approved by the community but an inter-ethnic crisis within the community (Henisz, 2016; Hoben, Kovick, Plumb, & Wright, 2012).

This chapter addresses the recent call for research on the contextual environment in which the socio-political stakeholders of a multinational corporation (MNC) can diminish the MNC’s attainment of SL through such nonmarket strategy as CSR (Gehman, Thompson, Alessi, Allen, & Goss, 2016) engaged at global (macro-) and local (micro-) levels (Buckley, Doh, & Benischke, 2017; Pisani, Kourula, Kolk, & Meijer, 2017). Although socio-political structures shape the nonmarket environment (Doh, Lawton, & Rajwani, 2012), scholars often overlook the interactions between stakeholder groups in political CSR research (Scherer, Rasche, Palazzo, & Spicer, 2016). Based on social contract theory, which is “currently not utilized in studies investigating the nonmarket strategy–performance link” within the literature on political CSR (Mellahi, Frynas, Sun, & Siegel, 2016, p. 167), this chapter argues that the dynamics between stakeholder groups acting out of their positional power (Keig, Brouthers, & Marshall, 2015) is an external factor in the nonmarket environment (Buckley et al., 2017; Mellahi et al., 2016) that challenges such performance outcome (Lawton, Doh, & Rajwani, 2014) as an MNC’s attainment of SL through CSR. The challenge to creating socio-political stability is “identifying a version of the social contract that will be acceptable to the vast majority of the social actors” (Boutilier et al., 2012, p. 228), including not only the MNC but also multiple stakeholders (Scherer & Palazzo, 2011). Even though the expectations of stakeholders within the same location can be homogeneous (Marano & Kostova, 2016), political polarization between stakeholders inhibits them from reaching a social consensus about their social contract with an MNC at both the macro- (Lacey & Lamont, 2014) and micro- (Demuijnck & Festerling, 2016) levels because of self-interests.

Considering heterogeneity in contextual environments across space (Marano & Kostova, 2016; Mellahi et al., 2016), this chapter examines SL from a local community perspective, which is consistent with “a sense of community [...] embedded within the

literature on corporate social responsibility” (Forrer & Katsos, 2015, p. 440). Drawing from the literature on SL, this chapter conceptualizes SL as a continuum of emotion, which is grounded on trust (Gehman et al., 2016; Jijelava & Vanclay, 2017; Moffat and Zhang, 2014; Parsons, Lacey, & Moffat, 2014; Thomson & Boutilier, 2011) as opposed to anger (Melé & Armengou, 2016) of a local community that perceives a company’s CSR engagements according to the community’s point of view (Moffat & Zhang, 2014; Richert et al., 2015). This chapter is the first study that bridges the gap between the objective evaluations of a company’s CSR engagements and the subjective stakeholder perceptions of such engagements (Gond, El Akremi, Swaen, & Babu, 2017).

The contribution of this chapter is three-fold. First, this chapter contributes to the development of the literature on political CSR in the socio-political nonmarket environment (Mellahi et al., 2016; Scherer et al., 2016) by starting to consider that stakeholder communities play the roles of political actors as much as MNCs and governmental agencies do (Lawton, Rosenau, & Verdun, 2018; Liedong, Aghanya, & Rajwani, 2020; Scherer & Palazzo, 2011; Shirodkar, Beddewela, & Richter, 2018; Williams, Lukoianova, & Martinez, 2017) and by utilizing such political theory as social contract theory that is currently a void in the literature (Mellahi et al., 2016). Second, this chapter contributes to international business literature by investigating CSR at both global and local levels (Buckley et al., 2017; Mellahi et al., 2016; Pisani et al., 2017; Scherer & Palazzo, 2011; Scherer et al., 2016). Third, while prior literature has advocated both justice-based (Lacey & Lamont, 2014) and consent-based (Demuijnck & FASTERLING, 2016) social contract theory to examine SL, this chapter not only contributes to the application of social contract theory by evidencing which of the two approaches approximates an ideal world versus our imperfect reality, but this chapter also contributes to the framing of SL by evidencing whether its theoretical foundation aligns with its practical outcomes.

2.2. Literature review on social license as a continuum of trust versus anger

Whether a company’s operation or project is considered acceptable rests on a community’s perceptions of how the company influences the well-being of the community (Moffat & Zhang, 2014; Richert et al., 2015). Such perceptions, over which a company has no control (Prno, 2013; Prno & Slocombe, 2014), are grounded on local

norms and values (Wilburn & Wilburn, 2011), but may not necessarily be backed up by any empirical evidence (Kemp, Worden, & Owen, 2016). Even though SL can derive from self-interested community members, who may have narrowly focused mandates that diverge from the broad concerns common to all members (Lynch-Wood & Williamson, 2015; Melé & Armengou, 2016), SL not only acts as a regulatory trigger that pressures companies to address specific concerns raised by community members (Lynch-Wood & Williamson, 2015), but SL also allows companies to legitimize their operations (Darendeli & Hill, 2016; Parsons et al., 2014).

SL is a continuum consisting of four major levels (Thomson & Boutilier, 2011), including withheld/withdrawn, acceptance, approval, and identification from the lowest to the highest level. Each of these levels, at which a company and its project can be situated, is separated by three boundaries, namely legitimacy, credibility, and trust, which are described in detailed by Jijelava and Vanclay (2017). First, the legitimacy boundary is fulfilled when a local community perceives a company to be upholding both distributional and procedural fairness that leads the community to accept the company's project. Second, the credibility boundary is met when a local community considers a company to be honest and non-deceptive, leading the community to approve the company's project. Third, the trust boundary is reached when a local community can confidently determine that a company is making decisions for its project in the mutual interests of the company and the community, or even better, in the best interests of the community.

“[T]rust is a fundamental component of social licence” (Parsons et al., 2014, p. 87). To gain trust, a company must carefully listen to and address the concerns raised by a local community (Jijelava & Vanclay, 2017; Parsons et al., 2014). Otherwise, a company lacking acceptance from the local community may risk community anger (Melé & Armengou, 2016), or even worse, “repeated episodes of stakeholder conflict” (Dorobantu & Odziemkowska, 2017, p. 2685), such as protests and boycotts. SL, as a continuum of trust versus anger, can change over time according to contextual dynamics (Parsons et al., 2014) and critical events (Dorobantu et al., 2017). Hence, SL granted at one point of time does not imply that it is always intact in future time (Darendeli & Hill, 2016; Parsons et al., 2014).

SL is granted by vested stakeholder groups, who are the non-governmental

(Shapiro, Vecino, & Li, 2018) inhabitants indefinitely residing (Wilburn & Wilburn, 2011) and being physically influenced (Demuijnck & Fasterling, 2016) within a local community. Non-vested stakeholder groups, such as international organizations interested in global issues, may join hands with vested stakeholder groups to pressure companies by adding a voice to the discussions. However, non-vested stakeholder groups must not stop vested stakeholder groups from approving SL to a company (Wilburn & Wilburn, 2011), because conceptually, vested stakeholder groups have “the right to expect recompense from the company, which has a corresponding obligation” (O’Higgins, 2010).

2.3. Theoretical development

Related to SL, CSR can be defined as “a [social] ‘contract’ between society and business wherein a community grants a firm a [social] license to operate and in return the matter meets certain obligations and behaves in an acceptable manner” (Dahlsrud, 2008, p. 10). This definition, on the one hand, highlights the potential imperfect translation from CSR to SL (Gond et al., 2017), given that the degree to which a community finds a firm’s fulfillment towards its obligations acceptable is subjective, regardless of what obligations are objectively agreed upon in the social contract. Similarly, in international business, a “global strategy might involve an efficient transmission of (proactive) CSR practices throughout the organization worldwide, but may also lack ownership and legitimacy at the local level” (Muller, 2006, p. 189), because the legitimacy of a business organization is subject to the view of a community based on community norms and values rather than the empirical evidence of the organization’s behaviours (Kemp et al., 2016; Moffat & Zhang, 2014; Richert et al., 2015; Wilburn & Wilburn, 2011). On the other hand, this definition, which describes the relationship between CSR and SL as a social contract, proposes social contract theory as a theoretical lens to examine such relationship (Demuijnck & Fasterling, 2016). The global and the local levels of CSR (Buckley et al., 2017; Pisani et al., 2017) can thus be examined using the justice-based and the consent-based approaches of social contract theory respectively (Donaldson & Dunfee, 1999; Lacey & Lamont, 2014).

Social contract theory suggests that social responsibilities originate from two levels of consent (Garriga & Melé, 2004). A macro-social contract provides a set of universal principles called hyper-norms, including social justice, procedural fairness, and such international rights as the ethics of international business (Donaldson & Dunfee,

1999), which transcend different socio-political communities. Meanwhile, a micro-social contract is binding with a local community, in which members have moral free space to authentically create obligatory ethical norms based on their beliefs by exercising their right to exist and their right of speech (Donaldson & Dunfee, 1999; Garriga & Melé, 2004). These obligatory ethical norms can be divergent, or sometimes conflicting, among different communities, but the norms generated within any community must theoretically be compatible with the hyper-norms (Hemphill & Lillevik, 2011).

Micro-social contracts are supported by the consent-based approach, under which community members can bargain the terms of a micro-social contract to maximize their self-interests while leading the other party governed by the contract to moral actions (Lacey & Lamont, 2014). The macro-social contract, in contrast, is supported by the justice-based approach, which recognizes equal moral status among all communities (Lacey & Lamont, 2014), as universal principles apply to all. Although such universal principles as social justice and procedural fairness are deliberated along with community consent (Ast, 2019), communities that deliberate under ideal conditions of the justice-based approach pursue their own interests without minimizing the interests of the others (Lacey & Lamont, 2014). However, in an unideal world, “norms of justice support and legitimate behavioural inequalities that favor the powerful” (Molm, Quist, & Wiseley, 1994, p. 98). The unideal deliberation of hyper-norms is not authentic but a reduction in morality (Lacey & Lamont, 2014), because “it is distorted by unequal political power” (Ast, 2019, p. 209). In front of the veil of ignorance (Donaldson & Dunfee, 1999), people who know their social statuses or positions in society tend to support a procedure which will result in outcomes that favour themselves without considering whether the procedure is fair (Anand, 2001; Brown, 2010; Tyler, 1996).

As the concept of SL is akin to social contract theory, SL intrinsically has a political dimension (Demuijnck & FASTERLING, 2016), which recent theorizing has emphasized (Boutillier, 2020). Social contract theory as applied to international business suggests that any MNC not only is regarded as an economic agent but is also politically engaged in the social life of local communities, and so, it has assumed social responsibilities (Neiman, 2013). In other words, MNCs are bound by social contracts to obtain SL from local communities and are thus supposed to satisfy the CSR expectations of the local communities.

2.3.1. Compliance with global CSR under macro-social contract

When MNCs engage in CSR to meet society's expectations, they are ethically guided by such universal principles as justice (Carroll, 2016). For example, while MNCs are obligated to engage with their communities that are affected by their operations through adopting a social contract approach (Selmier II, Newenham-Kahindi, & Oh, 2015), such principle-based mechanisms as the United Nations Guiding Principles (UNGP) on Business and Human Rights under the United Nations (UN) Protect, Respect and Remedy Framework, as well as the related UN Global Compact (UNGC) (United Nations, 2011, 2012, 2013), all of which connect responsible business conduct to social expectations (Buhmann, 2016; Woods & Urwin, 2010), have become a broad agreement in regard to company-community CSR engagements that enable local communities to claim for justice (Kemp, Owen, Gotzmann, & Bond, 2011). To be compliant with these principle-based mechanisms, MNCs generally report their CSR engagements to international organizations and performance rating agencies that uphold certain global standards (Kolk & Lenfant, 2012).

Compliance with a global CSR standard aligns with the justice-based macro-social contract because it reflects such guiding principles as the UNGP and the UNGC for companies and communities entering a social contract. According to social contract theory, the justice-based macro-social contract ensures that companies meet such basic moral principles as equity, which implies that any action from the companies must be justified to all communities that apply (Lacey & Lamont, 2014). The MNCs that engage in CSR under the justice-based macro-social contract thus uphold procedural fairness, in a sense that all local communities are equally considered during the MNCs' decision-making processes about CSR. In other words, to uphold the principle of procedural fairness, an MNC that has already engaged in CSR in certain communities somewhere in the globe will likely engage in CSR in a local community as well.

Procedural fairness is beneficial to legitimizing the companies' operations in a local community (Jijelava & Vanclay, 2017). A local community will likely give credit to an MNC that is highly rated in terms of compliance with CSR at the global level, as non-vested stakeholder groups, including international organizations, performance rating agencies, and communities located elsewhere, play the role of third-party guarantors (Shapiro, 1987) that evidence the MNC's ability, benevolence, and integrity (Mayer,

Davis, & Schoorman, 1995) in maintaining a similar level of CSR at the local community. That is, if it is shown that an MNC has already been engaging in CSR globally while complying with certain global CSR standards (Hemphill & Lillevik, 2011; Woods & Urwin, 2010), then a local community will have the confidence to predict (Mayer et al., 1995) that the MNC will commit to CSR in the community genuinely instead of deceiving the community through CSR-washing. In short, based on the justice-based approach of social contract theory, a local community will likely grant an acceptance or an approval level of SL to an MNC that shows CSR compliance at the global level, owing to the MNC's legitimacy and credibility (Jijelava & Vanclay, 2017; Thomson & Boutilier, 2011).

***Hypothesis 1a.** An MNC's compliance with global CSR increases the level to which a local community grants an SL to the MNC.*

2.3.2. Commitment to local CSR under micro-social contract

Idealistically, MNCs not only can respond directly to the contexts of each local community by engaging in CSR (O'Higgins, 2010) to avoid conflicts with the community (Özen & Özen, 2009), but they can also invest in building their relations with communities at the local level to gain SL (Szablowski, 2002). Although each local community may be concerned about the similar categories of CSR (Prno & Slocombe, 2014), which can be resolved through global CSR strategies (Bondy & Starkey, 2014), the level of commitment to CSR desired by each local community can be high (Szablowski, 2002). This is because, according to social contract theory, local communities would have moral free space to bargain, when companies seek their consent for an agreement on their micro-social contracts (Lacey & Lamont, 2014), even when such micro-social contracts align with the macro-social contract, for instance, in terms of the alignment between globally and locally recognized categories of CSR.

Consent-based social contracts are by nature instrumental, in a sense that the contractual arrangement can very often serve self-interested ends (Lacey & Lamont, 2014). Although a consent-based micro-social contract can push MNCs to behave responsibly in a local community, local community members can exercise their voices and use their political power to negotiate the terms specified in the micro-social contract, thereby maximizing their gain from various categories of CSR. In other words, under a micro-social contract, a local community perceives an MNC that engages in CSR

positively by recognizing the amount of gain it can get directly from the MNC's commitment to local CSR (Wright & Bice, 2017) instead of the likelihood that it can gain from the MNC's commitment to all communities implied by the macro-social contract.

By benefiting from the micro-social contract with an MNC, a local community will subjectively perceive that the MNC is distributing benefits from its CSR engagements in a fair manner (Woods & Urwin, 2010). Such distributive fairness legitimizes the MNC's operation in the local community (Jijelava & Vanclay, 2017; Thomson & Boutilier, 2011). Moreover, the local community will give credits to the MNC, as the community is able to validate whether the MNC is promise-keeping and non-deceiving by witnessing first-person the positive outcomes of the MNC's CSR engagements (Jijelava & Vanclay, 2017; Thomson & Boutilier, 2011). Furthermore, the local community will trust the company, as the micro-social contract is directly contributing to the community's best interests (Thomson & Boutilier, 2011; Wright & Bice, 2017). The more the local community benefits from the MNC's commitment to local CSR, the higher is the trust from the local community to the MNC. Therefore, an MNC with CSR that is highly committed to a local community will likely receive a high level of SL from the community.

***Hypothesis 1b.** An MNC's commitment to local CSR increases the level to which a local community grants an SL to the MNC.*

2.3.3. Community polarization and macro-social contract

When a macro-social contract is agreed ideally "without assuming one's particular standing in society, class position, or social status" (Brown, 2010, p. 45), the macro-social contract promotes both procedural fairness (Zhang et al., 2015) and distributive justice (Anand, 2001). However, conditions become unideal when the deliberation about the macro-social contract is conducted in front of a veil of ignorance and is distorted by unequal political power (Ast, 2019), because the norms of justice will then favour the powerful, further enlarging inequality (Molm et al., 1994). "When people know if the outcome of a procedure favours their position before they evaluate that procedure, their judgments about procedural fairness have less impact upon their support for the decision" (Tyler, 1996, p. 322). Thus, "perceptions of justice evolve as an integral and inseparable part of identity, the kinds of persons individuals see themselves to be" (Moghaddam, 2008, p. 896). Whether a member of a local community expresses "[t]he

way minorities are being treated is not right” versus “[o]ur system [...] is perfectly fair” depends on whether the member identifies oneself in the majority or the minority group (Moghaddam, 2008, p. 896). Specifically, a member from a minority group in view of the minority group’s voice being marginalized within a community tends to believe that the system is unjust, whereas a member from the majority group in hope of the majority group’s benefits being maximized will likely claim that an objectively unjust system is just. The more politically polarized are the groups of members in a community, the clearer are their positions and identities, and hence the stronger are the beliefs from the minority groups that a justice-based social contract is unfair.

A few studies have revealed that the system in which various agents and agencies deliberate CSR is perceived to be unfair by minority or marginalized stakeholders, even if such system aims at improving companies’ levels of compliance with CSR at a global scale to benefit all stakeholders, including the minority and the marginalized. Banerjee’s (2018, p. 815) article suggested that the “struggles of communities [...] are about establishing accountability [...] that represent[s] the interests of the marginalized”. Indeed, although the development of the UN Protect, Respect and Remedy Framework is supposed to include the perspectives from a diversity of agents and agencies to promote global social justice (Ast, 2019), Grosser and Moon (2019) stated that some ethnic groups are silenced from participating or making their voice heard during such political processes. Minority or marginalized groups, such as ethnic minorities and indigenous peoples, not only lack the opportunity to become fully involved in the deliberation and the design process of CSR together with other powerful groups (Kemp et al., 2011), but some ethnic minority groups have also observed colonial or patriarchal culture in the way that social contracts are established (Keenan, Kemp, & Ramsay, 2016). Hence, if MNCs are compliant with a global CSR standard, of which the macro-social contract is considered unjust by ethnic minority groups, the minorities groups will likely deem the MNCs illegitimate.

Majority or dominant groups, in contrast, were found to be less concerned with justice (Primeaux, Karri, & Caldwell, 2003). Rather, they may utilize their power for their best interests and switch from a justice-based to a consent-based approach towards the macro-social contract. This argument is demonstrated by Mason, Paxton, Parsons, Parr, and Moffat’s (2014) study conducted in the mining industry in Australia.

In their study (Mason et al., 2014), Australians who identify themselves in the group that share dominant values are concerned about the economic benefits that they can receive from new mining projects, regardless of whether the projects are owned by Australian or foreign mining companies. They are also concerned about whether their wealth generated from these mining projects will be spread to other countries. To preserve their own benefits and power, some may argue that some other countries and/or communities do not deserve what the mining companies offer (Halevy, Jun, & Chou, 2020; Keenan et al., 2016). If an MNC upholds justice by engaging in global CSR for all communities that are affected by its operations, then benefits will be distributed evenly across the communities rather than unevenly towards those in power. Therefore, dominant groups tend to disapprove of the justice-based macro-social contract of CSR.

In summary, even if an MNC is actively complying with a global CSR standard under the justice-based macro-social contract, minority groups in a politically polarized community will likely perceive the macro-social contract as unjust and the MNC as illegitimate, while the dominant groups tend to have a consent-based rather than justice-based approach to the macro-social contract. The larger the polarization within the local community, the more apparent are the standings between the minority versus dominant groups, and thus the less likely that both the minority and the dominant groups will grant SL to an MNC based on its compliance with global CSR. Put differently, community polarization may cancel out the positive relationship between compliance with global CSR and SL, because power imbalance provides an unideal condition for the justice-based approach to the macro-social contract.

***Hypothesis 2a.** The relationship between an MNC's compliance with global CSR and the level to which a local community grants an SL to the MNC is negatively moderated by the polarization between vested stakeholder groups in the local community.*

2.3.4. Community polarization and micro-social contract

A micro-social contract is built on the fundamental rule that concerned members must give consent within a community, but whether a member gives consent is dictated by the extent to which the member is able to benefit from the contract (Demuijnck & FASTERLING, 2016). A micro-social contract thus requires multiple self-interested members within a

local community to reach a broad consensus about the terms in the contract (Demuijnck & Fasterling, 2016; Lacey & Lamont, 2014). However, this can be problematic, because the co-existence of different groups may not be peaceful and inter-group conflicts can occur, if the local community is politically polarized between groups of self-interested members (Halevy et al., 2020).

What adds to this problem of community polarization is that multiple groups “rely on the use of threat advantage and often many possible outcomes need to be considered” (Lacey & Lamont, 2014, p. 834). On the one hand, a dominant group, which has the majority vote to approve or withdraw SL within a local community, will likely exploit its socio-political power to manipulate the level of CSR commitment that an MNC must meet for getting SL (Demuijnck & Fasterling, 2016), so that the group can take advantage of such CSR commitment from the MNC. On the other hand, not only will a minority group within the local community likely perceive that the MNC will distribute benefits disproportionately to the dominant group and turn a blind eye on itself (Lacey & Lamont, 2014), but its members will also likely act collectively to stand for the group’s under-representation through such social movement tactics as protests, blockades, and media campaigns (Dorobantu & Odziemkowska, 2017; Rowley & Moldoveanu, 2003), which express community anger (Melé & Armengou, 2016). While a minority group strengthens its voice, the dominant group that has prejudice towards the minority group tends to criticize that “[o]ver the past few years, [ethnic minority groups] have gotten more economically than they deserve” (Halevy et al., 2020, p. 234). Such a heated debate and competition between the dominant and the minority groups within the local community will eventually result in both roaring opinions and an escalated level of CSR commitment that an MNC must achieve for obtaining SL from the community.

How polarization between dominant and minority stakeholder groups within a local community affect the relationship between an MNC’s commitment to local CSR and the extent to which the community grants the MNC an SL can be illustrated by Hoben, Kovick, Plumb, and Wright’s (2012) case study on Chevron’s Niger Delta Partnership Initiative. The Initiative had been designed as a CSR engagement with the Niger Delta community impacted by Chevron’s mining operations. However, it burst out into an inter-ethnic crisis in 2003 (Henisz, 2016).

Prior to 2003, Chevron had been making social investments into the local

community by providing funding for community members to conduct small-scale development projects and by developing large-scale infrastructure through its Niger Delta Partnership Initiative. Due to ethnic diversity in the local community, Chevron had negotiated agreements separately with various ethnic groups. However, there had been “a sense of relative deprivation among the Niger Delta people due to their minority status vis-à-vis the other majority ethnic groups that traditionally held political and economic power” (Idemudia, 2009, p. 314). For instance, an ethnic minority group in the Niger Delta called “Ijaw were frustrated by their geographical location and envious of Itsekiri ‘commercial prosperity’” (Ukiwo, 2007, p. 591). Seeing one another as rivals, both minority and majority groups had benchmarked what they would get from the Initiative against an imaginary level of funding, based on rumours of how much each side was receiving (Hoben et al., 2012).

Chevron thus encountered an unmanageable number of agreements with different ethnic groups in the local community that skyrocketed the value of social investments Chevron would need to commit to satisfy all groups. Since Chevron was unable to keep these unrealistic promises, it did not gain trust from any of the ethnic groups in the local community. Eventually, tensions between ethnic groups broke out into anger. Violent and bloody clashes between Ijaw and Itsekiri not only destroyed the infrastructure and social projects contributed by Chevron but also forced Chevron to shut down its local operations in 2003 until the situation in the local community was stabilized (Hoben et al., 2012). These clashes between ethnic majority versus minority groups could be considered “repeated episodes of stakeholder conflict” (Dorobantu & Odziemkowska, 2017, p. 2685) that indicated community anger and Chevron’s lack of social acceptance (Melé & Armengou, 2016). Put differently, Chevron’s SL was withdrawn by the local community (Gehman, Lefsrud, & Fast, 2017; Jijelava & Vanclay, 2017; Thomson & Boutilier, 2011).

Hypothesis 2b. *The relationship between an MNC’s commitment to local CSR and the level to which a local community grants an SL to the MNC is negatively moderated by the polarization between vested stakeholder groups in the local community.*

2.4. Research method

To understand the effects of compliance with global CSR and commitment to local CSR on the level to which local communities grant SL to MNCs, this study focuses on global mining companies, because of the broad recognition that mining companies have long been required to gain acceptance or approval from local communities in the form of SL (Prno & Slocombe, 2012). Following earlier studies that had used newspaper articles to examine the mining industry (Dorobantu et al., 2017; Gehman et al. 2016; Gehman et al., 2017), this study constructed a unique corpus of articles to probe the sentiments and emotions underlying local communities. By using “social licen*” as a search term in Dow Jones’ *Factiva* digital archive of global news, articles that describe SL were included in the sample of this study. The use of the asterisk as a wildcard, i.e., “*”, covered not only different spellings but also different parts of speech for the word “license”. Together with “social licen*”, “benefit* agreement*” and “free prior and informed consent” were also included as search terms, because Community Benefit Agreement (CBA), which is also called Impact (and) Benefit Agreement (Cascadden, Gunton, & Rutherford, 2021), is “a tool to earn a broader corporate social license” (Dorobantu & Odziemkowska, 2017, p. 2685; Noble & Fidler, 2011, p. 19), whereas the Free, Prior, and Informed Consent is “best understood as a formalized, documented and verifiable social license” (Rodhouse & Vanclay, 2016, p. 789). Any duplication of the same article that was republished with a different headline and/or source but reporting virtually the same content was removed from the search, while the number of republication(s) for each article was recorded. The search result led to a corpus of 32,814 non-duplicated English-language articles in between 1990 and 2020¹.

A sample of 2,608 mining companies from 56 home countries and their 34,315 mining sites operating in 159 host countries in between 2000 and 2020 was then obtained from *SNL Metals & Mining*, which is a comprehensive and reliable database

¹ As Dorobantu et al. (2017) suggested, a corpus of articles may empirically involve a selection bias and a description bias. The articles may not include all local communities, and each article may not fully represent the vested stakeholder groups in a local community, especially when non-vested stakeholder groups join vested stakeholder groups by adding a voice onto media (Wilburn & Wilburn, 2011). However, Dorobantu et al. (2017) also suggested that these two biases can partially be mitigated by such a large corpus of articles downloaded from *Factiva*, in which the news sources are breadth enough to cancel out biases among one and other. Thus, the corpus in this study, as large as the one in Dorobantu et al.’s (2017) article, involves relatively low biases.

widely used in academic research on the global mining industry (Murguía, Bringezu, & Schaldach, 2016; Oh, Shapiro, Ho, & Shin, 2020), and which is now a part of the S&P Global Market Intelligence database. Since SNL provides detailed information about mining companies and their mining sites around the globe, such as their names as well as their locations detailed from countries and provinces down to latitudes and longitudes, this sample was merged with the corpus of articles through matching the names of the mining companies, the names of the mining sites, and the names of the mining sites' immediate localities. After the merge, 12,786 articles published in between 2000 and 2020 for 1,642 mining sites, which are hosted in 90 countries and owned by 360 mining companies from 27 home countries, were identified.

Data regarding the compliance with global CSR and the commitment to local CSR of the mining companies was sourced from Thomson Reuters' *Environment, Social, and Governance* (ESG) Scores database and Dow Jones' *Factiva* archive respectively. First, data for 4,602 companies in the global Mining, Quarrying, and Oil and Gas Extraction industry was downloaded via a Bloomberg terminal from Thomson Reuters' ESG Scores database, which is an enhancement and a replacement to its former ASSET4 database that has been providing CSR information since 2002 (Aragón-Correa, Marcus, & Hurtado-Torres, 2016). Such data was matched with the sample of this study based on company names. The ESG Scores for 96 companies that matched with 8,815 of the SL articles were identified. Second, 13,001 articles falling under the subject categories of "Corporate Social Responsibility" or "Corporate Environmental Responsibility" (CER) in *Factiva* were downloaded for the sampled companies within the same period as the SL articles. Since only 83 out of those 96 companies with ESG Scores were able to be identified in this set of Factiva articles regarding CSR or CER, they further narrowed down the number of matched SL articles to 8,023 for 981 mining sites.

Other information was also collected from multiple sources. First, to compute the polarization between different groups of community members within each local community, *Geo-Referencing Ethnic Power Relations* (GeoEPR, version 2019) was downloaded from the International Conflict Research group's website at Swiss Federal Institute of Technology in Zurich (Vogt, Bormann, Rüegger, Cederman, Hunziker, & Girardin, 2015). Second, *Gridded Population of the World* (GPW), which provides human population counts over a continuous global surface (Doxsey-Whitfield et al., 2015), and

Global Gridded Geographically Based Economic Data (G-Econ), which provides terrestrial observations of Gross Domestic Product (GDP) based on Purchasing Power Parity (PPP) (Chen & Nordhaus, 2011), were downloaded from the Socioeconomic Data and Applications Center's website, which is managed by Columbia University. Third, *Global Competitive Index (GCI)* for each of the host countries in the sample of this study were downloaded from the World Economic Forum, and meanwhile, *World Governance Indicators (WGI)* and *World Development Indicators (WDI)* were downloaded from the World Bank. Fourth, the geographic, administrative, cultural, political, and economic distances between each pair of home and host countries in the sample were downloaded from the Wharton School of the University of Pennsylvania (Berry, Guillén, & Zhou, 2010). Fifth, financial data for each mining company in the sample of this study was downloaded from Bureau van Dijk's *Osiris* database.

Using ArcGIS, a Geographic Information System, the sample of this study was merged with such geo-spatial datasets as GeoEPR, GPW, and G-Econ based on the latitudes and longitudes of the sampled mining sites. Using Stata, a statistical software, the sample was also matched with such non-spatial datasets as the ESG Scores and *Osiris* financial data based on company names, the Factiva articles based on company names and the names of the companies' sites or of the sites' localities, as well as GCI, WGI, WDI, and the distance measures based on country names. The final panel of sample data with non-missing values contains 4,004 observations of articles published in between 2008 and 2020 that describe the SL of 535 mining sites located in 121 host provinces of 27 host countries and owned by 44 mining companies from 9 home countries.

2.4.1. Dependent variable

The dependent variable measures the level to which a local community grants an SL to a multinational mining company that owns a mining site in proximity to the local community. This variable was operationalized through such natural language processing (Boutillier & Bahr, 2020) and big data technique (Gehman et al., 2016) as sentiment and emotion analysis (Mohammad & Turney, 2013), which is well established for estimating not only corporate sustainability (Isil & Hernke, 2017) but also organizational legitimacy (Etter, Colleoni, Illia, Meggiorin, & D'Eugenio, 2018). This study adopted National Research Council (NRC) Canada's Sentiment and Emotion Lexicon that consists of

English words, such as nouns, verbs, adjectives, and adverbs, which are annotated for two types of sentiments, specifically positive and negative sentiments, as well as eight types of emotions, namely anger, anticipation, disgust, fear, joy, sadness, surprise, and trust (Mohammad & Turney, 2013). Using the NRC lexicon in an R computing environment, the level of SL was measured in this study as the percentage of words attributed to trust minus the percentage of words attributed to anger within each sampled article, which corresponds to the local community surrounding a particular mining site of an MNC at a certain point of time. The rationale for the adoption of trust minus anger as the measure of SL is that trust is the foundation of SL (Jijelava & Vanclay, 2017; Parsons et al., 2014; Thomson & Boutilier, 2011), while the lack of SL is manifested through conflicts that display community anger (Dorobantu & Odziemkowska, 2017; Melé & Armengou, 2016). As a robustness check for the measure of SL, the percentage of positive minus negative sentiments in each article was also computed using the NRC lexicon in an R computing environment, because “multiple sentiment scores from one computation method can be considered as separate methods” (Algaba, Ardia, Bluteau, Borms, & Boudt, 2020, p. 12).

2.4.2. Independent variables

The two independent variables in this study are the compliance with global CSR and the commitment to local CSR of a multinational mining company. First, an MNC’s compliance with global CSR was measured as Thomson Reuters’ ESG combined score, which is an overall rating that ranges from 0 to 100 based on information about the MNC’s environmental, social, and governance pillars (Aragón-Correa et al., 2016). Second, an MNC’s commitment to local CSR for one of its mining sites was measured based on a moving number of non-duplicated Factiva articles on CSR or CER that are tagged with the MNC’s name and that mention either the name or the locality of the mining site within one year prior to the date of the article used to compute an SL of the mining site. This measure was reverse coded for articles reporting irresponsible or unsustainable business practices and/or negative social or environmental impacts. Following Dorobantu et al. (2017), heavier weightings were given to more recent articles.

2.4.3. Moderating variable

The moderating variable of this study is the polarization between vested stakeholder

groups within a local community. Adopting the measure of polarization difference based on ethnicity (Chakravarty & Maharaj, 2011), this study operationalized community polarization as the difference in political power between the most powerful and the second most powerful ethnic groups within a local community that surrounds a mining site, where political power obtained from GeoEPR ranges from 0 to 1. A high degree of this measure indicates the dominance of a fixed and identifiable ethnic group over any other ethnic group within a local community that participates and voices in such political processes as CSR (Grosser & Moon, 2019). For instance, the measure would indicate the dominance of Itsekiri over Ijaw in the case of Chevron's Niger Delta Partnership Initiative (Hoben et al., 2012). As such dominance makes the re-distribution of resources and opportunities in the community unlikely (Collier & Hoeffler, 2005), ethnic minorities tend to express low trust (Alesina & La Ferrara, 2002), and hence a low level of SL. A low degree of this measure of community polarization means that there is no ethnic group dominating in terms of political power, or in other words, multiple ethnic groups are politically active but at least the first two most powerful ones have similar power that makes re-distribution possible. This measure of community polarization, however, is limited to accounting the first two most powerful groups, beyond which political power is considered neglectable.

2.4.4. Control variables

The weighted average level of SL previously granted by a local community to a mining site was included as a control variable, with heavier weighting given to more frequently and more recently reported SL, because prior belief about a mining site is positively associated with one's reaction to a critical event of the mining site (Dorobantu et al., 2017). The average level of SL across proximate communities within the same province that are also concerned about a mining company in a certain year was included as well, because one's reaction to a critical event is positively related to peer reaction (Dorobantu et al., 2017). As the news media emotionally affects the public sphere (Rosas & Serrano-Puche, 2018), for instance, by developing public trust through increased emotional involvement (Engdahl & Lidskog, 2014), the level of emotion(s) in an article used for computing SL as trust versus anger was controlled by the total percentage of words attributed to any of the eight types of emotions in the article. As a local community's discussion about SL may be facilitated through traditional media or

through social media over the internet by non-vested stakeholder groups, including but not limited to non-governmental organizations (NGOs), which may add a voice to the discussion (Wilburn & Wilburn, 2011), several control variables were added. Namely, the logarithmic number of republication(s) for an article reporting an SL granted by a community, GCI's internet bandwidth measured in kilobits per second per user, and WGI's voice and accountability were controlled.

This study also controlled for other factors at the mining-site, the host-country, and the mining-company levels. At the mining-site level, the logarithm of the local population provided by GPW at the spatial scale of 30 arc-seconds by 30 arc-seconds (i.e., approximately 1 kilometer by 1 kilometer) was included, because a local community with large population tends to have free-riders that weaken the voice of its members' collective action (Olson, 1965). The percentage difference between the logarithm of local PPP-based GDP provided by G-Econ at the spatial scale of 1 degree by 1 degree (i.e., approximately 111 kilometers by 111 kilometers) and the logarithm of the host country's PPP-based GDP obtained from WDI was also included as a control variable, because a local community receiving economic benefits from the development of a mining site relative to the host country may perceive the mining company to be economically legitimate (Richert et al., 2015).

At the host-country level, both WDI's mineral rents measured in terms of the percentage of a country's GDP and GCI's governmental favouritism to companies in policymaking were controlled. This is because a government, which prioritizes economic developments that are driven by companies in the minerals and mining sector at the expense of the environment and the public good in civil society (Owen & Kemp, 2014), fails to empower local communities that grant SL (Gunningham, Kagan, & Thornton, 2004). This study also controlled for the principal component of geographic, administrative, cultural, political, and economic distances between the home and the host countries (Håkanson & Ambos, 2010).

At the mining-company level, a mining company's years of experience with the local community surrounding its mining site was controlled. This is because such experience supports the company in gaining legitimacy from the community (Jiménez & de la Fuente, 2016). The logarithm of assets, Tobin's Q, and the return on assets (ROA) gathered from Osiris were also included to control respectively for company size,

financial performance, and accounting performance, all of which affect corporate social performance (Strike, Gao, & Bansal, 2006; Waddock & Graves, 1997; Zhao & Murrell, 2016).

The ownership control that a mining company has over a mining site was included as a control variable, because the majority owner of a mining site tends to control the site's CSR policy (Cordeiro, Galeazzo, Shaw, Veliyath, & Nandakumar, 2018), which can influence SL. The logarithmic value in United States Dollars of the ore reserve and resources in a mining site was controlled, because the larger the mining site, the larger its potential impact will be, and thus the more negative will be the perceptions expected from the local community (Walsh, van der Plank, & Behrens, 2017). Finally, fixed dummies were included to control for mine types (i.e., open pit, underground, dredging, drag line, and tailings), host countries, home countries, and years, because these physical and institutional settings affect the social construction of place-based emotions within communities (Brown, 2010; Guthey, Whiteman, & Elmes, 2014; Mellahi et al., 2016; Prno, 2013; Selmier II et al., 2015).

2.4.5. Estimation model

The hypotheses of this study were tested using multi-level mixed-effects linear regressions (Mellahi et al., 2016) with robust standard errors clustered at the mining-site level, where all time-variant variables were lagged by one unit to reduce reverse causality.

2.5. Results and findings

Table 2-I presents such descriptive statistics as the mean and the standard deviation (SD) of each variable along with a correlation matrix of the variables based on the sample of 4,004 observations in this study. The variance inflation factor is 1.69 on average and 2.63 maximum, both of which are much smaller than 10, and so multicollinearity is not a concern in this study. The main results of the regression models for the sampled observations are presented in Table 2-II.

The results show that the impact of an MNC's compliance with global CSR ($\beta=0.0023$, $s.e.=0.0009$, $p=0.0134$) and the impact of an MNC's commitment to local

CSR ($\beta=0.0831$, $s.e.=0.0268$, $p=0.0019$) on the level to which a local community grants an SL to the MNC are both positive and significant. Therefore, the results support both Hypothesis 1a and Hypothesis 1b. However, based on chi-square test ($\chi^2=8.89$, $p=0.0029$), the equality hypothesis that global CSR has the same effect on the level of SL as local CSR is rejected. A one-SD increase in global CSR raises the level of SL by 0.0347, whereas a one-SD increase in local CSR raises the level of SL by only 0.0251. This result shows that, in terms of attaining SL, global CSR provides larger economic significance than local CSR does.

Turning to the moderating variable, community polarization does not moderate the impact of compliance with global CSR on SL ($\beta=-0.0041$, $s.e.=0.0029$, $p=0.1624$), but it does negatively and significantly moderate the impact of commitment to local CSR on SL ($\beta=-0.3693$, $s.e.=0.0738$, $p=0.0000$). Therefore, Hypothesis 2a is not supported, but Hypothesis 2b is supported. Figure 2-1 plots the average moderating effect of community polarization on the relationship between local CSR and SL. The figure presents the 95% confidence interval (CI) of the moderating effect to illustrate the range of effect size as well (Meyer, van Witteloostuijn, & Beugelsdijk, 2017). It shows that the effect of local CSR on SL conditional on the level of community polarization is most likely negative, especially for higher levels of community polarization.

Table 2-I. Descriptive Statistics and Correlation Matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
(1) SL (trust - anger in %)	1.000																				
(2) compliance with global CSR	-0.009	1.000																			
(3) commitment to local CSR	-0.059	-0.023	1.000																		
(4) community polarization	0.092	0.022	0.194	1.000																	
(5) previous SL from local community	0.393	0.029	-0.059	0.118	1.000																
(6) average SL from proximate communities	0.527	0.043	-0.038	0.091	0.629	1.000															
(7) level of emotion(s)	0.747	0.031	-0.147	0.075	0.378	0.440	1.000														
(8) number of republication(s)	0.148	0.021	0.009	0.009	0.056	0.082	0.047	1.000													
(9) internet bandwidth	0.305	0.153	0.016	0.111	0.319	0.317	0.314	0.182	1.000												
(10) voice and accountability	0.076	0.135	0.051	0.261	0.280	0.231	0.092	-0.012	0.230	1.000											
(11) local population	-0.082	-0.092	0.049	-0.149	-0.231	-0.194	-0.103	-0.012	-0.213	-0.647	1.000										
(12) local GDP relative to host country	-0.065	-0.045	-0.070	-0.284	-0.159	-0.103	-0.084	0.002	-0.091	-0.329	0.432	1.000									
(13) host country mineral rent	-0.169	-0.055	0.043	0.079	-0.189	-0.183	-0.172	-0.113	-0.344	-0.051	0.189	0.023	1.000								
(14) host country governmental favoritism	0.119	0.024	0.095	0.386	0.234	0.237	0.115	-0.027	0.211	0.631	-0.536	-0.394	-0.035	1.000							
(15) distance between home and host countries	-0.107	0.008	0.006	-0.280	-0.094	-0.048	-0.068	-0.019	0.032	-0.312	0.285	0.337	-0.067	-0.368	1.000						
(16) company experience in local community	0.019	0.169	-0.074	-0.051	0.239	0.172	0.164	-0.132	0.261	0.139	-0.073	0.039	0.000	-0.025	0.096	1.000					
(17) company total assets	-0.256	0.278	-0.077	-0.060	-0.075	-0.125	-0.040	-0.309	-0.224	0.209	-0.090	0.044	0.172	0.100	0.067	0.441	1.000				
(18) company Tobin's Q	0.047	-0.278	0.047	0.033	-0.025	-0.044	-0.006	-0.124	-0.365	-0.208	0.091	-0.067	0.084	0.038	-0.065	-0.234	-0.250	1.000			
(19) company ROA	-0.211	-0.134	0.035	0.031	-0.231	-0.262	-0.163	-0.238	-0.462	0.029	0.012	-0.034	0.201	0.159	-0.142	-0.155	0.302	0.416	1.000		
(20) proportion of control over mining site	0.128	-0.073	0.046	-0.006	0.160	0.127	0.114	0.070	0.076	0.011	0.014	-0.061	-0.120	0.035	0.030	-0.061	-0.168	0.098	-0.044	1.000	
(21) value of ore in mining site	0.005	0.020	-0.059	-0.036	0.025	0.036	-0.089	0.021	-0.010	-0.087	0.087	0.163	0.091	-0.083	-0.064	0.025	-0.033	-0.083	-0.114	-0.089	1.000
Mean	0.914	52.460	-0.036	0.640	1.046	1.113	0.477	0.184	59.626	1.045	0.825	-97.255	4.015	3.914	-0.709	10.700	10.165	0.712	5.350	0.825	7.575
SD	0.734	15.092	0.302	0.165	0.575	0.598	0.361	0.429	71.453	0.549	1.409	3.705	4.551	0.890	1.365	4.889	1.739	0.523	9.609	0.251	4.387

Note: N = 4,004.

Table 2-II. Main Results

	SL		
	(trust - anger in %)		
	(1)	(2)	(3)
compliance with global CSR	0.0023*	0.0023*	0.0022*
	(0.0009)	(0.0009)	(0.0009)
commitment to local CSR	0.0831**	0.0821**	-0.0877†
	(0.0268)	(0.0265)	(0.0454)
compliance with global CSR X community polarization		0.0041	
		(0.0029)	
commitment to local CSR X community polarization			-0.3693***
			(0.0738)
community polarization	0.0625	0.0940*	0.0724†
	(0.0444)	(0.0478)	(0.0439)
previous SL from local community	0.0138	0.0145	0.0144
	(0.0249)	(0.0249)	(0.0249)
average SL from proximate communities	0.2383***	0.2369***	0.2380***
	(0.0230)	(0.0229)	(0.0229)
number of emotion(s)	1.3746***	1.3720***	1.3740***
	(0.0871)	(0.0876)	(0.0870)
number of republication(s)	0.0702***	0.0688***	0.0662***
	(0.0179)	(0.0179)	(0.0179)
internet bandwidth	0.0005†	0.0004	0.0004†
	(0.0003)	(0.0003)	(0.0003)
voice and accountability	-0.0166	-0.0046	-0.0228
	(0.1500)	(0.1505)	(0.1490)
local population	0.0067	0.0066	0.0055
	(0.0067)	(0.0066)	(0.0068)
local GDP relative to host country	0.0018	0.0015	0.0023
	(0.0023)	(0.0022)	(0.0023)
host country mineral rent	-0.0094†	-0.0095†	-0.0090†
	(0.0053)	(0.0053)	(0.0053)
host country governmental favoritism	0.0423†	0.0426†	0.0395†
	(0.0228)	(0.0228)	(0.0228)
distance between home and host countries	-0.0155*	-0.0149*	-0.0161*
	(0.0071)	(0.0070)	(0.0070)
company experience in local community	-0.0060*	-0.0059*	-0.0061*
	(0.0030)	(0.0029)	(0.0029)
company total assets	-0.0838***	-0.0838***	-0.0839***
	(0.0125)	(0.0125)	(0.0126)
company Tobin's Q	0.0954*	0.0943*	0.0964*
	(0.0447)	(0.0458)	(0.0445)
company ROA	-0.0044*	-0.0042*	-0.0045*
	(0.0018)	(0.0018)	(0.0018)
company ownership control over mining site	-0.0028	-0.0020	-0.0077
	(0.0306)	(0.0307)	(0.0304)
value of ore in mining site	0.0002	0.0002	0.0002
	(0.0021)	(0.0021)	(0.0020)
mine type fixed dummy	included	included	included
host country fixed dummy	included	included	included
home country fixed dummy	included	included	included
year fixed dummy	included	included	included
log of random effect parameter			
mining-site level	-0.8806***	-0.8809***	-0.8818***
	(0.0935)	(0.0935)	(0.0935)
log-likelihood	-2,155.60	-2,154.36	-2,150.50
akaike information criterion	4,443.19	4,442.73	4,435.01
N	4,004	4,004	4,004

Note: *** p<0.001; ** p<0.01; * p<0.05; † p<0.1. Robust standard errors clustered by mining sites are in parentheses.

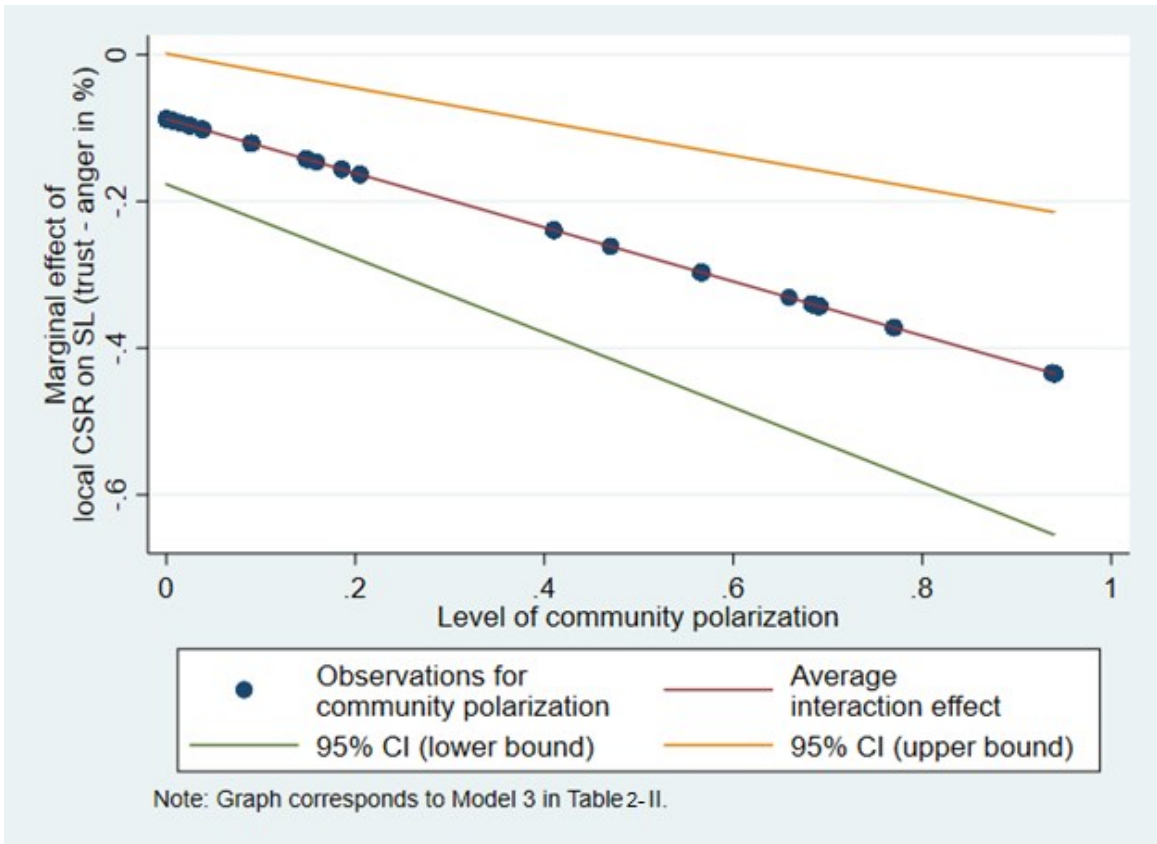


Figure 2-1. Moderating Effect of Community Polarization on the Relationship between Local CSR and SL

2.5.1. Robustness checks

Four robustness checks corresponding to the dependent variable, the two independent variables, and the moderating variable were further conducted. First, as a robustness check for the measure of SL, the percentage of words attributed to the emotion of trust minus anger was replaced by the percentage of positive minus negative sentiments. Second, the original measure of compliance with global CSR, Thomson Reuters' ESG combined score, was substituted by Thomson Reuters' ESG score, which does not take ESG controversies into account. Third, the robustness check for the measure of commitment to local CSR was conducted by altering the original measure with duplicated as opposed to non-duplicated Factiva articles on CSR or CER, with heavier weightings given to more frequently and more recently reported articles. Fourth, downloaded from the *Gender, Institutions and Development Database* (GID-DB, version 2019) of the Organisation for Economic Co-operation and Development (OECD), gender inequality in political voice based on political representation in practice was used as a robustness check for the measure of community polarization, because fragmentation, which reduces trust within a locality, is characterized by not only ethnicity-based but also gender-based discrimination (Alesina & La Ferrara, 2002). The results for these four robustness checks are presented in Table 2-III. Consistent with the results in Table 2-II, the results in Table 2-III support Hypotheses 1a, 1b, and 2b but not Hypothesis 2a.

Table 2-III. Robustness Checks

	Robustness check for the measure of SL			Robustness check for the measure of compliance with global CSR		
	SL (positive - negative in %)			SL (trust - anger in %)		
	(1)	(2)	(3)	(4)	(5)	(6)
compliance with global CSR	0.0040*	0.0040*	0.0039*	0.0058***	0.0058***	0.0058***
	(0.0017)	(0.0017)	(0.0017)	(0.0013)	(0.0013)	(0.0013)
commitment to local CSR	0.2326***	0.2330***	-0.0169	0.0875***	0.0881***	-0.0843†
	(0.0415)	(0.0420)	(0.0720)	(0.0261)	(0.0264)	(0.0460)
compliance with global CSR X community polarization		-0.0017			-0.0006	
		(0.0057)			(0.0018)	
commitment to local CSR X community polarization			-0.5387***			-0.3713***
			(0.1473)			(0.0748)
community polarization	0.1459†	0.1351†	0.1636*	0.0726	0.0737	0.0823†
	(0.0788)	(0.0756)	(0.0784)	(0.0447)	(0.0456)	(0.0443)
previous SL from local community	-0.0038	-0.0041	-0.0037	0.0085	0.0083	0.0093
	(0.0242)	(0.0242)	(0.0241)	(0.0238)	(0.0237)	(0.0238)
average SL from proximate communities	0.3650***	0.3653***	0.3641***	0.2412***	0.2413***	0.2408***
	(0.0305)	(0.0306)	(0.0305)	(0.0234)	(0.0234)	(0.0233)
level of emotion(s)	1.9264***	1.9276***	1.9261***	1.3877***	1.3879***	1.3869***
	(0.1390)	(0.1402)	(0.1388)	(0.0857)	(0.0859)	(0.0855)
number of republication(s)	0.0622*	0.0627*	0.0564†	0.0651***	0.0654***	0.0612***
	(0.0293)	(0.0293)	(0.0295)	(0.0177)	(0.0177)	(0.0178)
internet bandwidth	0.0000	0.0000	0.0000	0.0005†	0.0005†	0.0005†
	(0.0004)	(0.0004)	(0.0004)	(0.0003)	(0.0003)	(0.0003)
voice and accountability	-0.1537	-0.1587	-0.1630	0.0441	0.0419	0.0374
	(0.2593)	(0.2612)	(0.2576)	(0.1457)	(0.1471)	(0.1445)
local population	0.0010	0.0010	-0.0007	0.0051	0.0052	0.0039
	(0.0138)	(0.0138)	(0.0138)	(0.0068)	(0.0068)	(0.0068)
local GDP relative to host country	-0.0054	-0.0052	-0.0046	0.0023	0.0023	0.0028
	(0.0047)	(0.0048)	(0.0047)	(0.0023)	(0.0023)	(0.0023)
host country mineral rent	-0.0199*	-0.0198*	-0.0194*	-0.0087	-0.0086	-0.0083
	(0.0092)	(0.0091)	(0.0092)	(0.0054)	(0.0054)	(0.0054)
host country governmental favoritism	0.0619	0.0618	0.0581	0.0467*	0.0467*	0.0440*
	(0.0384)	(0.0384)	(0.0389)	(0.0223)	(0.0223)	(0.0223)
distance between home and host countries	-0.0104	-0.0107	-0.0112	-0.0247**	-0.0247**	-0.0252**
	(0.0128)	(0.0128)	(0.0128)	(0.0078)	(0.0078)	(0.0078)
company experience in local community	-0.0202***	-0.0202***	-0.0203***	-0.0052†	-0.0051†	-0.0053†
	(0.0052)	(0.0052)	(0.0051)	(0.0029)	(0.0029)	(0.0029)
company total assets	-0.0915***	-0.0916***	-0.0919***	-0.1332***	-0.1331***	-0.1333***
	(0.0195)	(0.0195)	(0.0195)	(0.0182)	(0.0182)	(0.0183)
company Tobin's Q	0.2307**	0.2313**	0.2324**	0.1042*	0.1045*	0.1052*
	(0.0840)	(0.0841)	(0.0837)	(0.0434)	(0.0434)	(0.0432)
company ROA	-0.0109***	-0.0109***	-0.0110***	-0.0037*	-0.0037*	-0.0038*
	(0.0032)	(0.0033)	(0.0032)	(0.0018)	(0.0018)	(0.0018)
company ownership control over mining site	-0.0554	-0.0557	-0.0624	-0.0065	-0.0064	-0.0114
	(0.0506)	(0.0506)	(0.0504)	(0.0300)	(0.0299)	(0.0298)
value of ore in mining site	0.0014	0.0014	0.0015	-0.0002	-0.0002	-0.0001
	(0.0035)	(0.0035)	(0.0034)	(0.0020)	(0.0020)	(0.0020)
mine type fixed dummy	included	included	included	included	included	included
host country fixed dummy	included	included	included	included	included	included
home country fixed dummy	included	included	included	included	included	included
year fixed dummy	included	included	included	included	included	included
log of random effect parameter mining-site level	-0.3344***	-0.3344***	-0.3353***	-0.8829***	-0.8829***	-0.8842***
	(0.0756)	(0.0756)	(0.0759)	(0.0942)	(0.0942)	(0.0941)
log-likelihood	-4,342.58	-4,342.51	-4,338.95	-2,146.24	-2,146.20	-2,141.06
akaike information criterion	8,817.16	8,819.02	8,811.89	4,424.47	4,426.40	4,416.13
N	4,004	4,004	4,004	4,004	4,004	4,004

Note: *** p<0.001; ** p<0.01; * p<0.05; † p<0.1. Robust standard errors clustered by mining sites are in parentheses.

Table 2-III. (continued)

	Robustness check for the measure of commitment to local CSR			Robustness check for the measure of community polarization		
	SL			SL		
	(trust - anger in %)			(trust - anger in %)		
	(7)	(8)	(9)	(10)	(11)	(12)
compliance with global CSR	0.0019*	0.0020*	0.0018*	0.0023*	0.0024**	0.0023*
	(0.0009)	(0.0009)	(0.0009)	(0.0009)	(0.0009)	(0.0009)
commitment to local CSR	0.0750**	0.0747**	-0.0620*	0.0824**	0.0820**	-0.0965†
	(0.0264)	(0.0260)	(0.0303)	(0.0268)	(0.0265)	(0.0511)
compliance with global CSR		0.0043			0.0001	
X community polarization		(0.0032)			(0.0001)	
commitment to local CSR			-0.3268***			-0.0124***
X community polarization			(0.0545)			(0.0027)
community polarization	0.0811†	0.1131*	0.0961*	-0.0280	-0.0317	-0.0265
	(0.0439)	(0.0473)	(0.0435)	(0.0461)	(0.0458)	(0.0458)
previous SL from local community	0.0039	0.0048	0.0048	0.0141	0.0144	0.0146
	(0.0252)	(0.0252)	(0.0252)	(0.0250)	(0.0250)	(0.0250)
average SL from proximate communities	0.2340***	0.2322***	0.2331***	0.2383***	0.2380***	0.2380***
	(0.0242)	(0.0242)	(0.0241)	(0.0230)	(0.0230)	(0.0229)
level of emotion(s)	1.3757***	1.3723***	1.3760***	1.3749***	1.3740***	1.3740***
	(0.0888)	(0.0895)	(0.0889)	(0.0872)	(0.0873)	(0.0871)
number of republication(s)	0.0734***	0.0725***	0.0677***	0.0701***	0.0699***	0.0665***
	(0.0198)	(0.0199)	(0.0200)	(0.0179)	(0.0179)	(0.0179)
internet bandwidth	0.0004†	0.0004	0.0004	0.0005†	0.0005†	0.0004†
	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)
voice and accountability	0.0906	0.1081	0.0694	-0.0091	-0.0025	-0.0160
	(0.1755)	(0.1747)	(0.1749)	(0.1496)	(0.1491)	(0.1486)
local population	0.0067	0.0066	0.0047	0.0076	0.0078	0.0063
	(0.0077)	(0.0076)	(0.0077)	(0.0067)	(0.0067)	(0.0067)
local GDP relative to host country	0.0021	0.0018	0.0028	0.0014	0.0010	0.0018
	(0.0022)	(0.0022)	(0.0023)	(0.0022)	(0.0022)	(0.0022)
host country mineral rent	-0.0129*	-0.0132*	-0.0123*	-0.0095†	-0.0098†	-0.0090†
	(0.0056)	(0.0056)	(0.0056)	(0.0053)	(0.0053)	(0.0053)
host country governmental favoritism	0.0407†	0.0413†	0.0374†	0.0441†	0.0444†	0.0418†
	(0.0226)	(0.0226)	(0.0226)	(0.0229)	(0.0228)	(0.0229)
distance between home and host countries	-0.0149*	-0.0141*	-0.0154*	-0.0160*	-0.0173*	-0.0166*
	(0.0070)	(0.0070)	(0.0070)	(0.0071)	(0.0071)	(0.0070)
company experience in local community	-0.0054†	-0.0053†	-0.0055†	-0.0060*	-0.0057†	-0.0061*
	(0.0032)	(0.0032)	(0.0032)	(0.0029)	(0.0030)	(0.0029)
company total assets	-0.0841***	-0.0841***	-0.0840***	-0.0838***	-0.0835***	-0.0837***
	(0.0139)	(0.0139)	(0.0139)	(0.0125)	(0.0124)	(0.0125)
company Tobin's Q	0.1187*	0.1186*	0.1212**	0.0952*	0.0943*	0.0963*
	(0.0462)	(0.0470)	(0.0455)	(0.0449)	(0.0451)	(0.0446)
company ROA	-0.0045*	-0.0043*	-0.0046*	-0.0043*	-0.0045*	-0.0044*
	(0.0018)	(0.0019)	(0.0018)	(0.0018)	(0.0018)	(0.0018)
company ownership control over mining site	0.0081	0.0088	0.0023	-0.0050	-0.0047	-0.0102
	(0.0309)	(0.0310)	(0.0307)	(0.0304)	(0.0301)	(0.0302)
value of ore in mining site	-0.0003	-0.0002	-0.0001	0.0002	0.0001	0.0003
	(0.0020)	(0.0020)	(0.0020)	(0.0021)	(0.0021)	(0.0020)
mine type fixed dummy	included	included	included	included	included	included
host country fixed dummy	included	included	included	included	included	included
home country fixed dummy	included	included	included	included	included	included
year fixed dummy	included	included	included	included	included	included
log of random effect parameter						
mining-site level	-0.8757***	-0.8760***	-0.8773***	-0.8805***	-0.8806***	-0.8816***
	(0.0936)	(0.0936)	(0.0939)	(0.0935)	(0.0935)	(0.0935)
log-likelihood	-2,024.82	-2,023.57	-2,018.66	-2,156.06	-2,155.35	-2,151.44
akaike information criterion	4,173.63	4,173.13	4,163.32	4,444.13	4,446.69	4,436.89
N	4,004	4,004	4,004	4,004	4,004	4,004

Note: *** p<0.001; ** p<0.01; * p<0.05; † p<0.1. Robust standard errors clustered by mining sites are in parentheses.

2.6. Discussion and conclusion

This study showed that, all things being equal, an MNC's compliance with global CSR and commitment to local CSR both increase the level to which local stakeholders grant an SL to the MNC. This finding implies that, the relationship between CSR and SL is determined by both the justice-based macro-social contract and the consent-based micro-social contract. On the one hand, under the justice-based macro-social contract, the international organizations and performance rating agencies of global CSR standards (Hemphill & Lillevik, 2011; Woods & Urwin, 2010) act as third-party guarantors (Shapiro, 1987) that give local stakeholders confidence in trusting an MNC compliant with such standards (Mayer et al., 1995). On the other hand, under the consent-based micro-social contract, local stakeholders grant SL to an MNC that is highly committed to local CSR, not only because they can personally witness whether the MNC is promise-keeping (Jijelava & Vanclay, 2017; Thomson & Boutilier, 2011), but also because they can benefit from the MNC directly (Thomson & Boutilier, 2011; Wright & Bice, 2017). Yet, this study also showed that compliance with global CSR is generally more productive than commitment to local CSR in attaining SL, implying that the justice-based macro-social contract is enforced more effectively than the consent-based micro-social contract.

The effectiveness of global versus local CSR in attaining SL was further illustrated by the finding in this study that polarization between various groups of stakeholders vested in each location makes the impact of local CSR, but not the impact of global CSR, on SL more negative. This finding supports the argument that the veil of ignorance within each location is a boundary condition for the micro-social contracts but not for the macro-social contract between CSR and SL (Ast, 2019; Donaldson & Dunfee, 1999). A micro-social contract assuring local CSR is consented by neither the minority groups nor the dominant group within a location, because the minority groups argue that the distribution of benefits through local CSR is biased towards the dominant group (Dorobantu & Odziemkowska, 2017; Rowley & Moldoveanu, 2003), which holds majority power over the bargain on the social contract (Demuijnck & Festerling, 2016; Lacey & Lamont, 2014), while the dominant group criticizes that the minority groups have been using this argument to get more than what they deserve (Halevy et al., 2020). This study found no evidence that global CSR termed on the macro-social contract is turned down by polarized groups of stakeholders within a location. To our surprise, under such

polarization, SL is secured by global CSR through the macro-social contract, which takes the justice-based approach.

2.6.1. Theoretical contributions

This study contributes to the literature on political CSR in the socio-political non-market environment (Mellahi et al., 2016; Scherer et al., 2016). Recent literature argues that CSR becomes political as companies increasingly contribute to “the public good that goes beyond selfish calculations” (Scherer et al., 2016, p. 273) “and influenc[e] the government in policymaking” (Shirodkar et al., 2018, p. 673). However, literature has neglected the fact that not only companies and governmental agencies (Lawton et al., 2018) but also stakeholder communities are political actors, who can lead to political instability (Williams et al., 2017). Just as companies engage in corporate political activities (Liedong et al., 2020) and sign bilateral investment treaties to mitigate political instability that arises from governmental policymaking (Williams et al., 2017), they must engage in CSR and make social contractual agreements to stabilize their socio-political risks in local communities (Boutilier et al., 2012). In neither case, they will lose legitimacy (Darendeli & Hill, 2016). This study adds to the literature that stakeholders, who structure the non-market environment of a company (Mellahi et al., 2016), are politically polarized both within and across local communities around the globe. This contribution to the literature is elucidated by the findings of this study — stakeholder groups politically polarized within a local community dismiss any CSR that serves common good at the local level (Buckley et al., 2017; Mellahi et al., 2016; Pisani et al., 2017; Scherer & Palazzo, 2011; Scherer et al., 2016) in order to strengthen their claim to in-group interests. This study explains these findings based on such political theory as social contract theory, which fills the void that Mellahi, Frynas, Sun, and Siegel (2016) have identified in the literature on political CSR.

Importantly, this study contributes to international business literature (Buckley et al., 2017) by offering new insights regarding global integration versus local responsiveness that the emerging concept of SL creates for MNCs engaging in CSR. On the one hand, prior literature has documented that MNCs “simply replicate the existing product-market organizational strategy (multidomestic, transnational, global) in their management of CSR” (Husted & Allen, 2006, p. 838). For instance, many MNCs, which sell products globally in industries including but not limited to mining, are integrated with

such global CSR standards as the UNGP and the UNGC (Husted & Allen, 2006; Rasche, 2009; United Nations, 2011, 2012, 2013). These MNCs adopt either global or transnational strategy to maintain a high level of global integration (Bartlett & Ghoshal, 1989) in CSR, because of “institutional pressures, rather than strategic analysis of social issues and stakeholders” (Husted & Allen, 2006, p. 838). This study shows that even when social issues and stakeholders are strategically analyzed, global or transnational CSR strategy is still more secure than multinational CSR strategy because of their relative effectiveness in attaining SL. On the other hand, the article authored by Husted, Montiel, and Christmann (2016) has suggested that MNCs engage in local CSR to reduce the liability of foreignness. This study shows local CSR can indeed be helpful for attaining SL, but it will be counterproductive under stakeholder polarization. Thus, the high level of global integration in CSR should be combined with a low level of local responsiveness when stakeholders are polarized, and with a high level when they are not. Therefore, it is made clear that global or transnational CSR strategy derived from institutional theory can further be pinned down in accord with stakeholder polarization based on social contract theory.

On top of this, this study contributes to rectifying the application of the justice-based versus the consent-based approach to social contract theory. Lacey and Lamont (2014, p. 838) advocated that “the justice-based approach shares a considerable degree of alignment with the way social licence is described in the current literature”. In contrast, Demuijnck and Festerling (2016, p. 679), who examined SL based on consent-based social contract theory, suggested that “it is desirable to have [...] broad consent and, if possible, consensus on the general organization of society at large”. This study revealed that without such unideal condition as power imbalance in front of the veil of ignorance (Ast, 2019; Donaldson & Dunfee, 1999; Molm et al., 1994), stakeholder communities granting SL do approve both the justice-based and the consent-based social contracts between CSR and SL. However, this study also unveiled that considering political polarization within stakeholder communities, broad consent is practically infeasible. In other words, this study clarifies that while the consent-based approach to the social contract between CSR and SL approximates our imperfect reality, the justice-based approach allows us to be closer to the ideal of social justice and further away from political association that favours some but not all stakeholders. Additionally, this study contributes to reinvigorating the frame of SL by pointing out that the conceptual

foundation of SL in academic literature misaligns with the actual outcomes of SL in practice. In line with Owen and Kemp (2013, p. 33), who have contended that “[a]s an aggregate concept founded on the notion of ‘broad consensus’, the frame of social licence does not seek to balance dominant and dissenting voices”, this study provides evidence that SL is indeed impeded by power imbalance in our imperfect world if the consent-based approach is used.

2.6.2. Empirical contributions

This study contributes to providing a research method for operationalizing SL as a measure of subjective emotion towards CSR (Gond et al., 2017). While prior literature has conceptualized SL as a continuum of emotion based on trust (Parsons et al., 2014) versus anger (Melé & Armengou, 2016), it has also indicated the difficulty in measuring SL because of its intangible nature (Hall, Lacey, Carr-Cornish, & Dowd, 2015). Although some studies have surveyed stakeholders in communities to measure SL (Moffat and Zhang, 2014; Richert et al., 2015), the spatial scope of communities that can be examined through surveys is still very limited because of physical constraints. Besides, researchers and practitioners conducting surveys may not be able to keep track of stakeholder dynamics in a highly timely manner. This study is the first that utilizes such natural language processing (Boutillier & Bahr, 2020) and big data technique (Gehman et al., 2016) as sentiment and emotion analysis (Mohammad & Turney, 2013) to measure the level of SL in each stakeholder community, based on the lexicon related to trust and anger in news articles (Gehman et al., 2017). Applying this research method, the SL accorded to any community or stakeholder can be operationalized, provided that their voice is captured through some media, including but not limited to news articles. Hence, this method helps improve the spatial scope and the timeliness of research studies on SL, thereby enhancing the robustness of the findings in the studies.

2.6.3. Managerial implications

This study offers several implications for MNCs that seek to stabilize socio-political risks in local communities by attaining SL through CSR engagements. First, to prevent conflicts (Dorobantu & Odziemkowska, 2017; Özen & Özen, 2009), which not only manifest a withdrawal of an MNC’s SL by a community (Jijelava & Vanclay, 2017) but also disrupt an MNC’s local operations, MNCs should make sure that they are always

engaging in CSR globally. MNCs can do so by signing up for such standards as UNGP and UNGC (United Nations, 2011, 2012, 2013) established by international organizations and/or for such scoring as ESG scores (Aragón-Correa et al., 2016) measured by performance rating agencies.

Second, MNCs should ensure that they customize their CSR initiatives only in communities where stakeholder groups are not politically polarized. Otherwise, such initiatives can be counterproductive to the attainment of SL. MNCs can take the failure of Chevron's Niger Delta Partnership Initiative (Henisz, 2016; Hoben et al., 2012) as an example and learn from its error.

Third, to further enhance SL by customizing CSR initiatives in non-polarized communities, MNCs can follow British Petroleum, which "engage[s] in open dialog and consultation with local communities [...] to ensure that potential issues arising from [its] operations are identified and the risks are addressed" (Husted & Allen, 2006, p. 841; Logsdon & Wood, 2005, p. 61). Essentially, it will be best for the MNCs seeking SL from local communities to sign CBAs (Dorobantu & Odziemkowska, 2017; Noble & Fidler, 2011) to "reflect the specific characteristics and aspirations of each community, which may vary significantly from community to community" (Cascadden et al., 2021, p. 3). Negotiating CBAs can be costly for MNCs in the short run, but "benefits are likely to outweigh costs in the long" run (Muller, 2020, p. 1577), because CBAs increase operational certainty by clarifying community expectations in a transparent and explicit manner until CBAs are updated.

Fourth, in the case where MNCs experience high demand for customizing CSR initiatives in polarized communities, they should prevent stakeholder groups in these communities from bargaining CBAs with unequal political power among groups. MNCs can dilute the bargaining power of the dominant group by consolidating multiple sizable stakeholder groups into a CBA. In this regard, MNCs can learn from Chevron's General Memoranda of Understanding (GMOU) approach, according to which, Chevron's engagement with numerous stakeholder groups in the greater Niger Delta area has become more manageable after streamlining their CBAs to a smaller number of relationships (Hoben et al., 2012).

Fifth, MNCs should collect and transcribe community feedback regularly. Such

data enables them to keep track of their levels of SL in terms of trust minus anger perceived by each community. MNCs can do so through such natural language processing (Boutillier & Bahr, 2020) and big data technique (Gehman et al., 2016) as sentiment and emotion analysis (Mohammad & Turney, 2013) demonstrated in this study.

2.6.4. Limitations and future research

Data articles on SL in this study are confined to the ones written in English, because emotion lexicons other than NRC do not support the analysis of trust, which is a fundamental component of SL (Parsons et al., 2014), but NRC supports only the English language. Since most resources for sentiment analysis are still in English (Algaba et al., 2020), future research can capture community sentiments in local languages, whenever they are technologically feasible, and can verify whether the findings still hold, especially for Hispanic countries, which are highly involved in mining. Further analysis can cross-check the sentiments in developing versus developed countries, because developing countries often use news media to support their positive images, which may have a positive pseudo impact on SL.

To improve generalizability, replication studies can be conducted for other industries, such as the high-technology industry, in which the notion of SL has just surfaced (Investopedia, 2020). The challenge for such replication is to identify who and where are the vested stakeholders who grant SL to companies in an industry. Vested stakeholders of the mining industry can be identified geographically in this study, as they are physically impacted by tangible mining operations, but for such technology companies as Amazon (Forbes, 2020) and Google (Investopedia, 2021), the intangible nature of information technology may require researchers to identify vested stakeholders virtually.

Speaking of which, social media can be used to virtually subcategorize vested versus non-vested stakeholders. This method allows researchers to distinguish the SL expressed by vested stakeholders from the opinions presented by such non-vested stakeholders as NGOs. A related future research question is how NGOs, together with international organizations, can help reverse the counterproductivity (Owen & Kemp, 2013) of local CSR on SL by resolving political polarization and promoting social justice.

As both social contract and SL involve multiple levels (Dare, Schirmer, & Vanclay, 2014), future research can investigate how stakeholders should be geographically grouped into a community to minimize (maximize) community polarization (social justice) and how SL interacts between the company and the industry levels (Boutilier, 2014). While this study focuses on the socio-spatial context of the CSR-SL relationship, future research can examine the socio-temporal context (Gehman et al., 2016) of the trust-based company-community relationship, because SL is not only a continuum of space and such emotions as trust (Dare et al., 2014) but also a continuum of time (Parsons et al., 2014). Lastly, future research can examine SL as a mediator between CSR and operational and/or financial performance.

2.6.5. Conclusion

Based on justice-based and consent-based social contract theory, this study investigates the effectiveness of global CSR and local CSR respectively in enabling MNCs to obtain SL from local communities. This study concludes that global CSR is generally more effective than local CSR, especially when stakeholders in a local community are polarized. This means that the justice-based approach to the social contract between CSR and SL provides a higher sense of security than the consent-based approach does for MNCs.

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Chapter 3.

Nonmarket Strategies for Social and Legal Licenses: A Necessary Condition Analysis

Corporate social responsibility (CSR) and corporate political activity (CPA) are two major nonmarket strategies that a multinational corporation (MNC) use for socio-political legitimization. Regarding social license (SL) as social legitimacy and legal license (LL) as political legitimacy, this study examines the complementarity of CSR and CPA for achieving these strategic outcomes. Applying social contract theory onto deliberative democratic context, this study theorizes that high CSR and low CPA are necessary for attaining SL, but low CSR and high CPA are sufficient for obtaining LL without much difficulty. Based on necessary condition analysis (NCA), this study shows that, for a sample of MNCs mining at different sites in Australia, CSR is a necessary condition for attaining SL, whereas CPA is a sufficient condition for both obtaining LL and losing SL. Therefore, MNCs must optimize the outcomes of SL and LL by adjusting their degree of CPA in a deliberatively democratic country.

3.1. Introduction

International business literature on nonmarket strategy has regarded corporate social responsibility (CSR) and corporate political activity (CPA) as two major practices that a multinational corporation (MNC) can use to manage socio-political risks, which arise from the environment where it operates (Mellahi, Frynas, Sun, & Siegel, 2016; Rajwani & Liedong, 2015), and which can be subjective or objective (John & Lawton, 2018; Lawton, Doh, & Rajwani, 2014). The literature has, however, revealed inconsistent findings about CSR and CPA (Mellahi et al., 2016). On one hand, some studies have suggested a two-way complementarity relationship between the two practices (den Hond, Rehbein, de Bakker, & Lankveld, 2014). On the other hand, some others have pointed to the lack of complementarity (David, Bloom, & Hillman, 2007; Hadani, Doh, & Schneider, 2013), if not tension (Stevens, Xie, & Peng, 2016; Sun, Doh, Rajwani, & Siegel, 2021), between the two. Thanks to Mellahi et al.'s (2016) and Sun et al.'s (2021) literature reviews on nonmarket strategy research, two limitations that might have contributed to such inconsistent findings regarding the interaction between CSR and CPA can be identified.

First, prior research on the intersection between CSR and CPA has mainly been considering complementarity versus tension in terms of the bi-directional relationship

between the two nonmarket strategies themselves by examining how the resources created through CSR (CPA) support or oppose CPA (CSR) (David et al., 2007; den Hond et al., 2014; Hadani et al., 2013; Stevens et al., 2016). However, the complementarity versus tension between CSR and CPA in terms of their integral effect on third variables, such as the performances of their intended strategic outcomes, has been overlooked. Specifically, the way in which CSR and CPA, when used together, eliminate or induce subjective and objective socio-political risks (John & Lawton, 2018; Lawton et al., 2014) is still unclear. If tension exists, then it is possible that CSR (CPA) is counterproductive to a strategic outcome, which CPA (CSR) is intended to improve, and so, both CSR and CPA as well as their intended socio-political outcomes should be examined together.

Second, the inconsistent findings about CSR and CPA might have resulted from the variance in external stakeholder pressures across different host countries (Mellahi et al., 2016; Sun et al., 2021). To explain the differences in the performances of nonmarket strategies across country environments, Mellahi et al. (2016, p. 167) have called for the use of social contract theory and Habermasian theory of deliberative democracy (Frynas & Stephens, 2015; Habermas, 1996, 2001; Scherer & Palazzo, 2007), to research on “how the strength of the social contract between the state and its citizens across a firm’s different host countries [...] serves to legitimize or delegitimize different combinations of nonmarket strategies and hence affects the performance of such strategies”. In previous studies, the complementarity between CSR and CPA were contextualized in emerging economies with challenging institutions, such as China (e.g., Kostka & Zhou, 2013; Marquis & Qian, 2014; Wang & Qian, 2011), where MNCs attempt to fill institutional voids by pursuing social objectives through CSR in order to gain political legitimacy from government actors, who are the most powerful external stakeholders controlling the most critical resources in such a country (Mellahi et al., 2016; Sun et al., 2021). By comparing to previous studies, selecting a developed country with stronger institutions enables the examination of whether deliberative democracy strengthens a social contract that turns the complementarity between CSR and CPA into tension. Deliberative democracy transforms the social contract in the era of globalization by supplementing state governance with civil governance (Habermas, 2001; Scherer & Palazzo, 2007). Thus, both social and political legitimacies granted by civil society and state government respectively become critical to MNCs operating in deliberatively democratic countries. As

opposed to gaining legitimacy from only the state government in an emerging economy, seeking legitimacies from both communities in civil society and from state government in a deliberatively democratic country involves higher complexity.

In addition to these two limitations that hinder the theoretical progress of research on nonmarket strategy in international business, Aguinis, Ramani, and Cascio (2020) as well as Sun et al. (2021) have indicated the methodological challenge of identifying the causal relations around CSR and CPA. As common data-analytic techniques, such as regression modeling, let variables compensate for one another, they are not geared to identify the level at which a variable would cause the success or the failure of an outcome (Aguinis et al., 2020). Therefore, a research method other than regression modelling, specifically, necessary condition analysis (NCA) (Dul, 2016, 2020), is required to unveil the optimal levels of CSR and CPA needed for maintaining a balance between multiple strategic outcomes, including SL and LL.

This chapter addresses both the limitations in theoretical development and the challenge in research methodology stated above. It aims to provide a theoretical understanding about the tension versus the complementarity between CSR and CPA based on their causal relations with social license (SL) and legal license (LL), which not only represent social and political legitimacies granted respectively by society (Boutillier, Black, & Thomson, 2012) and government (White III, Boddewyn, & Galang, 2015), but which also stabilize subjective and objective socio-political risks correspondingly (John & Lawton, 2018; Lawton et al., 2014). SL is referred to as the “approval by local—if not indigenous—communities ... of a business enterprise’s operations or projects in a certain area” (Demuijnck & Festerling, 2016, p. 675). Such approval is based on subjective community perceptions (Gond, El Akremi, Swaen, & Babu, 2017) about the corporation in the form of trust as opposed to anger. It may not necessarily be based on objective empirical evidence (Kemp, Worden, & Owen, 2016) about the impact of the corporation on the community’s well-being (Moffat & Zhang, 2014; Richert, Rogers, & Burton, 2015). In contrast, the prerequisite for a government authority to approve the LL of a corporation is the empirical evidence that the corporation’s operations are fully compliant with the regulations, although the corporation’s political access to the actors in the authority may speed up the legal licensing process (Gunningham, Kagan, & Thornton, 2004). Following Mellahi et al.’s (2016) proposal, this chapter examines the research question of how different combinations of CSR and CPA levels eliminate or

ensure the possibility of socio-political legitimization in terms of SL and LL within the context of a developed country, namely Australia, where social contract is strengthened by deliberative democracy. CSR is, by its definition in social contract theory (Dahlsrud, 2008), necessary for SL, but as CPA is antithetical to deliberative democracy theory that supports social contract (Alzola, 2013; Néron, 2016; Scherer & Palazzo, 2007), SL necessitates a minimization in CPA. While deliberative democracy aims to enhance political egalitarianism for communities to engage in public discourses (Habermas, 2001; Weithman, 1995), such as the debates on legal regulations of CSR (Gunningham et al., 2004), its imperfections in real democratic processes cannot eliminate the room for corporations to engage in CPA in exchange for favourable regulations with a state government in a market-like manner (Bonardi, Hillman, & Keim, 2005; Dahan, Hadani, & Schuler, 2013; Scherer & Palazzo, 2007).

Methodologically, this chapter uses NCA developed by Dul (2016, 2020) and proposed by Aguinis et al. (2020) to improve causal inferences in international business research on nonmarket strategy by providing evidence about the necessity causes of CSR and CPA for SL and LL. It determines not only complementarity or tension, but also specific levels of CSR and CPA necessary for reaching an optimal balance in the performances of SL and LL. According to NCA logic (Dul, 2020; van der Valk, Sumo, Dul, & Schroeder, 2016), if an outcome necessitates high levels of both CSR and CPA, then CSR and CPA are considered complements. In contrast, if an outcome requires high level of either CSR or CPA but low level of the other, then CSR and CPA are in tension to a certain extent. This chapter also improves causal inferences by leveraging a big-data approach (Shaver, 2020), which Aguinis et al. (2020) proposed.

The remainder of this chapter is organized as follows. In the next section, social contract and deliberative democracy theories as applied to the interplay among corporations, government, and communities is reviewed. After that, the necessary conditions of CSR and CPA for SL and LL are theoretically developed based on social contract and deliberative democracy theories. Thereafter, the research method is specified. These sections are followed by a presentation of results and findings, including robustness checks and ad-hoc analyses. Finally, a discussion on theoretical and empirical contributions, managerial implications, as well as limitations and directions for future research is provided to conclude the paper.

3.2. Social contract and deliberative democracy theories as applied to corporations, government, and communities

Social contract theory, in which deliberative democracy theory has roots (Gilbert & Behman, 2009), is fundamental to both international business ethics (Neiman, 2013) and contemporary democratic politics (Ellis, 2006). After World War II (WWII), a social contract had emerged between corporations and governments in the developed world, wherein corporations were primarily responsible for generating wealth, whereas taking care of social concerns such as human rights was a government's responsibility (Cragg, 2000; Neiman, 2013; Scherer & Palazzo, 2007). Indeed, early social contract aligns with an economic ideology (Freidman, 1970), which posits that "[w]henver a social, humane, or environmental issue comes up, the firm continues in its course of maximizing value" (Scherer & Palazzo, 2007, p. 1100). It was a government's task to protect the well-being of society through law enforcement and regulation (Sundaram & Inkpen, 2004; Scherer & Palazzo, 2007). However, it has been criticized that this division of responsibilities between corporations and government does not work well in modern societies, where it is not possible for a government to perfectly predict conflicts and formulate regulations *ex ante*, because the integration of business operations and social concerns is far too complex (Eisenberg, 1992; Scherer & Palazzo, 2007). This criticism has become evident since the era of globalization, when it is increasingly difficult for many nation states to regulate business operations, because corporations now have the bargaining power to choose which country to operate in (Habermas, 2001; Scherer & Palazzo, 2007), and in other words, the power to bargain for a legal environment favourable to themselves as opposed to the public during economic development (Cragg, 2000; Neiman, 2013).

Given the difficulty of a state government to regulate corporations for protecting human rights by following the post-WWII social contract in this era of globalization, political governance has gradually been migrating from state government to civil society (Scherer & Palazzo, 2007), in which deliberative democracy has been developing to justify political egalitarianism in a new version of social contract since the late 20th century (Weithman, 1995). Based on deliberative democracy, a decision is considered legitimate if a concerning issue has thoroughly been discussed through a public discourse and a reasonable consensus has been reached among communities in society (Bohman, 1998; Gilbert & Behman, 2009; Habermas, 1996; Scherer & Palazzo,

2007). Accordingly, the new version of social contract has altered the interplay among corporations, government, and communities. On one hand, “the routine of corporate decision making [can] be canceled by a public discourse on the legitimacy of a given issue” (Scherer & Palazzo, 2007, p. 1112), when communities push such issue into public awareness. As communities act as monitors that report the corporations’ adherence to the social contract (Cragg, 2000; Neiman, 2013), corporations nowadays often engage in dialogue with multiple communities to show respect to the communities and corresponding rights (Gilbert & Behman, 2009). On the other hand, the legitimacy of a state government, which can be considered a political decision, is also subject to public opinion through election (Bohman, 1998; Scherer & Palazzo, 2007). As such, deliberative democracy pushes a government to protect the human rights of communities in society by regulating business operations to a greater extent, despite the existence of corporate power (Cragg, 2000; Neiman, 2013). Government nowadays tends to recognize communities as active citizens, who contribute to public debates for shaping common good, as opposed to passive customers, for whom public services can be outsourced to private suppliers or even withdrawn whenever burdensome (Sultana, 2011). These public debates serve as a part of the legislative process that legitimizes laws and regulations (Bohman, 1998).

The evolution of the interplay among corporations, government, and communities that arose from the development in social contract and deliberative democracy theories is depicted in Figure 3-1. Ideally, social contract together with deliberative democracy should allow anyone who considers oneself to be potentially influenced by the decision of a public discourse, equal opportunity to make claims and to exchange reasons without overriding anyone else (Ast, 2019; Lacey & Lamont, 2014; Néron, 2016; Zwart, 2003). However, as deliberative democrats are taking a pragmatic approach to improve democratic institutions incrementally (Fung, 2005; Habermas, 1996), circumstances in real societies are still suboptimal (Scherer & Palazzo, 2007). Real democratic processes are “distorted by unequal political power” (Ast, 2019, p. 209). In front of the veil of ignorance (Donaldson & Dunfee, 1999), anybody knowing one’s position in society tends to play by the rules in a way that favours one’s interests (Anand, 2001; Brown, 2010; Tyler, 1996). For instance, some would perceive the decision-making procedure of deliberative democracy fair, even when participation is underrepresented, or would interpret self-interests as generalizable to all, even through they are not preferred by the

others (Zwart, 2003). Given that deliberative democracy, which is supposed to support the new version of social contract (Weithman, 1995), is yet to be perfect in reality (Scherer & Palazzo, 2007), it leaves room for corporations to continue with the post-WWII social contract (Cragg, 2000; Neiman, 2013), which enables them to exchange economic wealth for favourable legal requirements with the governments of various countries by utilizing their bargaining power in this era of globalization (Habermas, 2001; Scherer & Palazzo, 2007).

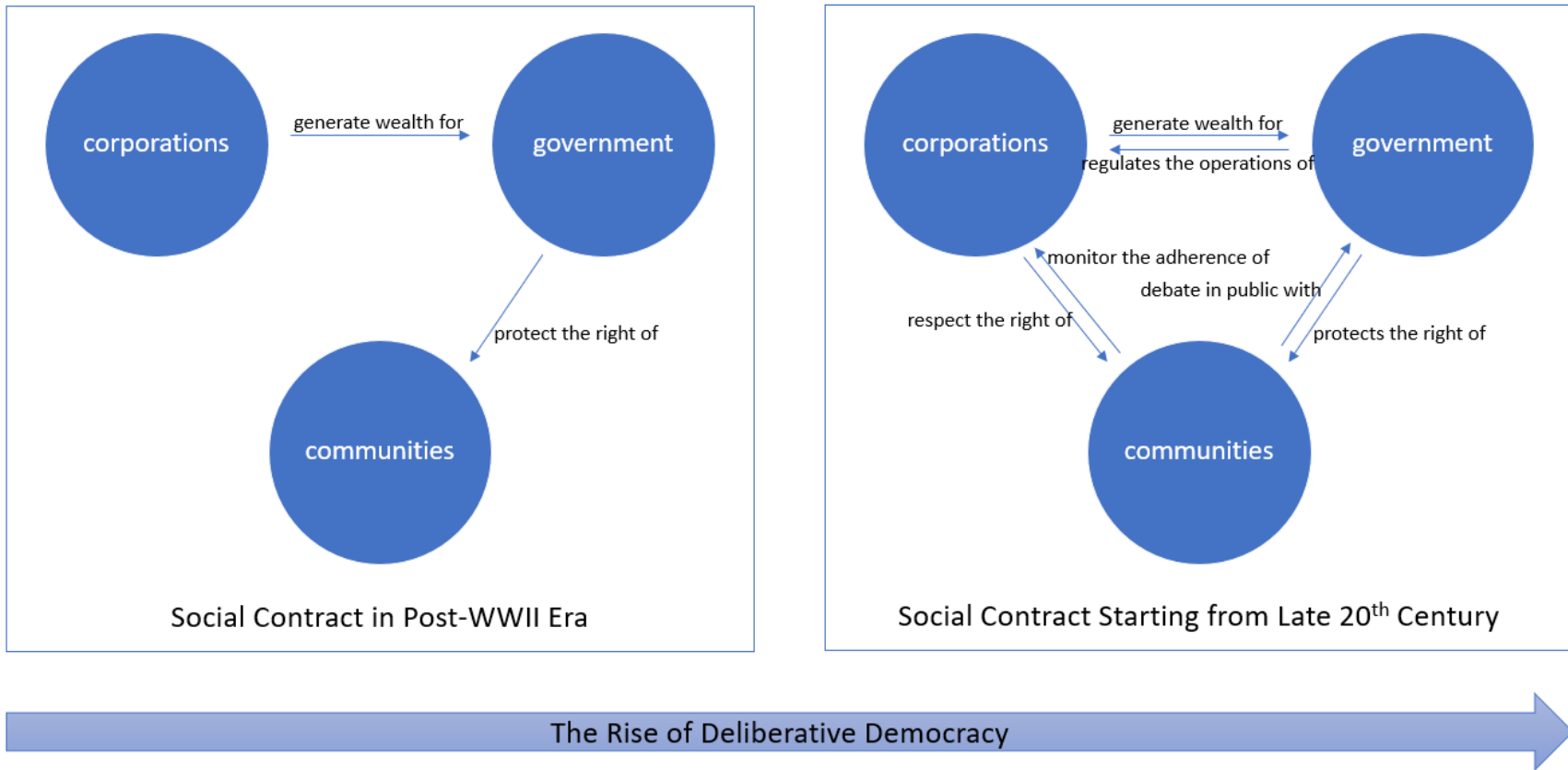


Figure 3-1. The Interplay among Corporations, Government, and Communities across Time

3.3. Theoretical development

Deliberative democracy that supports social contract nowadays demands that corporations “retain what some call their ‘licence to operate’” (Gilbert & Behman, 2009, p. 228), specifically SL and LL to operate, which are granted by communities in civil society and state government respectively.

3.3.1. The condition of CSR for SL

The relationship between CSR and SL can be theorized by social contract theory. CSR can be defined as “a [social] ‘contract’ between society and business wherein a community grants a firm a [social] license to operate and in return the matter meets certain obligations and behaves in an acceptable manner” (Dahlsrud, 2008, p. 10). Through CSR engagements, a corporation not only can understand the social expectations and the best interests of a community, but it can also act according to such expectations and interests to gain trust from the community (Thomson & Boutilier, 2011; Wright & Bice, 2017). The corporation can invite the community to witness first-person whether it is running the business in a just manner that benefits not only itself but also the community (Woods & Urwin, 2010) and whether it is promise-keeping and non-deceiving (Jijelava & Vanclay, 2017; Thomson & Boutilier, 2011). CSR is, therefore, necessary for an MNC seeking SL, which is a form of approval, from a local community (Demuijnck & Fasterling, 2016).

However, CSR does not guarantee the attainment of SL, because the deliberation over community expectations regarding CSR may fail to account for the interests of the marginalized (Banerjee, 2018). In some cases, ethnic minorities and indigenous peoples have limited access to become fully involved in deliberation (Kemp, Owen, Gotzmann, & Bond, 2011). In some other cases, such as the community that Zwart (2003) has documented in Australia, some community members believe that, despite an underrepresentation of younger members, a precinct system represented by older members is still a more justifiable tool than an aggregative survey, as long as the representatives put much consideration into the debate, because based on deliberative democracy theory, “the source of legitimacy is not the predetermined will of individuals, but rather the process of its formation, that is, deliberation itself” (Manin, 1987, p. 351-

352). Hence, while the marginalized groups, given their underrepresentation, would perceive the way they are being treated as unfair (Moghaddam, 2008), the groups that dominate deliberation would claim that they have already got what they deserve (Halevy, Jun, & Chou, 2020; Keenan, Kemp, & Ramsay, 2016; Mason, Paxton, Parsons, Parr, & Moffat, 2014). Political polarization between the marginalized and the dominating groups within a community, therefore, can lead to two possible situations, both of which result in SL disapproval. First, if CSR does not follow the expectations that has been deliberated by the dominating groups, it will not be acceptable to the dominating groups of the community (Demuijnck & FASTERLING, 2016). Second, if CSR fails to address the interests of the marginalized groups by following what has been deliberated by the dominating groups, then the marginalized groups will not accept it but rather express their anger through a series of conflicts (Dorobantu & Odziemkowska, 2017; Melé & Armengou, 2016).

While there might be other boundary conditions, political non-polarization is a necessary condition in addition to CSR for an MNC to attain an SL from a community. As CSR and political non-polarization are both necessary conditions, they constitute a sufficient condition jointly with other hidden necessary conditions only if all of them are met. In other words, CSR alone is a necessary but not sufficient condition for SL.

Hypothesis 1. *High CSR is a necessary (but not sufficient) condition for attaining a high level of SL.*

3.3.2. The condition of CPA for SL

Deliberative democracy is developed to justify political egalitarianism (Weithman, 1995). However, CPA contradicts the principle of political egalitarianism (Alzola, 2013), because it “allow[s] a subsection of society (shareholders of publicly listed companies) to enjoy disproportionate [political] influence” (Dahan et al., 2013, p. 376). Without political egalitarianism, not all issues of concern to the public will be included in deliberation, nor will a reasonable consensus regarding an issue be reachable (Bohman, 1998; Gilbert & Behman, 2009; Habermas, 1996; Scherer & Palazzo, 2007). Even if some communities in civil society do engage in public discourse, such discourse will not be powerful enough to alter corporate influence (Scherer & Palazzo, 2007). As CPA is a manifestation of corporate power that opposes the recent trend of civil governance by communities

(Scherer & Palazzo, 2007), it will not be acceptable to communities (Alzola, 2013). For example, “in Australia, Pusey (2010, p. 136) argued that ‘several studies ... consistently show that between 60 and 82 per cent of Australians were unhappy with what they perceived to be the excessive power of big business and vested interests in national affairs’” (den Hond et al., 2014).

When civil governance is weakened, the state government becomes the only remaining party that can enforce the social contract with corporations to protect the rights of the communities in civil society (Cragg, 2000; Neiman, 2013; Scherer & Palazzo, 2007). However, CPA represents “corporate attempts to shape government policy” (Hillman, Keim, & Schuler, 2004, p. 837). It is contradictory for corporations being regulated to capture such regulatory agencies as the government (Alzola, 2013; Barley, 2007). Even worse, CPA can be used to promote legislation that serves corporate interests at the expense of community interests (Barley, 2007; Néron, 2016). Considering that CPA is antithetical to their rights and interests, communities will not approve SL to corporations engaging in CPA (Néron, 2016).

Put differently, it is necessary for an MNC seeking SL from communities to minimize CPA, or otherwise, the communities will not grant SL to the MNC, as CPA undermines both deliberative democracy and social contract, which are supposed to address the concerns and to protect the rights of the communities respectively. Minimizing CPA is, however, not sufficient for attaining SL. This is because the sufficient condition for SL involves the conjunction of other necessary conditions, such as CSR and community non-polarization aforementioned.

Hypothesis 2. *Low CPA is a necessary (but not sufficient) condition for attaining a high level of SL.*

3.3.3. The condition of CSR for LL

As opposed to attaining an SL, for which the sufficiency condition (i.e., the exhaustive list of necessary conditions) is yet to be known, obtaining an LL necessitates only one sufficient condition, which is complying with the regulations by meeting all legal requirements. As such, what requires further investigation is the sufficient conditions for LL. According to the logic of necessary and sufficiency conditions, the opposite of the

sufficient (but not necessary) condition for obtaining LL without difficulty is the necessary (but not sufficient) condition for encountering difficulties in obtaining such.

A necessary condition for MNCs to experience difficulties in obtaining LL is stringent regulations and/or enforcement, which require opinion and/or information from the public. High CSR engagements of an MNC include meaningful dialogues that share information with communities transparently and continuously (Silva & de Campos, 2020), thereby engendering community opinion about the MNC. Not only has the social contract in the era of globalization given communities the authority to grant or revoke SL based on their observations about the behaviours of corporations (Dahlsrud, 2008), but deliberative democracy has also empowered them to give feedback to the government regarding what is needed for public good (Cragg, 2000; Neiman, 2013; Scherer & Palazzo, 2007; Sultana, 2011). Any information gathered and/or opinion formed by the communities through CSR can, therefore, be used in public debates throughout the legislative and law enforcement processes (Bohman, 1998; Sundaram & Inkpen, 2004; Scherer & Palazzo, 2007). That is to say, through CSR engagements, communities can access authentic information (Heffron, Keim, & Schuler, 2004) and determine whether corporations are up to standards or whether corporations are willing and are able to meet their social expectations. If not, they may urge the government to revoke the LLs of the corporations or tighten regulations through political processes (Gunningham et al., 2004; Heffron et al., 2004; Scherer & Palazzo, 2007; Sultana, 2011). As the legitimacy of the government in a deliberatively democratic country is subject to public opinion as well (Bohman, 1998; Scherer & Palazzo, 2007), the government is obligated to respond to community dissatisfaction (Cragg, 2000; Neiman, 2013), in a sense that regulators and enforcement agencies are substantially affected by the community expectations (Gunningham et al., 2004). In Australia, for example, the law requires corporations to formally address community concerns as a part of their compliance (Gunningham et al., 2004; Gunningham & Sinclair, 2002). Under this social expansion of LL (Gunningham et al., 2004), corporations cannot obtain LL from the government without satisfying communities as if they are attaining SL through CSR, and so, they may encounter complications, such as lengthy permit times (Green & Jackson, 2016).

However, an MNC's obtainment of LL may not necessarily be difficult, even if it engages in a high degree of CSR with a community. A counter example is when society at large, owing to ungeneralizable interests, does not resonate with an issue pushed by

a focal community in public (Scherer & Palazzo, 2007; Zwart, 2003), so the issue will not be discussed in much detail in political processes, nor will the issue likely become a part of regulation requirements. As a generalizable interest of society at large is a necessary condition other than high CSR for an MNC to encounter difficulties in obtaining LL, CSR itself is not a sufficient condition for encountering such difficulties.

***Hypothesis 3.** High CSR is a necessary (but not sufficient) condition for encountering difficulties in obtaining LL.*

3.3.4. The condition of CPA for LL

While the social contract supposed by deliberative democracy empowers communities to contribute to shaping public policies through discourses and observations about corporate behaviours (Cragg, 2000; Neiman, 2013; Scherer & Palazzo, 2007; Sultana, 2011), the government tends to act only if the mass of the communities is large enough (Gunningham et al., 2004). The power of the MNCs, in contrast, has been large since the post-WWII era (Cragg, 2000), and has been growing, as nation states are disadvantaged in their bargaining power, whereas MNCs can decide to invest elsewhere (Neiman, 2013). Even in developed countries, such as Australia, which has a higher ability to restrain the behaviours of the MNCs than developing countries (Neiman, 2013), corporate power is still perceived to be excessive compared to government authority (den Hond et al., 2014; Pusey, 2010). Exercising corporate power, MNCs engage in CPA to exchange resources with state governments in a market-like manner (Bonardi et al., 2005; Dahan et al., 2013). Although the objectives of CPA can occasionally be at odds with the rights of the communities that state government should protect under the overarching social contract (Cragg, 2000; Neiman, 2013), the government is legally allowed to engage in CPA to a certain extent while maintaining a balance between economic and social developments, because deliberative democracy is still imperfect in real societies (Scherer & Palazzo, 2007). For instance, in Australia, the objective of lobbying activities or the size of political donations under a certain threshold does not have to be disclosed, while Australian ex-government officials can engage in lobbying activities related to the official dealings that they had taken part in, once they have ceased employment with the government for 12 to 18 months (OECD & PRI, 2022). Despite recent improvements in deliberative democracy, this aspect of the social contract, where the government grants MNCs LL to operate in exchange for economic

wealth, still exists.

Unlike communities that normally request the tightening of existing regulatory standards of LL by including their social expectations (Gunningham et al., 2004), corporations can set the legal requirements in ways that are favourable to themselves by lowering or raising the existing standards. The corporations that fail to reach the existing regulatory standard can lower it, whereas the corporations capable of fulfilling social expectations on top of the legal requirements can raise the regulatory standard to maintain their competitive advantage. CPA “of various tactics such as financial contributions to electoral candidates, testimonies before legislative or regulatory committees, public relations and grassroots campaigns, and lobbying individual officials” (Dahan et al., 2013, p. 371) can be used to alter voting behaviour during legislative decision making (Keim & Zeithaml, 1986; Lawton, McGuire, & Rajwani, 2013).

Based on the assumption that the corporations align rather than misalign the legal requirements with their own capabilities through the realization of CPA, they will be able to satisfy such requirements to obtain LL. That is, CPA is a sufficient (but not necessary) condition for an MNC to obtain LL without difficulty. Put differently, the minimization of CPA is a necessary (but not sufficient) condition for an MNC to have trouble in obtaining LL.

Hypothesis 4. *Low CPA is a necessary (but not sufficient) condition for encountering difficulties in obtaining LL.*

3.4. Research method

To understand the conditions of such nonmarket strategies as CSR and CPA for such strategic outcomes as SL and LL, this study conducts an NCA using a sample of global mining companies in Australia. Such sample was selected for multiple reasons. First, Australia is a deliberatively democratic country. According to the deliberative democracy index measured by the Varieties of Democracy Institute at the University of Gothenburg (Pemstein et al., 2022), deliberative democracy in Australia is above 90 percentiles across all sampled countries. The index has an annual average of 0.734 in Australia, compared to 0.234 worldwide, and 0.092 in China, where prior studies found complementarity between CSR and CPA. Australia thus provides a context for

comparison. It allows this study to examine the degree to which deliberative democracy challenges the complementarity between CSR and CPA. Second, the two outcome variables, SL and LL, are present in the mining industry within Australia. On one hand, it has been a tradition for mining companies seeking to operate in local communities to obtain SL from the communities (Prno & Slocombe, 2012), and the mining industry in Australia comprehends that SL is an unwritten social contract between companies and communities (Melé & Armengou). On the other hand, as a mining company extracts such natural resources as mineral, oil, and water that belong to a country, LL needs to be granted by the state government for the company to explore, exploit, and/or transform such resources (Raufflet, Baba, Perras, & Delannon, 2013), especially in such a developed country as Australia, where legal institutions are relatively strong. Third, this study focuses solely on Australia as opposed to multiple host countries, because the research method for hypothesis testing, NCA, which plots only the outcome against a condition, necessitates a relatively homogeneous sample to control for other variables (Arenius, Engel, & Klyver, 2017; Dul, 2020), especially in terms of social and legal settings. For example, as France and Germany are culturally more reluctant to tolerate CPA than the United Kingdom and the United States do (Dahan et al., 2013; Harsanyi & Schmidt, 2011), the level of CPA that will eliminate the possibility of attaining SL is supposedly lower in the former countries than in the latter. Fourth, Australia is the main geographic region other than Africa where the outcomes of CPA have not been explored in previous studies (Rajwani & Liedong, 2015).

Following Oh et al. (2020), the sample of this study was collected from *SNL Metals & Mining*, which is now called S&P Global Market Intelligence. SNL is a reliable database that provides comprehensive information about the global mining industry useful for academic research (Murguía, Bringezu, & Schaldach, 2016). It identifies 674 mining companies headquartered in 20 home countries and operating at 2,854 mining sites in Australia. Focusing only on multinational companies, for which, unlike domestic companies, data are available for both SL and LL, the sample comprises 384 multinationals mining at 1,584 Australian sites.

3.4.1. Level of SL

To download articles that describe the SL of the sampled multinationals from *Factiva*, which is a global news database managed by Dow Jones, “social licen*”, “benefit*

agreement*”, and “free prior and informed consent” were used as search terms. The wildcard, represented by the asterisk symbol (“*”), was used as a part of the search terms to cover different parts of speech and spellings. Community Benefit Agreement, or in another name, Impact (and) Benefit Agreement (Cascadden, Gunton, & Rutherford, 2021) was covered by the search terms because it is a tool for earning SL (Dorobantu & Odziemkowska, 2017; Noble & Fidler, 2011). Free, Prior, and Informed Consent was also covered because it is a version of SL (Rodhouse & Vanclay, 2016). Any duplications, such as republications of a focal article, were excluded. The search resulted in 32,814 English-language articles from 1990 to 2020. After eliminating the articles that fail to pinpoint to a specific site of a company, the number of articles comes down to 12,786. 19.39% of this number is 2,479 observations of SL for 79 multinationals operating at 306 sites in Australia between 2003 and 2020.

SL, which is one of the two outcomes, was operationalized based on a big data (Gehman, Thompson, Alessi, Allen, & Goss, 2016) and natural language processing approach (Boutillier & Bahr, 2020) called sentiment and emotion analysis (Mohammad & Turney, 2013). Using National Research Council (NRC) Canada’s Sentiment and Emotion Lexicon in R computing environment, this approach counts, in each article, the numbers of words of any form attributed to positive and negative sentiments as well as such emotions as trust, surprise, sadness, joy, fear, disgust, anticipation, and anger (Mohammad & Turney, 2013). This study measures the level of SL as the percentage of words for trust minus the percentage for anger in an article, because high level of SL is characterized by trust from the community granting the SL (Jijelava & Vanclay, 2017; Parsons, Lacey, & Moffat, 2014; Thomson & Boutillier, 2011), whereas low level of SL is exhibited by anger from the community (Dorobantu & Odziemkowska, 2017; Melé & Armengou, 2016).

3.4.2. Difficulty in obtaining LL

Data regarding LL for mining companies to explore, mine, and prospect in multiple countries was further downloaded from *SNL*. The data details the application dates and the grant dates of 15,623 LL with identifiable applicant and location. 5,124 (i.e., 33.72%) of these LLs were applied in Australia. After including the sampled multinationals and their mining sites in Australia, 1,891 LLs applied by 73 multinationals for 204 sites in Australia between 1991 and 2016 can be identified. Since such data does not list out the

failure cases of the LL applications, LL can only be quantified in terms of time rather than success rate, but it still offers some indications that most companies in the sample can eventually meet the legal requirements despite difficulty, if any. After excluding 105 observations with missing grant dates, the remaining 1,786 LLs were applied by 66 multinationals for 187 sites in Australia between 1991 and 2016. The difficulty in obtaining LL is measured as the negative number of years between application date and grant date.

3.4.3. CSR

Non-duplicated articles regarding the multinationals sampled from SNL were gathered from such subject categories of “Corporate Social Responsibility” and “Corporate Environmental Responsibility” (CER) in *Factiva*. This study measures CSR at the site level, based on the number of CSR or CER articles that identify a multinational and that mention the name or location of a site being operated by the multinational. The articles are confined to a one-year window. The end of the one-year window is the publication date of the article on an SL, when SL is the outcome being analyzed, or the application date of an LL, when LL is the outcome. Following Dorobantu et al. (2017), more recent articles are given with heavier weightings in terms of the inverted number of days in between the date of the article and the end of the one-year window.

3.4.4. CPA

CPA is measured in a way resembling the measure of CSR, but with another set of non-duplicated articles about “Political Appointments”, including individuals entrusted with civil public functions, and “Government Policy”, including lobbying, that *Factiva* associates with the multinationals sampled from SNL. CPA in this study is not measured at the site but the subnational level, according to the name of the Australian state or territory identified by *Factiva*, because it is the state granting LL at the subnational level as opposed to a community granting SL at a particular site that is targeted by certain multinationals to receive CPA. A one-year window and weightings are also used for the measure of CPA based on the publication date of the article on CPA and either the publication date of the article on SL or the application date of LL, depending on which between SL or LL is being analyzed.

3.4.5. NCA

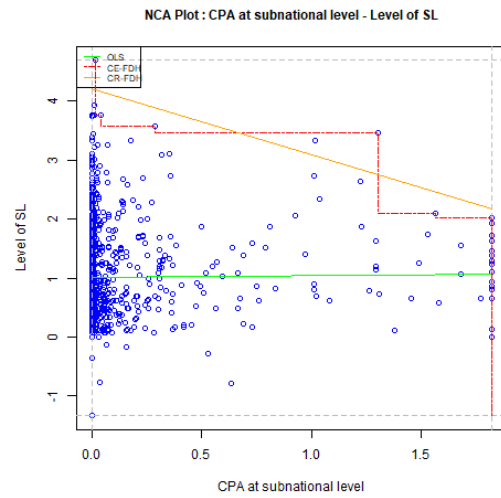
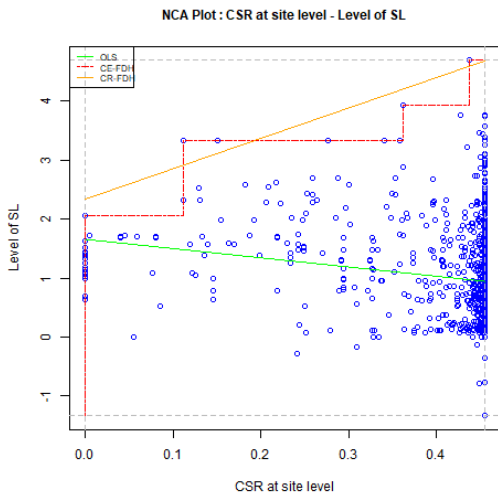
Hypothesis testing was conducted using the NCA package in R computing environment (Dul, 2016, 2020; Dul, van der Laan, & Kuik, 2020). It provides a scatter plot of the outcome against the causal condition for each hypothesis along some parameters. A hypothesis is empirically supported if NCA indicates that the effect size (d) is larger than 0.1 and that the effect is significant according to the p -value (Dul, 2020). Generally, an effect size between 0.1 and 0.3 is considered medium, while an effect size between 0.3 and 0.5 is considered large. A very large effect has a size larger than 0.5.

3.5. Results and findings

The scatter plots for the main results in this study are presented in Figure 3-2 and are summarized in Table 3-I. The results show that high CSR at the site level ($d=0.252$, $p=0.035$) and low CPA at the subnational level ($d=0.264$, $p=0.073$) are both necessary conditions for attaining high level of SL to a medium degree. Thus, Hypotheses 1 and 2 are supported, despite marginal significance for Hypothesis 2. Further, the results do not support high CSR at the site level ($d=0.516$, $p=0.430$) as a necessary condition for encountering difficulties in obtaining LL, but the results do support low CPA at the subnational level ($d=0.572$, $p=0.024$) for such, to a very large degree. Hence, while Hypothesis 3 is insignificant, Hypothesis 4 is supported.

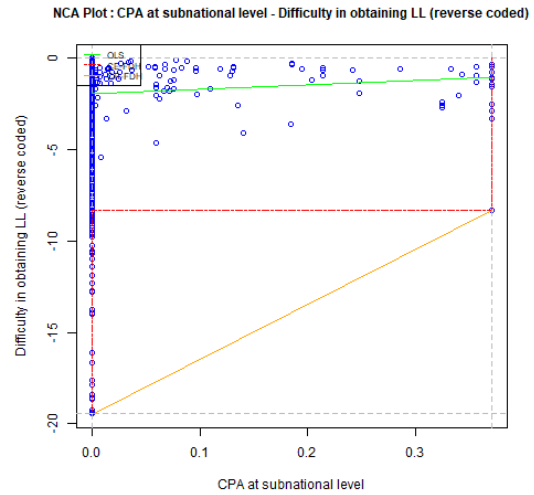
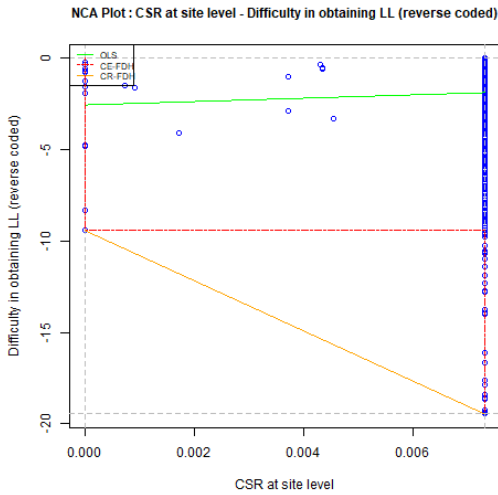
Table 3-I. Summary of Main Results

outcome	necessary condition	hypothesis	N	ceiling zone (C)	scope (S)	effect size (d)	c-accuracy	p-value	supported?
(high) level of SL	(high) CSR at site level	Hypothesis 1	2,479	0.691	2.743	0.252	100%	0.035	Yes
	(low) CPA at subnational level	Hypothesis 2	2,479	2.902	10.977	0.264	100%	0.073	Yes
difficulty in obtaining LL	(high) CSR at site level	Hypothesis 3	1,786	0.073	0.142	0.516	100%	0.430	No
	(low) CPA at subnational level	Hypothesis 4	1,786	4.121	7.211	0.572	100%	0.024	Yes



A. Hypothesis 1

B. Hypothesis 2



C. Hypothesis 3

D. Hypothesis 4

Figure 3-2. Scatter Plots for Main Results

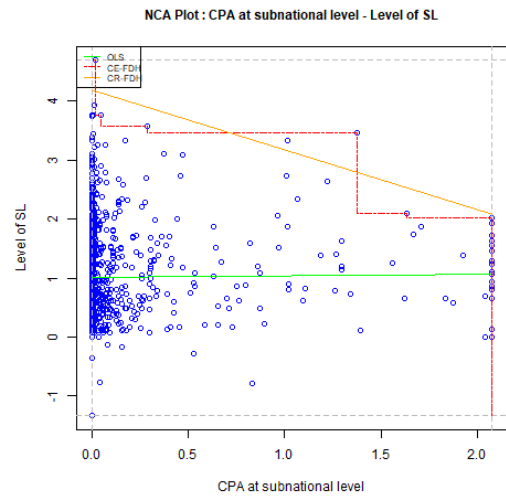
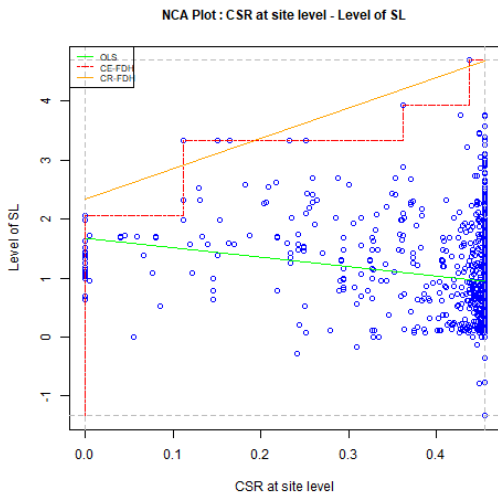
According to the bottlenecks in Figure 3-2A, an above 50% level of all possible SL values in the sample cannot be reached without increasing CSR to at least 0.112, or at least 0.361 for an above 80% level of SL. In Figure 3-2B, an above 50% level of SL cannot be reached without minimizing CPA to below 1.305, or below 0.285 for an above 80% level. A level of CPA below 0.371 is needed for causing the difficulty in obtaining LL to fall below 50% level, and so, a 0.371-level of CPA is sufficient for the obtainment of LL without much difficulty (Figure 3-2D).

3.5.1. Robustness checks

For robustness checks, CSR and CPA were measured using duplicated instead of non-duplicated Factiva articles, such that republications of the same article can be included to capture public visibility effects of the multinationals. The scatter plots and the summary of the robustness checks are presented in Figure 3-3 and Table 3-II respectively. Consistent with the main results, the robustness checks support Hypotheses 1, 2, and 4 with even higher levels of significance, but do not support Hypothesis 3.

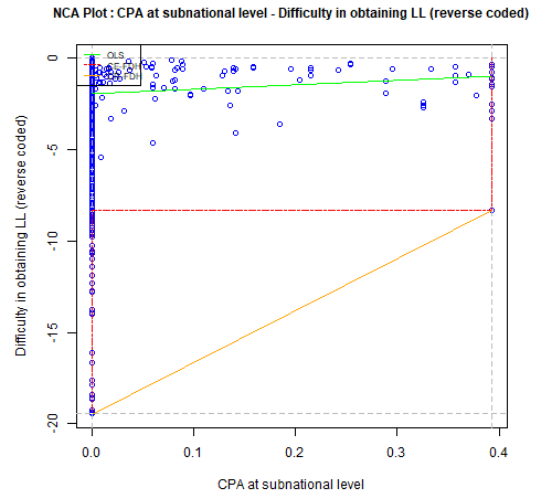
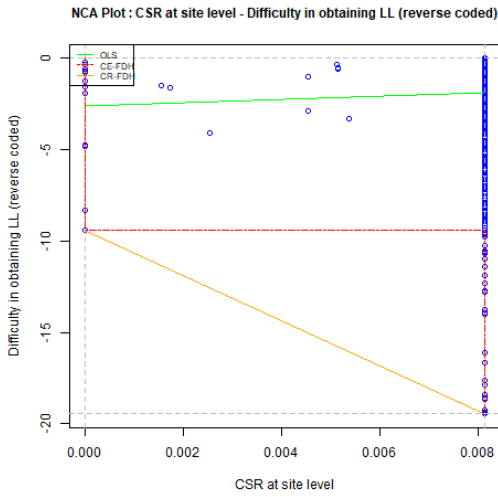
Table 3-II. Summary of Robustness Checks

outcome	necessary condition	hypothesis	N	ceiling zone (C)	scope (S)	effect size (d)	c-accuracy	p-value	supported?
(high) level of SL	(high) CSR at site level	Hypothesis 1	2,479	0.691	2.743	0.252	100%	0.031	Yes
	(low) CPA at subnational level	Hypothesis 2	2,479	3.471	12.508	0.278	100%	0.055	Yes
difficulty in obtaining LL	(high) CSR at site level	Hypothesis 3	1,786	0.082	0.158	0.516	100%	0.438	No
	(low) CPA at subnational level	Hypothesis 4	1,786	4.363	7.635	0.572	100%	0.024	Yes



A. Hypothesis 1

B. Hypothesis 2



C. Hypothesis 3

D. Hypothesis 4

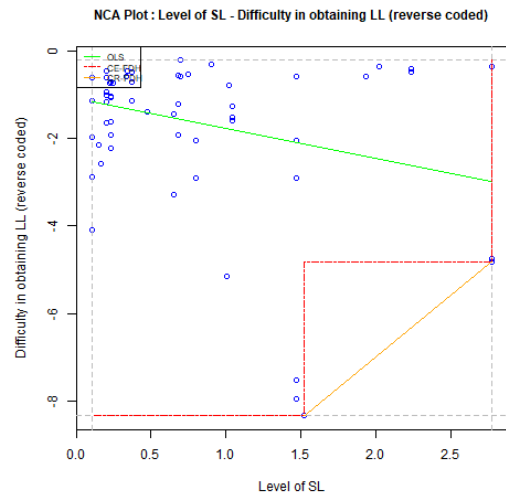
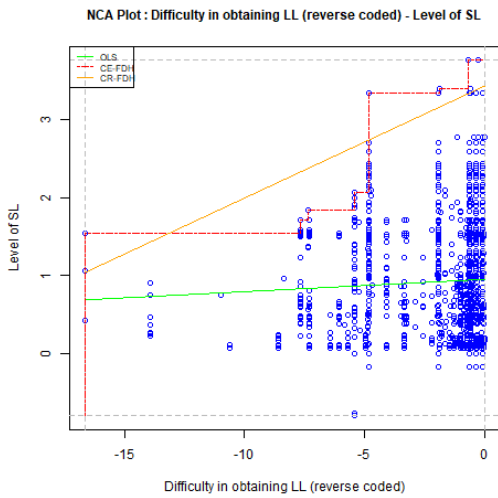
Figure 3-3. Scatter Plots for Robustness Checks

3.5.2. Ad-hoc analyses

Ad-hoc analyses were conducted to reveal whether SL and LL are themselves conditions for one another. Some scholars suspect that SL might be a prerequisite for LL (Parsons et al., 2014), because in Australia, for instance, the legal requirements for permits include the consent from local communities (Gunningham et al., 2004; Gunningham & Sinclair, 2002). However, according to the social contract between corporations and society (Dahlsrud, 2008), such responsibilities as contributing to communities are built on top of legal responsibilities in the pyramid of CSR (Carroll, 1979, 1991). If CSR contributions to communities cannot be achieved without fulfilling the legal responsibilities, then LL, which proves a corporation's fulfillment of its legal responsibilities, should be a necessary condition for CSR, which is also a necessary condition for SL. In reverse, SL, which proves that a corporation has already contributed to a community through CSR, should be a sufficient condition for LL. To test the conditions of SL and LL for one another, an SL for a specific site of a sampled multinational is plotted against the corresponding LL that is granted immediately preceding the SL, and vice versa. The results are plotted in Figure 3-4 and are summarized in Table 3-III.

Table 3-III. Summary of Ad-Hoc Analyses

outcome	necessary condition	N	ceiling zone (C)	scope (S)	effect size (d)	c-accuracy	p-value	supported?
(high) level of SL	difficulty in obtaining LL (reverse coded)	1,400	26.990	75.788	0.356	100%	0.004	Yes
difficulty in obtaining LL	(low) level of SL	89	4.378	21.617	0.203	100%	0.706	No



A. LL as a Necessary Condition for SL

B. SL as a Sufficient Condition for LL

Figure 3-4. Scatter Plots for Ad-Hoc Analyses

The results support LL as a necessary condition for SL but do not support SL as a sufficient condition for LL. This finding suggests that a community will not grant SL to an MNC that does not come up to legal standards in any way, because the MNC is not seen as trustworthy, but SL indicates the fulfillment of the MNC’s responsibilities for the focal community only. As the community has a narrow focus, which may not be generalizable to society at large, it has no information to endorse the MNC’s responsibilities outside its focus. The results also provide some indications that SL is unlikely a necessary condition for LL, because as shown in Figure 3-4B, the observations are located at the upper left corner. Based on NCA, the upper left corner in Figure 3-4B would be an empty space, if SL were necessary for LL.

3.6. Discussion and conclusion

The necessary and sufficient conditions that find support for both social and legal licenses in this study are presented in Figure 3-5. This study showed that to gain SL approval from local communities in such a deliberatively democratic country as Australia, where social contract is relatively strong, MNCs need to engage frequently in CSR but infrequently in CPA. This is because, based on the social contract, corporations are obligated to behave in a way that is acceptable to communities, for which CSR is a tool to fulfill such obligation (Dahlsrud, 2008). However, as CPA not only manifests corporate power that contradicts deliberative democracy (Alzola, 2013; Dahan et al., 2013), but also threatens regulations (Hillman et al., 2004), which according to the social contract, are supposed to protect the communities (Cragg, 2000; Neiman, 2013); communities seeing such infringement of their rights and interests will not accept corporations engaging in CPA (Néron, 2016).

This study also showed that MNCs can sufficiently meet the legal requirements for securing LL by engaging in CPA often. Corporations can finance the government through CPA in exchange for legislation favourable to their situations (Bonardi et al., 2005; Dahan et al., 2013; Keim & Zeithaml, 1986; Lawton et al., 2013). They can do so up to a point, where the law allows, and where the overarching social contract supported by deliberative democracy restricts.

While this study revealed not only that CPA guarantees an LL to be easily obtained but also that a low degree of CPA and an easily obtained LL are both prerequisites for attaining an SL, some may doubt the degree to which CPA for guaranteeing LL will eliminate the possibility of attaining SL. In this regard, the NCA of this study offers some insights, as it shows that the maximum level of CPA, beyond which the level of SL will fall below average, is larger than the benchmark level of CPA that will secure a below-average difficulty in obtaining LL. Although this benchmark is smaller than the maximum level tolerable for corporations targeting a very high level of SL, corporations can adjust the level of CPA to achieve both SL and LL by setting targets for these two outcomes, depending on which is strategically more important - fulfilling the necessity of SL to prevent it from being lost, or satisfying the sufficiency of LL to reduce the difficulty in getting it.

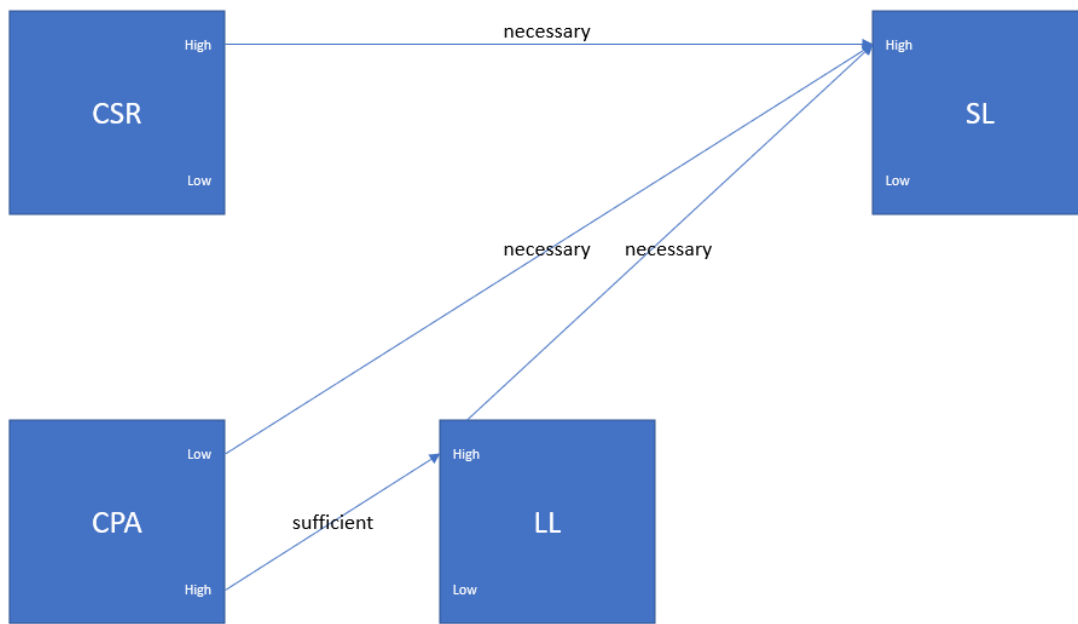


Figure 3-5. Supported Conditions for SL and LL

3.6.1. Theoretical contributions

This study contributes to the literature on nonmarket strategy in international business (Mellahi et al., 2016; Rajwani & Liedong, 2015). Instead of considering complementarity in terms of how CSR and CPA create resources to reinforce the mechanism of each other like prior literature did (David et al., 2007; den Hond et al., 2014; Hadani et al., 2013; Stevens et al., 2016), this study adds to the literature by examining how CSR and CPA complement or contradict each other in terms of achieving their intended strategic outcomes, specifically in minimizing subjective and objective socio-political risks (John & Lawton, 2018; Lawton et al., 2014). By considering SL social legitimacy (Boutilier et al., 2012), which is based on subjective community perceptions (Gond et al., 2017), and LL political legitimacy (White III et al., 2015), which is based on objective legal standards (Kemp et al., 2016), this study reveals that CSR and CPA are contradictory rather than complementary for attaining SL, and yet, CPA sufficiently secures LL needed for attaining SL to a certain extent. This suggests that if SL and LL are both the intended strategic outcomes of CSR and CPA, then CSR and CPA complements to a degree, beyond which they will be in tension for achieving these outcomes. This study, therefore, helps to elucidate that the inconsistent findings in prior studies (David et al., 2007; den Hond et al., 2014; Hadani et al., 2013; Stevens et al., 2016), regarding whether CSR and CPA are complements or are in tension (Mellahi et al., 2016), might be a matter of degree rather than a matter of nature.

This study responds to the call for research on how nonmarket strategies are combined to perform in accord with a country's context based on social contract theory and Habermasian theory of deliberative democracy (Frynas & Stephens, 2015; Habermas, 1996, 2001; Scherer & Palazzo, 2007), which Mellahi et al. (2016) have proposed. Specifically, this study sheds light on the differences in the conditions of CSR and CPA for socio-political legitimization by comparing a deliberatively democratic country, where social contract is relatively strong (Cragg, 2000; Neiman, 2013; Scherer & Palazzo, 2007), to emerging economies, where prior studies evidencing the complementarity between CSR and CPA were contextualized (e.g., Kostka & Zhou, 2013; Marquis & Qian, 2014; Wang & Qian, 2011). By examining the deliberative democratic context in Australia, which Rajwani and Liedong (2015) have indicated as unexplored, this study reveals that instead of complementarity, tension exists when CSR and CPA are used together to gain socio-political legitimacies. This study explains that

social legitimacy granted by communities in the form of SL becomes as important as political legitimacy granted by a government in the form of an LL, as deliberative democracy empowers communities to be as involved as a government does in a social contract (Cragg, 2000; Neiman, 2013; Scherer & Palazzo, 2007). However, as CPA contradicts political egalitarianism for deliberative democracy (Alzola, 2013; Dahan et al., 2013; Weithman, 1995), it inevitably hurts social legitimacy that CSR is intended for, even though it sufficiently improves political legitimacy.

3.6.2. Empirical contributions

Using the causal relation between nonmarket strategies and their strategic outcomes as an example (Sun et al., 2021), this study contributes to improving causal inferences in international business research by demonstrating how NCA (Dul, 2016, 2020; Dul et al., 2020) can be used for finding out suitable levels of strategies to balance between multiple strategic outcomes. Contrary to suggesting either minimization or maximization of multiple variables for a single outcome like regression analysis does, NCA provides a range of values that will cause an outcome (Aguinis et al., 2020). By determining the overlap between the ranges for different outcomes, one can achieve optimization. This study also improves causal inferences by leveraging a big-data approach (Shaver, 2020). It demonstrates how SL, CSR, and CPA can be operationalized using newspaper articles (Gehman et al., 2016), and more importantly, how SL can be measured based on such natural language processing approach (Boutilier & Bahr, 2020) as sentiment and emotion analysis (Mohammad & Turney, 2013).

3.6.3. Managerial implications

This study offers several implications for MNCs that seek to adopt such nonmarket strategies as CSR and CPA. First, MNCs should define a set of strategic outcomes and set appropriate targets for such outcomes. If, for instance, an MNC is operating in a remote site where population is virtually zero, then as a strategic outcome, an SL granted by the local community will not be as important as an LL granted by the state government. Otherwise, the MNC should take both SL and LL into account. Second, MNCs should determine the levels of CSR and CPA essential for reaching their targets. If an MNC targets only the LL, then it can focus on maximizing only the level of CPA. However, if both SL and LL are important, then the MNC should engage in CSR often

and should ensure that it meets all legal requirements for LL prior to seeking SL. Third, MNCs should beware of their use of CPA for balancing the performances between SL and LL. If an MNC operating in a deliberatively democratic country wishes to use CPA to reach the target of LL more quickly for ultimately achieving the targeted level of SL, then it should conduct an NCA like this study has illustrated to find out the optimal level of CPA, which will guarantee shorter permit times for LL while not eliminating the possibility of achieving a desired level of SL. Fourth, MNCs should be mindful of the fact that the contextual heterogeneity across countries, in terms of deliberative democracy, for instance, does affect the levels of strategies required for accomplishing the targets of strategic outcomes. Therefore, the sampled data used for determining the levels of strategies through NCA should be aligned with the corresponding context.

3.6.4. Limitations and future research

The findings in this study have limitations in terms of generalizability, because the methodological nature of NCA, which plots the outcome against only one condition, requires a relatively homogeneous sample to appropriately control for other contextual settings (Arenius et al., 2017; Dul, 2020). If, for instance, it is known that the perceptions about CPA in France are culturally more negative than they are in the United Kingdom (Dahan et al., 2013; Harsanyi & Schmidt, 2011), then the samples from these two countries, which have two different ranges of values for CPA, cannot be combined to conduct NCA. To improve generalizability, future research can replicate the NCA conducted in this study for each country, whenever data is available. The data in this study is limited because Australia is the largest and the only country with sufficient observations for both LL, which is subject to data availability in SNL, and SL, of which the operationalization requires NRC that is the only lexicon supporting the quantification of trust but that is only in English (Algaba, Ardia, Bluteau, Borms, & Boudt, 2020; Mohammad & Turney, 2013). On top of addressing the heterogeneity across countries, replication studies are needed in future research to test the theory in industries other than mining, because the strategic importance of SL and LL can vary. As the settings across provincial states and across time periods can be different, the theory needs to be verified under each setting in future studies as well.

3.6.5. Conclusion

Based on social contract and deliberative democracy theories, this study investigates the conditions of such nonmarket strategies as CSR and CPA for their intended strategic outcomes in international business, specifically SL and LL, which represent social and political legitimacies respectively. This study concludes that in a deliberatively democratic country, where communities are empowered by a social contract to engage in civil governance in the era of globalization, high CSR and low CPA are both necessary for an MNC to attain a high level of SL, but high CPA provides sufficiency for the MNC to easily obtain an LL, which is also necessary for a high level of SL. This means that MNCs trying to maintain a balance between the two strategic outcomes in a deliberatively democratic country should increase CPA engagements only up to a certain limit.

3.7. References

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