



RESEARCH ARTICLE

Building legitimacy and trust between a mining company and a community to earn social license to operate: A Peruvian case study

Cesar Saenz

Administration Department, ESAN University, Lima, Peru

CorrespondenceSaenz Cesar, ESAN University, Alonso de Molina 1652, Lima 0051-1, Peru.
Email: csaenz@esan.edu.pe**Abstract**

The purpose of this paper is to understand how a mining company earns social license to operate (SLO) by taking action to gain legitimacy and build trust by presenting a comparative case study analysis of two mining operations in Peru. The analysis was qualitative in nature and was complemented by insights gleaned from supplementary interviews with key informants and the emerging literature on SLO, legitimacy, and trust. The findings revealed a model with a total of five components to earn SLO—three for legitimacy (pragmatic, moral, and cognitive legitimacy) and two for trust (decision-maker factors and situational factors).

KEYWORDS

legitimacy, mining industry, social license to operate, social responsibility, trust

1 | INTRODUCTION

Business enterprises invoke the “social license to operate” (SLO) to indicate that their activities are considered socially legitimate. The expression is often used when a company's activities may face disapproval—especially when such disapproval could result in resistance that could harm their business interests (Morrison, 2014). Failure to engage all segments of the community, to inform them, and to solicit their opinions is often seen as evidence of illegitimacy by those who are excluded. It is typically preferable for companies to communicate directly with the masses and not rely solely on those occupying leadership positions.

Thomson and Boutilier (2011) noted that the behaviors that lead to a company gaining legitimacy are associated with spreading awareness about the company and what it does, listening to community concerns, and observing the official and unofficial local norms, customs, and practices. The company should also have domestic legal status, inform the general public about how the proposed approach to its activities has benefited other communities elsewhere, and solicit participation of community in planning and decision-making in order to allay fears about the company implementing an arbitrary, uninformed, or high-handed development process. Moreover, Moffat and Zhang (2014) developed a model to measure trust between a mining

company and its community. The authors argued that the way companies engage with communities, through the quantity and quality of their contact and whether they treat community members with procedural fairness, shapes community members' trust in them and thus determines their acceptance of mining operations. Hurley (2006) also presented a model that sheds light on how the decision to trust is made. The model presents 10 factors: three decision-maker factors (risk tolerance, level of adjustment, and relative power) and seven situational factors (security, number of similarities, alignment of interests, benevolent concern, capability, predictability and integrity, and level of communication). However, the components of legitimacy and trust to earn SLO are still in progress.

1.1 | Research gap

After reviewing the literature and outlining it in Table 1, the research gap is apparent. In their work, Thomson and Boutilier (2011) consider four components to earn SLO: three for legitimacy and one for trust. Suchman (1995) also provides three components for legitimacy, and Hurley (2006) considers only two components for trust. In addition, Mele and Armengou (2016) focused on moral legitimacy whereas Moffat and Zhang (2014) studied one component for trust. Consequently, a model that considers the five necessary components to earn

TABLE 1 Components of legitimacy and trust to earn SLO

	Legitimacy			Trust	
	Pragmatic	Moral	Cognitive	Decision-maker factors	Situational factors
Thomson and Boutilier (2011)	X	X	X		X
Suchman (1995)	X	X	X		
Hurley (2006)				X	X
Mele and Armengou (2016)		X			
Moffat and Zhang (2014)					X

SLO—three for legitimacy and two for trust—is lacking. Therefore, the key research question addressed in this paper is how do mining companies earn SLO?

2 | LITERATURE REVIEW

2.1 | Social license to operate

The term *social license to operate* emerged in the mid-1990s from within the mining industry as a response to social risk (Thomson & Boutilier, 2011). Since then, along with mining companies, the term has been adopted by a wide range of actors in the resources sector (BHPB, 2011; Kurlander, 2001), civil society and nongovernmental organizations (NGOs; Slack, 2009), research institutions (CSIRO, 2013; McNab et al., 2013), governments (Australian Government, 2006), and consultants (Black, 2013). In practice, SLO is most prominently used in the extractive industries. Exploration and extraction activities typically take a heavy toll on the environment and on the lives of the people in the vicinity, hence, the importance of securing the acceptance of local communities (Graafland, 2002; Idemudia, 2009; O'Donohue & Nelson, 2009). In this context, the SLO is conventionally defined as the acceptance or approval by the local—if not indigenous—communities and stakeholders of a business enterprise's operations or projects in a certain area (cf. Pike, 2012; Prno & Slocombe, 2012; Thomson & Boutilier, 2011; Yates & Horvath, 2013). However, nonextractive industries also refer to the SLO and it could apply to virtually any kind of business activity that might stir up controversy (cf. Morrison, 2014).

2.2 | SLO and legitimacy

Some authors (e.g., Salzmann, Ionescu-Somers, & Steger, 2006; Suddaby & Greenwood, 2005) have pointed out that SLO is related to the concept of (social) legitimacy and have generally contextualized it within new institutionalism (Powell & DiMaggio, 1991). According to this theory, the main goal of organizations is to survive; this requires not only economic success but also social acceptance or legitimacy. Thus, the legitimacy of an organization derives from how its constituencies (stakeholders) perceive it at any given moment (Corvellec, 2007, p. 139). Both license to operate and social legitimacy are, therefore, matters of social acceptance, but whereas license to operate remains in the possession of the organization until it is revoked, social legitimacy can vary over time (Mele & Armengou, 2016). Suchman (1995) established that mining companies need to preset their projects

by considering the three types of legitimacy: pragmatic, moral, and cognitive legitimacy.

2.2.1 | Pragmatic legitimacy

Pragmatic legitimacy is based on the self-interests of the public and is most often exchange or influential in nature (O'Dwyer, Owen, & Unerman, 2011; Suchman, 1995). Under exchange legitimacy, society supports a company's policy based on the expected material benefits to the society, such as technological improvements or employment opportunities (ibid). Influential legitimacy is attained by being responsive to stakeholders and incorporating society's wider interests into the company's decision-making process (Suchman, 1995). In the context of the mining industry, this would include generating sound financial returns while introducing initiatives to tackle important environmental or social issues, such as climate change or occupational health and safety risks (see Chamber of Mines of South Africa, 2016; PwC, 2012). Active stakeholder engagement, which includes stakeholder representation in decision-making bodies/on committees can add to this by demonstrating that mining companies are cognizant of stakeholder concerns and are attempting to address them (Brennan & Merkl-Davies, 2014; Carels, Maroun, & Padia, 2013). For this type of legitimacy, the community asks itself questions such as the following: What do they want, and what is in it for us? How will the consequences of their actions affect us? How will the project affect the environmental resources we absolutely depend on for our survival? If the answers cannot be known for sure, then can we at least discern whether they will be responsive to our concerns, or even share their decision-making with us (Thomson & Boutilier, 2011)?

2.2.2 | Moral legitimacy

Moral legitimacy hinges on whether a particular action is viewed as acceptable by a company's powerful stakeholders (O'Dwyer et al., 2011; Suchman, 1995). Moral legitimacy is comprised of four aspects: consequential, procedural, personal, and structural legitimacy. Consequential legitimacy is result-oriented and is based on visible achievements (Suchman, 1995) such as increased employment, reduced emissions, and fewer numbers of workplace injuries (Carels et al., 2013). With procedural legitimacy, the focal point is not merely the results of an action; rather, emphasis is placed on the morality surrounding the means to achieve a particular outcome (O'Dwyer et al., 2011; Suchman, 1995). Examples include the adoption of the latest technologies or processes or compliance with codes of best practice to demonstrate that the company is adhering to the most appropriate methods of production. Structural legitimacy is based on the

company's identity and whether or not it forms part of a "morally favored taxonomic category" (Suchman, 1995, p. 581), whereas personal legitimacy is dependent on the character of the company's leaders (O'Dwyer et al., 2011; Suchman, 1995). To this end, companies often present themselves as a key part of the local economy and go to great lengths to support different charities and to sponsor community investment projects.

Mele and Armengou (2016) proposed four criteria that serve to evaluate the moral legitimacy to earn SLO: (a) the project or activity contributes to the common good in a way that is better than the other alternatives (intended end); (b) the means and procedures employed are moral (means elected); (c) the situation, including stakeholder concerns and needs, are ethically evaluated (concurrent relevant circumstances); and (d) any reasonably foreseeable consequences associated with the project are ethically evaluated, possible damage or risks are minimized, and any foreseeable negative consequences and benefits are balanced. For this type of legitimacy, the community asks itself questions such as the following: Does anyone in authority recognize/respect us? Are they conforming to our social, cultural, or political norms? Have they followed the specific norms for approaching us with their proposal? Will the consequences of their activity promote the general welfare of the community according to our own values (Thomson & Boutilier, 2011)?

2.2.3 | Cognitive legitimacy

Cognitive legitimacy can be split into two elements: comprehensibility and being taken for granted (Suchman, 1995). The former attempts to make society understand the company through providing logical and easily understandable explanations for its actions and plans, whereas the latter relies on the very existence of the company being taken for granted as an integral part of the social fabric. In a mining context, claims to cognitive legitimacy are grounded in the significant contribution that the industry makes to a country's gross domestic product, the important technological developments for which it is responsible, and the essential materials that it provides in a consumption-based economy (see, for example, Chamber of Mines of South Africa, 2016; PwC, 2012). The aim is not necessarily to appeal only to a sense of moral or pragmatic legitimacy but also to rely on the fact that the industry is such an integral part of the country's economy (and history) that its continued existence is automatically accepted. For this type of legitimacy, the community asks itself questions such as the following: Does what they say make sense, or is it confusing or strange? Has this been done anywhere else? Are their proposals routine practice, or is this uncharted territory? Does that company have the capacity to do what they say they can do? In the case of an existing operation being expanded, it is precisely the absence of questioning that indicates cognitive legitimacy. This occurs when the presence of the company and its activities are already taken for granted by society; they are seen as an inevitable element of the community's economy (Thomson & Boutilier, 2011).

2.3 | SLO and trust

Gaining the full trust of a community leads to the highest level of SLO: co-ownership or psychological identification (Thomson & Boutilier,

2011). Moffat and Zhang (2014) developed a model to measure the trust between a mining company and the community in which it operates. The authors argued that how companies engage with communities (i.e., the quantity and quality of the contact) and treat community members (i.e., procedural fairness in the relationship) shapes community members' trust in mining companies and thus affects their acceptance of mining operations. Hurley (2006) presented a model that sheds light on how the decision to trust is made. The model presents 10 factors: three decision-maker factors (risk tolerance, level of adjustment, and relative power) and seven situational factors (security, number of similarities, alignment of interests, benevolent concern, capability, predictability and integrity, and level of communication).

As explained by Thomson and Boutilier (2011), trust has two components: interactional trust and institutionalized trust. Interactional trust is the strong perception that the company and its management listens, responds, keeps promises, engages in mutual dialogue, and treats the community with respect. Interactional trust is a temporary, transitional phase that eventually leads to established, institutionalized trust, that is, an enduring regard for each other's interests. Institutionalized trust implies that a company and the local community members perceive each other as partners, respect each other, and share common interests. Such a relationship can be described as the two parties regarding one another as a "good buddy" (Koivurova et al., 2015). The demonstration of high levels of trust is evident in real life when, for example, local community representatives design and implement their own project activities. The company's role in such activities should be regarded as "in-reach" (i.e., doing something together with the local community), as contrasted with "out-reach" (i.e., doing something for the local community; Harvey, 2014). Where there are high levels of trust, the local community wants to be involved in the project; they are proud of the project and its activities; they identify themselves with the project; and they believe they have interests in common with the project/company.

3 | METHODS

Research for this paper was conducted using a comparative case study approach (Yin, 2009) involving methods consistent with primary data (i.e., interviewing key informants) and secondary (i.e., literature review) qualitative data collection (Patton, 2002). A case study design was chosen because it is highly suitable for identifying the particularities and complexities of a phenomenon in everyday contexts. The inclusion of multiple cases in this study served to generate a more comprehensive understanding of the issue under investigation and provide a more powerful and robust basis for drawing conclusions than a single case study. The multiple case study was developed following a protocol similar to the one proposed by Yin (2009), which includes an overview of the project (objectives of the project and case study topics), field procedures (credentials and access to locations), questions (specific questions that will be asked during the gathering of data), and a guide for the evaluation reporting. Consequently, the research strategy for this multiple case study used the triangulation of multiple sources of evidence as a means of corroboration (Yin, 2009). In this case, the main triangulation was between the documents relevant to

the case (official reports from government, websites, news agencies, video, etc.) and the in-depth interviews held with stakeholders participating either directly or indirectly in the projects, such as the representatives from government, civil society, and the mining industry (see Table 2).

The case studies examine mining companies operating in Peru. The two case studies were selected to provide perspectives on positive SLO outcomes in different Peruvian mining operations. This was done to see whether common lessons from successful cases that established an SLO could be ascertained. The following inclusion criteria were used to select the cases. First, social conflict between the mining company and the community had to have been resolved by a Dialogue Table. Second, information and the possibility of interviewing company representatives and other relevant stakeholders had to be readily available. For the purposes of gathering data for this research, companies within the mining sector that had experienced a social conflict and resolved it using a Dialogue Table were selected for participation.

Interviews were scheduled so that they could be held in the homes of the stakeholders in order to build trust. The interviews took an average of 2 hr. Ten interviews were scheduled with company managers. Additionally, the interviews with the company managers lasted 2 hr, on average. Data collection was triangulated to determine the consistency of the results; namely, in-depth interviews and secondary information. The interviews were recorded and transcribed. A description of the characteristics of the informants, interview locations, and the process of selecting the interviewees were all logged to demonstrate the reliability and validity of the research.

3.1 | Data analysis

To analyze the data, Corbin and Strauss's (2008) grounded theory was used. First, the interviews were transcribed and then organized by category and code type. So, this is a coding inductive and to identify the codes and sub codes, each paragraph of the interview was read and the codes emerged. For example, from the phrases "At that time, the community had a lot of fights and discussion with the company. The company hardly paid any attention to us ..." and "... all future issues between the company and community will be dealt with at the Development Table. Now, we have a high level of communication through the Development Table ..." emerged the following code: *Situational factors*. In addition, the literature was reviewed each time a code was identified. For example, the subcode that emerged from the literature review was *level of communication*. Also, it was codified all the

TABLE 2 List of interviews and meetings with stakeholders

Sector of the society	Stakeholder group	Numbers of interviews
Government	National government	2
	Regional government	2
	Local government	2
Civil society	Academics	2
	NGOs	4
	Community leaders	6
Mining industry	Mining professionals	4
	Total	20

Note. NGO: nongovernmental organization.

data and made constant comparison among all codes in order to arrive at a meaning that is consistent with the phenomenon studied (Glaser, 1992). I followed this procedure until I reached theoretical saturation, following one of the main principles of grounded theory (shared by the two lines within this methodology): each new comparison leads to the same interpretation of a concept, property, or category (cf. Glaser, 1978, 1992, 2004; Strauss, 1987; Strauss & Corbin, 1990). Moreover, Atlas TI software was used as support. The final analysis resulted in five categories and 19 codes types (see Table 3).

4 | CASE STUDIES

In this section, each case study is introduced and described and the determinants of context, strategies, and SLO outcomes are briefly assessed. Only the key variables and interactions that emerged during the research are highlighted and discussed; variables of minor or somewhat lesser importance are not discussed for reasons of brevity. Furthermore, this analysis focused on particular time periods in the lifespan of each mining operation.

4.1 | The Tintaya copper mine

BHP Billiton operates the Tintaya mine that is located 13,000 ft above sea level in Peru's Espinar Province. Some community members claimed that how this land was purchased was both unethical and illegal. Community members also began to complain about the mine's

TABLE 3 Categories and codes types

1 Decision-maker factors
1 Risk tolerance
2 Level of adjustment
3 Relative power
2 Pragmatic legitimacy
1 Stakeholders engagement
2 Norms
3 Moral legitimacy
1 Benevolent concern
2 Security
3 Consensus-based approach
4 Similarities
5 Transparency
6 Mediation
7 Participation
4 Cognitive legitimacy
1 Independent technical support
2 Capability
5 Situational factors
1 Reputation concern
2 Leadership
3 Alignment of interest
4 Predictability and Integrity
5 Level of Communication

perceived negative environmental impact. The company thought it was upholding its obligations through its community relationship policy, by complying with the Peruvian government's requirements and law, and by paying its taxes. The company thought it was managing everything well. In November 2000, Peruvian NGOs sent a report to Oxfam Community Aid Abroad, Oxfam International's Australian member. The Mining Ombudsman responded by writing a letter to BHP Billiton officials in Australia that outlined the community's grievances and demanded a response. BHP Billiton's reply came in the form of a letter that denied many of the community's claims (Barton, 2005; De Echave et al., 2009; Rees, 2010). The company then contacted Ingrid Macdonald, the Oxfam Australia Mining Ombudsman, and requested a meeting. At the meeting, Macdonald reported on the findings of her field investigation and proposed a dialogue process to address the community's grievances. BHP Billiton officials agreed to Macdonald's proposal.

Prior to the Dialogue Table, community mistrust of the mine's local management was deeply ingrained.

In the months that followed the December 2001 meeting, BHP Billiton and the community-NGO coalition carefully prepared their respective positions while working jointly to identify an outside facilitator for the first Dialogue Table meeting. The facilitator they eventually hired would play a key role in setting the foundation for a successful dialogue process.

At the Dialogue Table's inaugural meeting, the facilitator led community members, NGO representatives, local government officials, and BHP Billiton staff through an iterative and participatory issue identification process. At the end of the process, consensus was reached on the need to address four key issues of concern to the community: loss of land, environmental impact, human rights violations, and sustainable development. Then, the Dialogue Table participants agreed to form four working commissions to investigate grievances, formulate recommendations, and implement changes in each of the four areas. Three of the four commissions—on the Environment, Human Rights, and Sustainable Development—were established as ongoing, permanent commissions, whereas the Land Commission would be dissolved once its duties were discharged. Each commission was composed of the community's elected leaders and interested residents, municipal and NGO representatives, and BHP Billiton corporate and local staff. Then, with the help of the facilitator, Dialogue Table participants identified several key principles and ground rules—participation, consensus-seeking, joint fact-finding and confidentiality—that they would use to guide their interactions.

The BHP Billiton delegation was led by CEO Paul Warner, a man who clearly had power within the company to make good on his promises. Participants interpreted his presence as a sign that the company was taking the community's claims seriously. For both community members and BHP Billiton staff, a lack of confidence in the goodwill of the opposing party was a potentially devastating problem. Over time, and through repeated interactions at commission and plenary meetings, mutual understanding and respect between community leaders and BHP Billiton officials slowly grew. Technical studies were required by each commission to determine and make recommendations regarding whether the company had failed in the issues analyzed.

On December 21, 2004, a framework agreement between BHP Billiton and the community was signed. The central aspects of the

framework agreement were the following: first, every year the company will contribute 3% of its profits to develop the community. The company created the Tintaya Foundation, which is jointly administered by the company and the community, to finance several community initiatives, including irrigation, technical skills training, and other agricultural improvement projects. This agreement marked the first time in Peru that a mining company agreed to transfer part of its profits directly to the community. Second, the company and many community organizations will form an environmental committee to identify and mitigate any environmental impacts caused by the mining operation. Finally, the company accepted that its activity on the community's land was made possible by its previous consent. This was the first time in Peru that the concept of "previous consent" between a mining company and the community was established (Barton, 2005; De Echave et al., 2009; Rees, 2010).

4.2 | The Quellaveco project

Quellaveco is a large-scale copper mining project operated by Anglo American, and it is located in the region of Moquegua in south-eastern Peru. The complainants cited the following social and environmental concerns regarding Quellaveco's operations, among other issues: concerns regarding water scarcity, including the degradation of water quality and increased competition over water resources in an arid area; the environmental impact of toxic waste and the health impact on communities; and concerns around land acquisition without the consent of landowners. In May 2000, the company presented its environmental impact assessment (EIA) to the energy minister, and it was approved in December of the same year. The company included both the positive and negative impacts of the project. Despite the fact that the company had made efforts to inform the community and local authorities, they disagreed with the company's conclusion that the net impact of the project's development is very positive, and that the development of the open cut and its subsequent filling with water opens the possibility of using the installation as a reservoir.

In this context, during the election campaign for the regional presidency in 2010, one of the candidates offered to organize a dialogue process with the company. Once elected in March 2011, the regional government of Moquegua initiated a Dialogue Table comprised of 27 local stakeholders, including representatives of the company, civil society organizations, government representatives at the central, regional, municipal, and district levels, and representatives of the following communities: Tumilaca, Pocata, Coscore, and Tala. The Table decided to begin addressing the issue of water by means of presentations given by the representatives from public organizations and the company, having already accepted, as a parameter set by the Regional Government, that rights to water reserved for the Pasto Grande project and the water resources of the Chilota River and the Chicune River should be respected. On March 2, 2012, the Environmental Commission created within the Dialogue Table reached an agreement on alternatives regarding mine closure and remediation after 35 years of mining operations at the proposed Quellaveco mine. The parties agreed that upon closure of the mine, two-thirds of any "sterile materials" would be returned to the open pit with the aim of partially remediating the landscape, as well as lowering the risk of water

contamination, and that the Asana River would be re-routed to its original course.

The second subcommittee established by the Table addressed the environmental issues raised by the project. The principal concern was that the excavation of the open cut in the bed of the Asana River, one of the tributaries of the Moquegua River, and the diversion of the river around the mine via a tunnel would pose a threat to downstream settlements and water users. The agreement reached by the Table involved the following main elements. First, a participatory environmental monitoring committee would review with the company the updating of information for the EIA's baseline study and monitor on a regular basis the surface and subterranean water from the Ilo River to the Asana River. The company would then collaborate with United Nations in its review of the hydro-geological study of the company's area of operations in the Asana valley and would carry out a microbiological and biological study of the Millune River, a tributary of the Asana River, with a view to improving its water quality.

In addition to the desire to have the company address concerns about water and the environment in the design and operation of its mining project, the participants in the Dialogue Table wished to obtain a commitment by the company to contribute financially to the development both of its area of impact and the region as a whole, over and above its contributions as a corporate taxpayer. The company probably saw this as part of the price it had to pay to obtain its SLO and improve its public relations, whereas the authorities and civil society saw it as an offset to the generous tax exemptions enjoyed by multinational mining companies, the absence of an effective excess profits tax, and a means to fund social investments that had long been postponed. A trust fund, the Moquegua Development Fund, was established as a nonprofit organization with representatives from the company, the regional government, local governments, and civil society. The mining company would transfer the amount of S/. 1,000 million to the fund, 50% of which would be nonrefundable and pay for the administration of the fund and finance health, education, and capacity-building projects. The other 50% would be used to create a revolving fund to finance productive projects and serve as matching funds to other donations. The social responsibility agreement also included a commitment by the company to contract 80% of unqualified labor during the construction stage locally, to give preference in hiring to local qualified labor and technical and professional personnel, and to implement training programs. Finally, another initiative that emerged from the discussions in the Dialogue Table was the creation of a committee to be coordinated by the regional government and include representatives from all three levels of government, the company, and civil society. This committee would periodically monitor and verify compliance with the decisions of the Table and disseminate its findings and recommendations to public and private institutions and the public at large.

5 | DISCUSSION

In order to answer the research question on how a company earns SLO and to determine whether a model is followed, the discussion will follow the components of gaining legitimacy and trust displayed in Table 2.

5.1 | Decision-maker factors

Decision-maker factors often have little to do with the person asking for trust: the "trustee" or the company. Instead, they are the result of a complex mixture of the personalities, cultures, and experiences of the "trustors," or the community leaders, which is demonstrated by the following three factors: risk tolerance, level of adjustment, and relative power (Hurley, 2006).

5.1.1 | Risk tolerance

Some people are natural risk takers, whereas others are innately cautious. How tolerant people are of risk has a big impact on their willingness to trust, regardless of who the trustee is. Risk seekers do not spend much time calculating what might go wrong in a given situation. Risk avoiders, however, often need to feel in control before they place their trust in someone (Hurley, 2006). In the Quellaveco project, several concerns about risks to water have been expressed: highland farming populations have expressed concerns that they might lose water resources (parts of the urban community have expressed similar concerns) and downstream, commercial agriculturalists worry about risks to irrigation water. Local populations also fear the risks inherent in making a permanent change to the course of the region's primary river. Social mobilization and conflicts over the project paralyzed investment. After the Dialogue Table, the company agreed to a fundamental redesign of the project that would reduce many of these risks by seeking water from other sources and by committing to the complete restoration of the river course post-mine. One of the governmental leaders who participated in the Dialogue Table mentioned

Community members did not believe the company, they thought that the company would take water from the river and that the impact would be terrible for them, so they did not want to take the risk because of this water issue.

5.1.2 | Level of adjustment

Psychologists have shown that individuals vary widely in how well adjusted they are. Like risk tolerance, this aspect of personality affects the amount of time people need to build trust. Well-adjusted people are comfortable with themselves and see the world as a generally benign place. However, people who are poorly adjusted tend to see many threats (Hurley, 2006). In both of the cases examined in this study, community members are well adjusted while living in the presence of mining companies. In neither case were the communities opposed to the mining projects. With regard to the Tintaya project, one of the representatives from an NGO said

In the first meeting, one of the leaders of the company asked if the community was against mining, and the community members replied no. They answered in general they were not opposed. What they did want was for their complaints to be heard and resolved. (Harvard Kennedy School, 2013)

Besides, with regard to the Quellaveco project, one of the community leaders stated

We are not opposed to the project, we have experience living with the project for many years, but we are concerned about environmental issues and we need to be heard by the company.

5.1.3 | Relative power

Relative power is another important factor in the decision to trust. If the truster is in a position of authority, they are more likely to trust because they can sanction a person who violates this trust. But if the truster has little authority, and thus no recourse, they are more vulnerable and will be less comfortable trusting (Hurley, 2006). In both cases examined in this study, before the Dialogue Table the community members did not have power—that is why conflict arose. During the Dialogue Table each participant had one vote. This meant that a farmer from a small village had the same level of power as everyone else, including the representative from the company and the President of the Region.

5.2 | Pragmatic legitimacy

Pragmatic legitimacy is based on the self-interests of the public and is most often exchange or influential in nature (O'Dwyer et al., 2011; Suchman, 1995). In the context of the mining industry, active stakeholder engagement can add to this by demonstrating that mining companies are cognizant of stakeholder concerns and are attempting to address them (Brennan & Merkl-Davies, 2014; Carels et al., 2013). Pragmatic legitimacy is composed of stakeholder engagement and norms.

5.2.1 | Stakeholder engagement

Stakeholder representation on decision-making committees can contribute to stakeholder engagement by demonstrating that mining companies are cognizant of stakeholder concerns (Brennan & Merkl-Davies, 2014; Carels et al., 2013; Provasnek, Sentic, & Schmid, 2017). In the case of the Quellaveco project, one of the final agreements was that a Participatory Monitoring Committee and a Surveillance Committee, formed by key stakeholders, civil society, and institutions belonging to the local and regional governments would be created to monitor the environmental impact of the mine's operation. Similarly, in the case of the Tintaya project, a representative from the community said

Environmental work is ongoing and permanent, we are monitoring water, land, pastures, animals, even human health—everything.

5.2.2 | Norms

Trust cannot be formed without a prior basis for it. It usually develops when two parties regularly comply with the same ethical or/and social norms and regulations (Fukuyama, 1995). With regard to the Tintaya project, a representative from the company said

Because without taking anyone's side the facilitator had a little bit more vision than us, and from the first

meeting he helped establish some rules of conduct. This seemed very simple, almost laughable; the rules were listen to each other, respect what the other person says, do not interrupt, do not use vulgarities—rules that were almost like in school. But they were very useful.

The Quellaveco project's experience was similar: the participants established norms based on respect, transparency, equity, and participation (Harvard Kennedy School, 2013).

5.3 | Moral legitimacy

Moral legitimacy hinges on whether a particular action is viewed as acceptable by a company's powerful stakeholders (O'Dwyer et al., 2011; Suchman, 1995). It is composed of the following: benevolent concern, security, a consensus-based approach, similarities, transparency, mediation, and participation.

5.3.1 | Benevolent concern

Trust is an issue not because people are evil but because they are often self-centered. The manager who demonstrates benevolent concern engenders not only trust but also loyalty and commitment (Hurley, 2006). In both cases examined in this study, the mining companies created social funds. These funds were established as nonprofit organizations formed by entities representing civil society that will be the beneficiaries of the social responsibility contributions made by the companies. They will ensure the appropriate use of the funds in order to achieve competitiveness and development in the region.

5.3.2 | Security

A general rule to remember is the higher the stakes, the less likely people are to trust. Find ways to temper the risk inherent in the situation and expect to invest time in elevating comfort levels (Hurley, 2006). In the Quellaveco project, the company will build a tunnel to divert the course of the river and return the water downstream. However, the local community does not trust that the company will not take water out of the river, so it asked to be a member of the Surveillance Committee in order to ensure that all the water is returned to the river.

5.3.3 | Consensus-based approach

De Vries and Midden (2008) noted that consensus affects trust. In discussing the Quellaveco project, a government representative said

One of the rules of the norm was that all the agreements should be done by consensus. We were not looking for a voting session; instead, they were looking for a discussion forum in order to understand the differences of opinion and finally to reach consensus. In this sense, the water issue was consensual and the agreement was that the company will not take water out of the river that is used by people and agriculture, and instead the company will build a water reservoir to provide water not only to the company's operation, but also to the community.

5.3.4 | Similarities

At heart, we are quite tribal, which is why people tend to more easily trust those who appear similar to themselves. Similarities may include shared values, membership in a defined group, and common personality traits (Hurley, 2006). The facilitator of the Tintaya project mentioned

We had to create some mechanisms and what we proposed which was well accepted by all of the parties was that there not be any question without a response. And as a result, everyone, all of the parties, could express, clearly and aloud, why they existed. And so we thought that obviously it would be much easier for the company to say why it existed, and for what purpose, and on the NGO side it was also interesting because they had to explain exactly, a kind of internal x-ray of who they were, with whom they worked, how they were financed, and what their objective was. So this mechanism broke several myths. That is the most important thing. If the myths are not broken you cannot think that the other party, that the other side, has something in common with you." (Harvard Kennedy School, 2013)

5.3.5 | Transparency

Transparency increases stakeholder trust, and by increasing stakeholder trust, a business distinguishes itself and grows. Among nonemployee stakeholders, trust generates greater cooperative behavior, lowers the costs of doing business, enhances the business's reputation, and enables the recruitment and retention of new customers and a more talented workforce. This is referred to as the transparency–trust argument (John, 2009). The company representative for Quellaveco project mentioned that

The sessions were open to the public, so the press could be there at any moment, and some sessions were broadcast live.

5.3.6 | Mediation

The actions taken by mediators are critical to the success of the mediation. Integrity, reliability, and competence are the most important attributes of mediators that affect the level of trust that they engender in disputing parties (Boulle, 2001; Settle, 1998). During the process of mediation, the major task of the mediator is to encourage the disputing parties to rethink and modify their positions (Kolb, 1985; Madden, 2001). Both cases examined in this study used a mediator. With regard to the Tintaya project, a representative from the company said

In the second meeting, somebody proposed using a professional facilitator. This facilitator contributed a lot to the process (Harvard Kennedy School, 2013). Moreover, in the Quellaveco project, the president of the Quellaveco region was the facilitator. Those

mediators helped the two sides to talk about and agree on solutions.

5.3.7 | Participation

The benefits of participation are greater trust, greater feelings of control, greater identification with the organization, and higher goals. Eventually, participation enhances trust and contributes to a sense of ownership and control that improves system acceptance and commitment. Through motivation and active participation, people's resistance to change is reduced, and their acceptance of and commitment to decisions and changes is enhanced (Doll & Torkzadeh, 1989). Both cases featured a number of participants from different organizations, including those who were opposed and those who were in favor of the project. In reflecting on the Tintaya project, a representative from the company said

Everyone was asked what they thought the problems were, and the facilitator made a list of problems or issues. There were four main issues: human rights, land, sustainable development, and environmental matters. Then, we did another thing, like a game of who wanted to be on which committee. So, the teams were formed voluntarily, and once this was done, we decided to return to the countryside to explain this to the communities and begin to work. (Harvard Kennedy School, 2013)

5.4 | Cognitive legitimacy

5.4.1 | Independent technical support

The level of trust that the general public has in competing sources of technical information is an important concern for policymakers and those involved in information dissemination programs (Soden, 1995). In the Quellaveco project, a community representative noted that

Scientific reports must be used from different organizations that specialize in topics such as human health, water, geography, land, economics, and the environment. This prevents falling victim to speculation, or doxa, and helps people to make decisions based on relevant information.

5.4.2 | Capability

Managers routinely assess capability when deciding to trust or delegate authority to those who work for them (Hurley, 2006). In the case of Quellaveco, the community knew that the company had the economic capacity to restore the course of the river, as one leader mentioned

Local engineers, practitioners, and economists had a deep argument with the company about their concerns. For instance, the project considered leaving the pit open in the closure plan as a lagoon to serve as a water reservoir for the community, but local engineers asked

to the company to restore the course of the Asana River as it was before the operation. Then the company, after many studies, undertook the implementation of the closure plan alternative known as the "Restoration of the Asana River Bed Using the Co-Disposal Methodology."

With regard to the Tintaya project, a representative from an NGO said

The community was not trained in this type of negotiation. Once we were all sitting at a table where we had the chance to find a solution, and where we had to set rules for negotiation, the community did not know how to do it.

Moreover, a representative from the company mentioned

We are a mining company with well-trained experts, for us, talking with the community that did not have the same understanding resulted in an imbalance in the dialogue.

Then a community leader said

Together we decided to look for support, so we could build the capacity of the communities in how to engage in this kind of dialogue. And when this capacity building was finished, the process began to run smoothly. (Harvard Kennedy School, 2013)

5.5 | Situational factors

The remaining factors concern aspects of a particular situation (Saenz, 2018) and of relationship between the parties. These factors that a trustee can most effectively address in order to gain the confidence of trusters.

5.5.1 | Reputation concern

The creation of a positive reputation for the firm through specific and preplanned activities and managing its corporate image can increase the value of intangible assets such as trust (Calantone, Cavusgil, & Zhao, 2002). Based on the social exchange theory, a firm's positive reputation and its strong corporate image are expected to engender people's trust. In the case of BHP Billiton, before the Dialogue Table one of the NGO representatives mentioned

The community knew that the company had had many problems of this type in Canada and in Australia, so the company did not want to continue being affected by its bad reputation.

Meanwhile, a representative from the company said

I think the company was worried that a very small mine for them could do a lot of damage to their reputation. So, at that moment it was not a matter of cost. It was a matter of fixing it. (Harvard Kennedy School, 2013)

5.5.2 | Leadership

Bulatova (2015) indicated that relationship-oriented leadership, which implies an ethical connotation, has a positive correlation with trust, and leadership-trust relationships in organizations differ significantly. Also, Shaw (1997) considered the structure of establishing trust to include three key leverage points: leadership practice, organizational architecture, and organizational culture and indicates three trust imperatives: achieving results, acting with integrity, and demonstrating concern. In the Tintaya project, before the Dialogue Table, community members did not want the general manager of the company to participate in the dialogue because they did not trust him. Consequently, during the Dialogue Table, the company's delegate was a manager based at their headquarters named Paul Warner, a man who, according to one NGO representative, "clearly had power within the company to make good on his promises" (Harvard Kennedy School, 2013). On the other hand, in the Quellaveco project, the leadership was from the base, it means from the President of the Regional Government which initiated a Dialogue Table.

5.5.3 | Alignment of interests

Before a person places their trust in another, they carefully weigh the question "How likely is this person to serve my interests?" When people's interests are completely aligned, trust is a reasonable response (Hurley, 2006). In both cases examined in this study, the participants had their own interests but were able to find a common interest: social development. For instance, in the Tintaya project, a representative from the community said

We formed a Development Table where we have to identify the social problems that our community has and then try to find the best solution to them by working together.

5.5.4 | Predictability and integrity

At some point in the trust decision, the truster asks: "How certain am I of how the trustee will act?" A trustee whose behavior can be reliably predicted will be seen as more trustworthy. One whose behavior is erratic will be met with suspicion (Hurley, 2006). In terms of the Quellaveco project, one of the representatives of the community explained the situation:

The rule was: If you made a commitment to do something or had a previous task to do, do it before entering into a new agreement. Do not permit tasks to accumulate. It means we did not progress to a new agreement before verification of whether the previous ones had been completed. To this point, all of us put in an enormous effort to comply with agreements and be reliable.

Similarly, before the Dialogue Table there was mistrust in the Tintaya project. A representative from the community said

We had always thought that mining companies were going to subjugate us with their laws and processes. That was our perspective. Everything was mistrusted. In

the first meeting, I think something that we felt was that we were being tricked.

5.5.5 | Level of communication

Because trust is a relational concept, good communication is critical. Not surprisingly, open and honest communication tends to support the decision to trust, whereas poor (or no) communication creates suspicion (Hurley, 2006). In the case of the Tintaya project, before the Dialogue Table, there was no communication—the company did not listen to the community. A leader of the community mentioned

At that time, the community had a lot of fights and discussion with the company. The company hardly paid any attention to us.

However, after the Dialogue Table, the level of communication changed. A representative from community noted

Now, all future issues between the company and community will be dealt with in the Development Table. Now, we have a high level of communication through the Development Table.

6 | CONCLUDING REMARKS

Five components (decision-maker factors, pragmatic legitimacy, moral legitimacy, cognitive legitimacy, and situational factors) and 19 sub-codes (Table 3) of legitimacy concur to earn SLO in controversial mining projects. I have argued that five are important, and mining companies should seek to have five. Once these codes are understood, a company can begin managing trust in its on relationship with a community and stakeholders. In addition, legitimacy provides moral support for SLO, and if it is well-founded, provides solid arguments for use in corporate communications and when negotiating with counterparties from whom the company is seeking to obtain SLO.

Actions taken by the mining company to gain legitimacy and the community's trust are diverse depending of what component is treated. Companies should find out the corresponding strategies and actions that could be internal (moral legitimacy) and external (situational factor) in order to earn SLO.

Limitations to this study include restricted boundaries to external and internal validity. The lack of external validity is the inability to generalize the findings of this study to other groups, populations, or individuals because the results represent only the words and experiences of the study's participants. Although, it is never a goal of qualitative methods to state objective truths within a phenomenon, or to generalize the results, the findings of this study are limited in application to the participants studied. Therefore, future research is needed to confirm or disconfirm the initial findings of this study. Another limitation to this study involves the concept of internal validity. The stability and reliability of the results of this study could have been increased had the participants been involved in verifying the data analysis for accuracy of their intentions. Participant verification was not used in this study's research process.

Future research would entail developing these criteria in different contexts, and exploring them in other case studies, which could include engineering projects in the extractive sector such as oil and gas. Moreover, these future studies could assess whether these five codes are necessary in those sectors or maybe one of them is more important than others.

ORCID

Cesar Saenz  <http://orcid.org/0000-0001-9610-1057>

REFERENCES

- Australian Government (2006). *Community engagement and development: Leading practice sustainable development program for the mining industry*. Canberra, Australia: Australian Government.
- Barton, B. (2005). A global/local approach to conflicts resolution in the mining sector. The case of the Tintaya dialogue table.
- BHPB. (2011). *Ourfuture: Sustainability report 2011*. BHPB, Melbourne, Australia.
- Black, L. (2013). The social license as a framework for managing cumulative impacts: A case study of the upper hunter mining dialogue. In: *Proceedings of the International Association of Impact Assessment Conference*, Calgary, Canada.
- Boulle, L. (2001). *Mediation skills and techniques*. London: Butterworth's.
- Brennan, N., & Merkl-Davies, D. (2014). Rhetoric and argument in social and environmental reporting: The dirty laundry case. *Accounting, Auditing and Accountability Journal*, 27(4), 602–633.
- Bulatova, J. (2015). The role of leadership in creation of organisational trust. *Journal of Business Management*, 9(9), 28–33.6.
- Calantone, R. J., Cavusgil, S. T., & Zhao, Y. (2002). Learning orientation, firm innovation capability, and firm performance. *Industrial Marketing Management*, 31(6), 515–524.
- Carels, C., Maroun, W., & Padia, N. (2013). Integrated reporting in the South African mining sector. *Corporate Ownership and Control*, 11(1), 957–971.
- Chamber of Mines of South Africa. (2016). Chamber at work. Retrieved from <http://www.chamberofmines.org.za/about>.
- Corbin, J., & Strauss, A. (2008). *Basics of qualitative research: Techniques and procedures for developing grounded theory* (3rd ed.). Thousand Oaks, CA: Sage.
- Corvellec, H. (2007). Arguing for a license to operate: The case of the Swedish wind power industry. *Corporate Communications: An International Journal*, 12(2), 129–144.
- CSIRO (2013). *Social licence to operate. Minerals down under*. Brisbane, Australia: CSIRO.
- De Echave, J., Diez, A., Huber, L., Revesz, B., Lanata, X., & Tanaka, M. (2009). *Minería y conflicto social*. Lima, Peru: CBC, CIPCA, CIES, IEP.
- De Vries, P., & Midden, C. J. H. (2008). Effect of indirect information on system trust and control allocation. *Behaviour & Information Technology*, 27(1), 17–29.13.
- Doll, W. J., & Torkzadeh, G. A. (1989). Discrepancy model of end-user computing involvement. *Management Science*, 35(10), 1151–1171.
- Fukuyama, F. (1995). *Trust*. New York, NY: Simon and Schuster.
- Glaser, B. (1978). *Theoretical sensitivity*. Mill Valley, CA: Sociology Press.
- Glaser, B. (1992). *Basics of grounded theory analysis: Emergence versus forcing*. Mill Valley, CA: Sociology Press.
- Glaser, B. (with the assistance of Holton, J.)(2004). Remodelling grounded theory. *Forum: Qualitative Social Research (On-line Journal)*, 5(2). Art 4
- Graafland, J. J. (2002). Profits and principles: Four perspectives. *Journal of Business Ethics*, 35(4), 293–305.

- Harvard Kennedy School (2013). *Putting ourselves in their shoes: The Dialogue Table of Tintaya*. [Video Documental]. Cambridge: Harvard Kennedy School.
- Harvey, B. (2014). Social development will not deliver social licence to operate for the extractive sector. *Extr. Industries Soc.*, 1(1), 7–11. <https://doi.org/10.1016/j.exis.2013.11.001>
- Hurley, R. (2006). The decision to trust. *Harvard Business Review*, 84(9), 55–62.
- Idemudia, U. (2009). Oil extraction and poverty reduction in the Niger Delta: A critical examination of partnership initiatives. *Journal of Business Ethics*, 90(Supplement 1), 91–116.
- John, E. (2009). Transparency rights, technology, and trust. *Ethics & Information Technology*, 11(2), 145–153.9.
- Koivurova, T., Buanes, A., Riabova, L., Didyk, V., Ejdemo, T., Poelzer, G., & Lesser, P. (2015). 'Social license to operate': A relevant term in Northern European mining? *Polar Geography*, 38(3), 194–227. <https://doi.org/10.1080/1088937x.2015.1056859>
- Kolb, D. M. (1985). To be a mediator: Expressive tactics in mediation. *Journal of Social Issues*, 41(2), 11–26.
- Kurlander, L. (2001). Newmont mining: The social license to operate. Proceedings of the Global Executive Forum, University of Colorado Denver. Retrieved from http://www.ucdenver.edu/academics/InternationalPrograms/CIBER/GlobalForumReports/Documents/Newmont_Mining_Social_License.pdf.
- Madden, J. P. (2001). Recipe for success in construction mediation. *Dispute Resolution Journal*, 56(2), 16.
- McNab, K., Onate, B., Brereton, D., Horberry, T., Lynas, D., & Franks, D. M. (2013). *Exploring the social dimensions of autonomous and remote operation mining: Applying social licence in design* CSIRO, Brisbane, Australia.
- Mele, D., & Armengou, J. (2016). Moral legitimacy in controversial projects and its relationship with social license to operate: A case study. *Journal of Business Ethics*, 136, 729–742.
- Moffat, K., & Zhang, A. (2014). The paths to social license to operate: An integrative model explaining community acceptance of mining. *Resources Policy*, 39, 61–70.
- Morrison, J. (2014). The social license to operate. In *How to keep your organization legitimate*. New York: Palgrave MacMillan.
- O'Donohue, W., & Nelson, L. (2009). The role of ethical values in an expanded psychological contract. *Journal of Business Ethics*, 90(2), 251–263.
- O'Dwyer, B., Owen, D., & Unerman, J. (2011). Seeking legitimacy for new assurance forms: The case of assurance on sustainability reporting. *Accounting Organisation and Society*, 36(1), 31–52.
- Patton, M. Q. (2002). *Qualitative research and evaluation methods* (3rd ed.). CA: SAGE, Thousand Oaks.
- Pike, R. (2012). The relevance of social licence to operate for mining companies. In Schrodgers social license to operate research paper. Retrieved from <http://www.schrodgers.com/staticfiles/schrodgers/sites/Americas/US%20Institutional%202011/pdfs/Social-Licence-to-Operate.pdf>. Accessed 25 July 2015
- Powell, W. W., & DiMaggio, P. J. (1991). *The new institutionalism in organizational analysis*. Chicago: University of Chicago Press.
- Prno, J., & Slocombe, D. S. (2012). Exploring the origins of 'social license to operate' in the mining sector: Perspectives from governance and sustainability theories. *Resources Policy*, 37, 346–357.
- Provasnek, A., Sentic, A., & Schmid, E. (2017). Integrating eco-innovations and stakeholder engagement for sustainable development and a social license to operate. *Corporate Social Responsibility and Environmental Management*, 24(3), 173–185.
- PwC. (2012). SA mine: Highlighting trends in the South African mining industry. PwC Publications. Retrieved from http://www.pwc.co.za/en_ZA/za/assets/pdf/sa-mine-nov-2012.pdf.
- Rees, C. (2010). "Mediation in business-related human rights disputes: Objections, opportunities and challenges" corporate social responsibility initiative working paper no. 56. Cambridge, MA: John F. Kennedy School of Government, Harvard University.
- Saenz, C. (2018). The context in mining projects influences the corporate social responsibility strategy to earn a social licence to operate: A case study in Peru. *Corporate Social Responsibility and Environmental Management*, 25(4), 554–564.
- Salzmann, O., Ionescu-Somers, A., Steger, U. (2006). Corporate license to operate (LTO): Review of the literature and research options. Retrieved from http://www.imd.org/research/publications/upload/csm_salzmann_ionescu_somers_steger_wp_2006_23.pdf (Accessed April 23, 2013).
- Settle, J. (1998). The element of trust in mediation: Practice pointers drawn from theory. Retrieved from <http://www.convenor.com/madison/trust.htm> (Feb. 11, 2008).
- Shaw, R. B. (1997). *Trust in the balance: Building successful organizations on results, integrity, and concern*. San Francisco: Jossey-Bass.
- Slack, K. (2009). *Mining conflicts in Peru: Condition critical*. Boston: Oxfam America.
- Soden, D. L. (1995). Trust in sources of technical information. *Journal of Environmental Education*, 26, 16–20. 5p
- Strauss, A. (1987). *Qualitative analysis for social scientists*. Cambridge: Cambridge University Press.
- Strauss, A., & Corbin, J. (1990). *Basics of qualitative research: Techniques and procedures for developing grounded theory*. London: Sage Publications Ltd.
- Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3), 571–610.
- Suddaby, R., & Greenwood, R. (2005). Rhetorical strategies of legitimacy. *Administrative Science Quarterly*, 50, 35–67.
- Thomson, I., & Boutilier, R. G. (2011). The social licence to operate. In P. Darling (Ed.), *SME mining engineering handbook* (pp. 673–690). Colorado: Society for Mining, Metallurgy, and Exploration.
- Yates, B., & Horvath, C. (2013). Social license to operate: How to get it, and how to keep it. In Summit working paper. Pacific Energy Summit.
- Yin, R. K. (2009). *Case study research: Design and methods* (4th ed.). California: SAGE, Thousand Oaks.

How to cite this article: Saenz C. Building legitimacy and trust between a mining company and a community to earn social license to operate: A Peruvian case study. *Corp Soc Resp Env Ma.* 2018;1–11. <https://doi.org/10.1002/csr.1679>