

Social licence to operate



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A poor reputation can damage an organisation's relationship with key stakeholders and, in severe circumstances, can result in the collapse of its social licence to operate. Here's why.



Damage to brand and reputation has been voted as the top business risk by participants in the last two *Aon Global Risk Management Survey* reports. Alarming, the latest survey indicated that only 51% of organisations that participated have a plan in place to protect against and respond to reputational risks. A poor reputation can damage an organisation's relationship, burdening it with low levels of business outputs, investor trust and employee engagement.

We live in a world of disruptive technologies, where change has become the norm. Some of the biggest and fastest-growing companies did not even exist 10 years ago. Today, confident and innovative entrepreneurs have transformed the way we communicate, trade and traverse the world. Over the past few years, the negative impact of traditional reputation wreckers such as defective products, fraudulent business practices or corruption have been greatly amplified by new media technologies. In the age of Twitter

and viral videos, damage to reputation could occur because of an inappropriate tweet by an executive or a video by an employee complaining about sexual harassment or discrimination.

The Aon ERM Centre of Excellence asked Junita van der Colff of Trebuchet Business Solutions to elaborate on what it means to be connected, to instantly share information, how people are raising their public voices and, of course, what it means for business.

JUNITA VAN DER COLFF

A shift in power

Information-sharing has shifted from a few monopolising, connected and influential organisations to a highly informed and connected public who have become citizen journalists overnight. This connected consumer is demanding ethical, responsible and socially acceptable corporate behaviour.

Social licence to operate

The connected and informed public has power; the power to make or destroy people, companies or governments. Considering that we are a connected, empowered and democratic society, businesses now need a 'social licence to operate', given by a community that is more agile and flexible in response to organisations than ever before. Today this licence is relevant to all industries and organisations as society demands that they all play a part in societal growth and wellbeing.

Five key behaviours that businesses need to demonstrate to retain their social licence to operate:

1. Honesty

With information freely available or, in some instances leaked, society insists that organisations do business in an ethical and transparent manner. There have been many examples in recent months where the truth about business practices has come to light, from inaccurate reporting on emissions, corruption, tax evasion and the list goes on.

In a country where society is faced with an immense income disparity, there is a great deal of pressure from said society to ensure equal opportunities for all. The credibility of leadership has become a concern, with the public becoming increasingly distrusting of business and government. Trust has also been lost in traditional media and the public rely more on citizen news and social media as sources. This poses a significant risk for business as there is less control over what gets communicated.

2. Responsibility

The public places trust in organisations and expects them to be responsible in their business operations: from protecting customer's personal and banking information, being environmentally responsible and upholding human and consumer rights, to responding to crises with transparency and integrity.

3. Inclusivity

Organisations need to listen to the needs of their customers and incorporate this feedback into their strategies and plans. Social media

platforms have created an opportunity to engage with customers actively and address their opinions, needs and requirements. This opportunity is not being fully utilised by businesses. There should be an all-inclusive approach to business where all stakeholders can gain and participate in propelling society forward.

4. Innovation

It almost goes without saying: if organisations do not innovate and evolve their products and services with the changing technologies and requirements of society, they will go out of business. Companies need to be creative in their approach to marketing, services and product offerings. They should not only strive to keep up with technology, but rather lead the change. Having general research and development business units is no longer sufficient. Innovation is required in all aspects of the business model.

5. Purpose

The leaders of the fastest-growing

organisations in the world all have one thing in common: a greater purpose. They are all aiming to be part of the solution to real-world problems and to contribute to the betterment of society; connecting the world, alternative energy solutions, new forms of transport, improving health and wellness, educating future leaders, and so on. Simply put, these leaders want to make a difference.

When the system is failing, business needs to do more. To retain its social licence to operate, business needs to become part of the solution; its purpose must extend beyond just enriching a few shareholders. Today's hyper-connected societies will not support organisations that compromise the environment, people's wellbeing or values for just the sake of profit. The social licence to operate is intrinsically linked to the actions that a business undertakes to increase profits and improve the economic and social conditions in communities within which it operates. 