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Do short-lived companies need to consider a social license to operate? Learning from an urban renewal project in China

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A B S T R A C T

Short-lived companies, such as special purpose entities and quick-fail companies, are gradually growing in the field of project development, while whether or not these companies should obtain a social license to operate (SLO) remains to be unclear. This leads to negative social performance, difficulty in operating projects, and failure to achieve sustainability for many short-lived companies. This study conducted an original application of the concept of SLO in an unusual context of short-lived companies conducting public-good projects. A suspended urban renewal project in China was adopted as the study case. Based on qualitative methods, we collected relevant documents and conducted interviews in June and July 2021 with essential informants, including leaders and grassroots staff of the company and the local government, as well as local residents and other stakeholders. By applying a pyramid model including three key concepts of legitimacy, credibility and trust, we analysed how the consideration of SLO can facilitate the company to implement the project successfully. The results showed that a lack of SLO strategies and effective management activities was a major issue. We found that the SLO consideration can generate comprehensive, effective and human-based strategies for the whole implementation period, such as effective community engagement, tangible and intangible benefits distribution, better information provision, fluent communication channels, and monitoring and adaptive management. SLO strategies facilitate the company to not only manage social impacts and reduce business risk, but also fulfill corporate social responsibility and environment, social and governance (ESG) expectations. We argue that although exhibiting different characteristics from long-existing companies, short-lived companies can also benefit from SLO consideration. The social behaviour of the short-lived companies truly influences local residents’ trust in the local government. Thus, the local government is suggested to strengthen the regulation and supervision process.

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1. Introduction

It has been increasingly observed that short-lived companies, such as special purpose entities (means a subsidiary created by a parent company to isolate financial risk), quick-fail or temporary companies, are gradually growing (Coopers, 2011; Nachmany and Hananel, 2022), especially in fast-developing countries (Fagbohunka, 2018; Zhou et al., 2021). The short-lived companies to be discussed in this paper exhibited certain characteristics. First, the companies generally did not conduct many projects before, and have few opportunities to participate in future projects. Thus the current project is likely to be their only and last performance. Based on the plan, background or history of the companies, they would be either dissolved after the project since they were initially designed as short-lived subsidiaries only for one project, significantly reorganized in terms of name, stockholders, structure, etc., or would be replaced by a new company—either way, the old companies would be erased. Second, many short-lived companies have been inextricably linked with the local government (Zou et al., 2014), regardless of the external composition of stockholders (Kiviilä et al., 2017). The fact that the local government chooses a new company instead of an experienced one to take charge of a large-scale project implies their relationship to some extent. In many cases, the short-lived companies were established, directly or indirectly, by the local government to get around the financial regulation and raise money effectively (like special purpose entities), which also results in the quick dissolution after a project (Sainati et al., 2020). This phenomenon has been observed in fast-developing countries such as China, India, Indonesia, Brazil, Malaysia, etc. (Balon et al., 2022; Matsutani et al., 2022).

The idea of social license to operate (SLO), which majorly suggests companies develop and maintain a good relationship with the local communities (Boutilier, 2014), has been thus trapped in a dilemma:
since the company is likely to disappear in the near future, is it still necessary to manage the social impacts and behave in a socially-friendly way? Is there still enough commercial value for the short-lived companies to establish a good relationship with the local residents, or in other words, to obtain a SLO from the local communities? The “disposable” nature of the short-lived companies also leads to the confused self-cognition of participating parties. The local communities might suffer negative social impacts from corporate social irresponsibility (Zhao et al., 2014), and many residents feel exhausted from having to familiarize themselves with new companies every time there is a new project. The companies lose the motivation to establish a good relationship with the local communities. The attempt to gain a SLO seems unworthy due to the impending dissolution. The local government appears to disassociate itself from the current project successfully. At the same time, a potential risk has been planted, given that the local government might be the only long-standing party to whom local residents would express their dissatisfaction in the future. Consequently, the consideration of SLO might lose business attraction for developer companies (Wang and Le, 2022; Zhang et al., 2022), as well as its tangible/ intangible safeguard on local residents’ well-being.

This paper was thus developed to answer the following questions: Do the short-lived companies need to consider gaining a SLO? What are the major differences between short-lived companies and longstanding corporations regarding corporate social responsibility (CSR) and SLO performance? How can SLO literature adjust to the differences and facilitate short-lived companies to manage social impacts, reduce business risks, and achieve sustainable production and service (including operating projects)? We conducted a case study of an urban renewal project in China. The project has been suspended due to major social conflicts between the local communities and a prospective short-lived company. By adopting the pyramid model of SLO (Thomson and Boutilier, 2011; Jijelava and Vanclay, 2017, 2018), this paper analysed the implicit reasons that local residents oppose the project. We adjusted and tested the model’s potential to solve the problems based on a thorough analysis of the characteristics of short-lived companies. Practical and targeted suggestions were put forward.

Our study initiated an original application of the concept of SLO in an unusual context (short-lived companies conducting public-good projects). SLO was widely used in controversial projects such as dams and mines, while it has been rarely adopted in socially-friendly projects such as urban renewal (Chen and Vanclay, 2022). We argue that even projects intended for public-good might generate negative social impacts. Therefore, the developer company should consider obtaining a SLO from the local residents to avoid harm and share benefits. The controversial projects are aware of their negative reputation and thus proactively conduct various measures to obtain a SLO, while the socially-friendly projects rarely consider the possible negative impacts of their activities intended for public-good. From that point, the socially-friendly projects should learn from controversial projects. Urban renewal is regarded as projects for the public good, which reutilized developed land to suit the population boom of the urban area. Urban renewal has been observed as popular in big cities of fast-developing countries (Zhang et al., 2021). The application of SLO in the context is thus innovative and meaningful. In addition, the concept of SLO was rarely adopted to guide the social activity of short-lived companies, which has been commonly observed in project development in recent years (Chen, 2022). The social behaviour of short-lived companies, especially in socially-friendly projects with less supervision due to the public-good intention or the positive reputation, deserves targeted attention from scholars.

With the application of SLO in the unusual context, this paper initiated a dialogue among the policy makers (local government), the producers (companies), and the customers (local residents). By adopting qualitative methods, this paper also enriches the previous discussion of short-lived companies and social behaviours from the individual perspective of local residents. Our analysis stimulates discussions on not only short-lived companies and their SLO consideration in China, but also the CSR and impacts assessment in general.

2. Literature review

The concept of social license to operate (SLO) emerged in the late 1990s (Prono and Slocombe, 2012; Cooney, 2017). Originally adopted only by the private sector, especially in the extractive industries, SLO can be regarded as a perspective of considering the relationship between any company or project and its host communities (Lacey et al., 2017; Cesar and Jhony, 2021). A SLO consideration suggests that all companies and projects (whether public, private, or partnerships) need to develop positive relationships with host communities and various stakeholders, and adopt the concept in their corporate social responsibility (CSR) and social investment strategies (Wang et al., 2019; Chen and Vanclay, 2020). The adoption of SLO perspective can assist companies or projects in enhancing the positive impacts and reducing the negative impacts of their intended and unintended activities, thus gaining support from the local residents and maintaining the construction and operation of the project (Kumar et al., 2022).

SLO can be recognized as a tool to address significant problems and an indicator of deficiencies in the existing institutional framework (Poelzer et al., 2020), while this tool/indicator is more useful as a conceptual mindset to assist in thinking instead of as a measurable list (Thomson and Boutilier, 2011; Moffat et al., 2016). Marsh (2021) argued that SLO could be achieved through a public relations process that begins with research and reflection and moves through reciprocity, reputation, and relationships toward resource acquisition. SLO issues should be emphasized throughout the whole project process and be a feature of all companies and projects, especially where there are significant social or environmental impacts (Demuijirk and Fasterling, 2016; Vanclay, 2017). Whether or not a company can establish a SLO will influence the business risks it faces and its future development potential (Moffat and Zhang, 2014; Vanclay and Hanna, 2019). The socioeconomic status and characteristics of the community, as well as the company’s and other stakeholders’ activities and behaviours, affect residents’ views and the level of SLO (Chen et al., 2019).

Arguably, short-lived companies can utilize a SLO paradigm to consider how they can build a good reputation (short-term and/or long-term) within local communities, and gain the support of local residents (Alonso- Fradejas, 2021). Consideration of SLO by short-lived companies might lead to a reduction in the conflicts with local communities, an improvement in the development potential of the project, and an enriched source of material, services and labour. A SLO changes over time as residents’ views change, thus a company must continually monitor its impacts and adapt its strategies (Chen et al., 2021). A worldwide positive reputation has been increasingly agreed to be significant for international corporations to reduce business risks (Hanna et al., 2016), while if the same paradigm can apply to short-lived companies remains to be debatable. Arguably, a short-lived company does not need to continually maintain a social license to operate and grow, while gaining a temporary SLO during the implementation process might help in managing social impacts and easing conflicts (Bradshaw and McElroy, 2014).

The pyramid model (see Fig. 1) established by Thomson and Boutilier (2011) shows that the concept of SLO can be understood by the level of withheld/withdrawn, acceptance, approval and psychological identification in a company or project given by host communities, with three major boundaries of acceptability, legitimacy and trust (Thomson and Boutilier, 2011). Therefore, SLO can be regarded as an intangible but hierarchical “license” displaying the extent of acceptance of a company or project by host communities and various stakeholders (Bice and Moffat, 2014; Chen and Vanclay, 2022).

Based on the pyramid model and its application (Jijelava and Vanclay, 2017; Chen and Vanclay, 2021), we accepted the three boundaries (legitimacy, credibility and trust) and explored their implications to analyse the potential of assisting short-lived companies in solving...
social conflicts and implementing a project. Legitimacy is regarded as an outcome of the fair distribution of benefits and impacts, both in the result and the process of the project. This boundary indicates not only legal/administrative issues, but also economic and social perspectives. A company is suggested to offer suitable compensation and benefits, both material and non-material, to the affected residents, which should be achieved and enhanced by effective stakeholder engagement processes. To achieve the boundary of credibility, a company/project is expected to constantly offer true, clear and believable information to the residents. A simple commitment is not enough, and companies are supposed to be able to fulfil the promised activities in time. Companies should clearly inform the residents of the potential changes and impacts in the community, and show them the plan and strategies to minimize negative impacts and promote positive impacts. A community engagement process should be observed at every stage in the operation of a project, especially in the decision-making step. The boundary of trust leads to the highest level of SLO, which is a psychological identification.

Trust can be reached when the company/project and its host communities treat each other as partners, respect each other, and share common interests. The community engagement process is supposed to be further enhanced and improved. That is to say, the engagement should pay more attention to its quality to ensure its effectiveness (Moffat and Zhang, 2014). Various stakeholders and groups within a community are supposed to be fully consulted, especially vulnerable groups who tend to be neglected in the decision-making process intendedly or unintently, and their varying concerns and interests should be addressed by suitable strategies (van der Ploeg and Vanclay, 2017).

3. Methods

We undertook a case study of an urban renewal project in a developed city in China. Most interview data were collected in June and July 2021 through the lead author visiting the affected communities. Due to it being inappropriate in the Chinese context, signed consent forms were not used, and we agreed to keep all the institutions anonymous in this paper, but the general principles of ethical social research and informed consent were observed. The interview questions can be seen in the Supplementary Information.

To gain a full understanding of the development company (L company), the project and the affected communities, we reviewed relevant official documents from government and institutional sources, as well as media reports, which we accessed through the Baidu search engine. The document analysis not only included information about the company and the project, but also the impact history of the communities. Where possible, we reviewed relevant internal documents from various institutions.

To figure out the background, plan, and nature of the L company, as well as its underlying relationship with the local government and its role in the project, some key informants were interviewed, including 5 leaders and 12 grassroots staff of the L company, and 13 leaders and 17 grassroots staff of the Local Government (including Leading Group for the project; Bureau of Financial; Politics and Law Committee; the Local Development and Reform Commission; Bureau for Letters and Calls; Bureau of Housing and Urban-Rural Development; and Bureau of Natural Resources), who were accessed at the communities or their workplaces with some being informed in advance. These people were either involved in or consulted with the urban renewal project. Each interview took between 10 and 60 min depending on the extent to which the participant was willing to discuss the issues.

We also interviewed 9 staff of Local Community Committees, 10 staff of the Owners’ Committees, and 6 staff of the Property Management Companies of the affected communities, which allowed us to understand the history, culture and social needs of the communities, as well as residents’ views about the company and the project. These people were not only familiar with the local communities, but also involved in the project from the beginning with many contacts with the local government and the L company, thus their information was useful for cross-checking. 62 residents excluded from the groups above were also interviewed. Interviews were completed face-to-face, with participants being approached in the affected community. The vast majority of people approached were happy to be interviewed, each taking 10 to 30 min. We have stopped involving more residents until there is no new information generated from the interview.

4. Results

4.1. The dilemma in project implementation by a short-lived company

The purpose of the urban renewal project was to improve the conditions of facilities in a community with a total population of around 7000. The Local Government has appointed the L company as the developer to take charge of the project. The company was recently established, and claimed to be 100% state-controlled. The company showed a tight relationship with the local government and its underlying relationship with the local government.

The project has been suspended due to a disagreement on the details of the project. For example, the communities were built early with no elevators for many buildings. Nowadays, these dated communities were full of older residents who needed elevators. Many residents also demanded to repair their terrible basement, which had been left as a dump with dirty water due to the broken drainpipes. However, the L company claimed that the establishment of elevators and the basement repair were not included in the urban renewal project, and the residents needed to expect the repair from other companies and projects.

Some residents expressed dissatisfaction with the communication process, complaining that the information offered was not timely and completed enough. The company was surprised by the complaints because the staff had sent all the documents to the Local Community Committees. Residents also claimed that the L company did not “listen to them”. For example, the company planned to transfer some green space to parking spots, which aroused disagreement among residents who did not have a car. While on the other hand, some car owners also showed negative views on having to pay for the parking spot in the future because they were free to park in the community. Different views of different groups have trapped the company in a dilemma. The consequent hesitating decision-making process, and little effective communication during the period, resulted in residents feeling not being heard and respected.

There were many illegal self-built facilities in the communities. Owners of these facilities insisted on keeping the facilities because

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Fig. 1. The pyramid model of social license to operate (Thomson and Boutilier, 2011).

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some of them lived on the money by renting self-built houses. “The renewal project is expected to promote my well-being, not worsen it!” The company claimed that the Local Community Committees should cope with the cumulative social issues such as the self-built facilities according to their previous agreement. It also suggested implementing mandatory actions to destroy illegal facilities. However, the Local Community Committees were concerned that the mandatory actions are likely to create unmanageable social conflicts, which would generate social risks and suspend the project even longer.

The project included a resettlement community, in which residents showed strong dissatisfaction with their living conditions and asked for land expropriation instead of a renewal. “Our community has been repaired by other companies several times before, which turned out to be useless...What we do not need is another short-lived company repairing the buildings again!” Another community was full of retiring local government staff, which empowered the residents with strong voices in the project. “I know how the government and project operate...The project should not be implemented until we reach an agreement... We should negotiate with the local government, instead of a short-lived company...We had gone through several projects before and got enough experience. Besides, I have a contact in the government.”

The project’s implementation process has also created various social impacts on local communities. For example, residents found that the construction teams failed to clean the dust and garbage in time, and reduce noise as effectively as they promised. At the resettlement community, punching on the road generated an intense vibration on the residents nearby. Given the current concern with the quality of the buildings, they were frightened and complained strongly, and the punching actions were forced to terminate. Some senior residents were worried that the dated facilities of the community might be damaged by the repairing and constructing activities, generating undesirable results such as cutting the water supply and electricity. In addition, residents were unsatisfied with the behaviour of some construction workers such as peeing in the bush or smoking near the window.

The impact history of the communities showed that several companies were appointed to repair the facilities before, which also characterized a short-lived nature: they had been either dissolved, reorganized or “defeated” after finishing their jobs. Therefore, the local residents found the L company both strange and familiar. “It is a totally new company, but we are used to having new ‘friends’ in every project.” Said one resident. “The company treats us as nodding acquaintances, and so do we!”

Many residents believed the L company would be another short-lived company (which is very likely to be the truth), and the local government was the longstanding “boss” they should argue with.

The leaders of the L company felt wronged. “We have been officially appointed to conduct the project. The residents should directly discuss with us instead of the Local Government. We will negotiate with the Local Government when it is necessary!” The leaders claimed that much of their staff and capital had been inherited from previous development companies that had previously undertaken projects in the communities. “We should be treated like an old friend rather than a totally new company for the communities. Actually, some of our staff has served the communities several times.” The leaders also admitted an unclear future for the L company. “Whether or not the company will exist or participate in future projects depends on many factors.”

4.2. Potential solutions within a SLO pyramid model

The L company acknowledged itself as a “passer-by”, and would likely leave the communities forever after finishing the project. On the other hand, the local residents also treated the company as a temporary intervention, and were unwilling to “waste time” to negotiate with it. The company found it challenging to reach a consensus and satisfy the local residents, thus effective strategies were eagerly expected. During our fieldwork, a failure to conduct CSR activities and a lack of SLO consideration of the company were observed. By applying the three boundaries (legitimacy, credibility, trust) of the pyramid model of SLO (Thomson and Boutilier, 2011; Jijelava and Vanclay, 2017, 2018), we analysed how the consideration of SLO might improve the development potential even for a short-lived company.

4.2.1. Legitimacy consideration

The consideration of legitimacy inspires the corporate actions to convince the communities that: the development of the project was significant to the community; local residents can benefit; the positive impacts outweigh the negative impacts; the project has operated a community engagement process. In our case, many residents regarded the urban renewal project as ineffective to improve their living conditions, especially the resettlement community expecting land expropriation. A general acknowledgement of the project’s necessity thus becomes a starting point for implementation. The L company is suggested to show the residents the current favourable policies of urban renewal, as well as the necessity and importance from a professional standpoint. For example, a picturesque exhibition of the future scenario of the community environment and landscape after the renewal might promote residents’ approval of the project.

Local residents will experience various positive and negative social impacts created by the implementation of the project. The fieldwork showed that negative impacts are undesirable but inevitable, while potential positive impacts are highly expected from the local residents but largely ignored by the company. A SLO consideration helps the company distinguish between positive and negative impacts, thus conducting different measures to promote positive and minimize negative impacts. For example, the company could further explain the advantages of increasing parking spots for local residents, including car owners and people without cars. The former group might accept the plan by not having to find sites every day, while the latter group might be approved by a more organized and pleasant community environment. Even though the project might generate some negative impacts, the company can clarify its specific and targeted actions to show the residents that the positive outweigh the negative impacts.

Residents might be influenced differently in a project. Some will benefit while some will not. A SLO consideration prompts the company to conduct due diligence to outline a thorough community profile of different groups, thus adopting appropriate social investment strategies to share benefits with local residents. It is well established that enhancing benefits to local residents covers a range of issues, including: improving local facilities to allow community use; providing social investment funding to back up local social sustainable development; a genuine commitment to promoting opportunities for local content (i.e. jobs for local residents and local procurement); and establishing training and support to local residents (Vanclay and Hanna, 2019). Even for a short-lived company, a moderate distribution of benefits with local communities contributes to reducing business risks and finishing projects as planned, which turns out to be cost-effective overall. A community engagement process involving various stakeholders might not only help in the community profiling process, but also show the residents their potential influence in the decision-making process.

4.2.2. Credibility consideration

The consideration of credibility contributed to the company to guarantee that: the company constantly provide true, clear and believable information about its plans; there is an accessible channel for residents to deliver suggestions or complaints to the company; the company listens to and respects residents’ opinions; the company is willing to adjust its plans to ease residents’ concerns; the company’s behaviours meet residents’ expectations. Residents’ complaints about the communication process implied that the company needs to improve its way of providing information. The company must clarify all details about the project openly and transparently, and in a language appropriate to the affected community residents. For example, providing official documents to the residents shows a genuine attitude. Nevertheless, many
residents, especially senior residents, are unwilling or unable to read these complicated documents, thus the information fails to reach the targeted audience. A brochure with clear and concise pictures and words, or short videos explaining the policy in a popular language, might achieve a better outcome.

Besides appropriately providing information, effective communication also implies a two-way, back-and-forth, interactive information exchange. Accordingly, the residents are supposed to perform more than just a message receiver, but also can provide feedback through an available mechanism. A SLO consideration reminds the companies of showing respect for local residents’ opinions in the communication process, which entails companies developing a specific mechanism for feedback in the project. For example, a grievance redress mechanism will build trust, maintain and grow the company’s SLO and reduce the probability of concerns escalating into protests. The mechanism should be available to all the residents, in a form that is suitable to local contexts and cultures.

SLO consideration provides hints to short-lived companies that effective communication is not enough, while the way how companies act to respond to residents’ suggestions also matters. A quick and appropriate action represents that the company listens to and respects community opinions, and is willing to change its practices in response to community concerns. For example, the company can set up a response and reaction time schedule, show it to the public and abide by it strictly. The proposed residents can thus supervise the company’s reactions in an open, responsive and transparent way. Such schedules and channels establish a communication and discussion platform that promotes mutual understanding and joint operation in addressing social impacts and concerns, thus fulfilling local residents’ social needs and expectations of the projects.

4.2.3. Trust consideration

The attempt to achieve trust, the highest boundary of the SLO pyramid, reminds the company of acting to: ensure that community engagement involves vulnerable groups (e.g., seniors, women, newcomers); showing the residents that the company tries to develop a positive relationship with them; show that the company has developed a positive relationship with the residents; prove that the company and residents are ‘on the same team’ and have shared interests. Due to unsuccessful community engagement, the L company largely ignored the social needs of many older residents, which has generated conflicts among the communities. We argue that the same social change process might affect different groups differently. For example, an increasing number of workers in the community can bloom the business of residents who run restaurants or shops, while the noise might annoy senior residents and children, who thus show negative views of the project. Therefore, the timing and form of community engagement need to be adjusted to meet the social setting, the people involved, and the purposes. The company should pay attention to the quality of the engagement process by managing it well and respecting community values. For the L company, a new round of community engagement process is required, with a thorough consideration of the typicality, universality and enthusiasm of the participating residents, to avoid a biased perspective.

A SLO thinking requires that establishing a good relationship with the community is important to the company, and the attempt to achieve it also matters from the perspective of local residents. Due to limited time and funding, it is not easy for a company to finally achieve a good relationship. Nevertheless, it is better than never because the attempt shows respect for the local contexts. For short-lived companies, appropriate strategies and dedicated actions can impress the residents and establish a good reputation, thus gaining a short-term SLO to guarantee project implementation.

The acknowledgement of ‘on the same team’ implies teamwork with the local communities and various stakeholders involved, so the company’s burden might be eased by empowering other parties such as the Local Community Committees and the Owners’ Committees, to manage social impacts and reduce potential risks. To inspire the motivation of the stakeholders involved, the company needs to clearly show shared interests, both tangible and intangible, with them. For example, a desire to improve the community environment might meet the expectation of most parties and residents. The company can thus utilize this as a proposal to organize an active community engagement process, and potentially develop a joint working team.

5. Discussion

Derived from our analysis, the short-lived companies have the need to manage social impacts, and gain support from the local communities, at least for a short period, thus to finish the project successfully. However, considering their short-lived nature, companies might believe that it is worthless to gain a social license from the local residents, which potentially results in various business risks. We argue that the consideration of SLO facilitates short-lived companies to assess social impacts from residents’ perspectives and reduce potential conflicts and risks of project implementation (Chen and Vanclay, 2022). Offering sustainable production and service throughout the whole life cycle is significant in fulfilling CSR for a company (Xu et al., 2022), especially when operating large-scale projects such as urban renewal. The pyramid model provides an integrated paradigm to understand the social needs of local residents, and to adopt suited strategies to incrementally obtain support from the communities.

It should be admitted that the consideration of SLO has different implications for different companies (Jung et al., 2022). Companies with long life and short life should adopt different social-investment strategies. Even though a social license to operate and grow has been widely recommended, it is not appealing to many short-lived companies that do not care much about their sustainable development and longstanding reputation due to their short-life nature. Obviously, a common standard and expectation of SLO are not practically helpful. This paper thus tested and adjusted three key concepts of SLO to inspire short-lived companies to conduct sustainable production. Homogeneous and general suggestions or even criticism of short-lived companies is not helpful in their understanding and acceptance of SLO. It should be admitted that maintaining a positive reputation for a short-lived company is not as attractive as for longstanding corporations, given that specific benefit is not apparent. We argue that a practical cost-benefit analysis, as well as a specific exhibition of potential advantages, is more attractive to short-lived companies. For short-lived companies, establishing and maintaining a worldwide longstanding positive reputation is not as appealing as finishing a certain project in time. Therefore, our research highlights short-lived companies’ identification of SLO in reducing business risk, and puts forward specific suggestions for adopting SLO in their social impact management and social investment strategies.

A further understanding of SLO is a social license to operate and grow, which implies a longstanding and dynamic requirement of maintaining a SLO. From practical considerations such as cost-benefit and time costs, short-lived companies might not need a social license to grow, while a social license to operate is required. A worldwide reputation might not be attractive, but a reputation in the community helps with project implementation. When the local residents feel that the company is trying to establish a good relationship with them, they are more likely to trust the company and tend to actively cooperate in terms of community engagement and impact management. Otherwise, local residents might treat the short-lived companies as irresponsible corporates who do not care about the future impacts; thus losing interest in communicating and cooperating, resulting in projects being trapped in a dilemma (Boutilier, 2014; Eabrasu et al., 2021). From that point, short-lived companies should try to obtain a SLO from the local residents, even with the pure purpose of reducing costs and increasing benefits.

Arguably, any company (including short-lived companies) should consider its social behaviour and social responsibility in terms of
managing impacts and gaining a SLO. The fulfilment of CSR contributes to the improvement of local residents’ well-being (Marsh, 2021) and promotes companies’ development potential (Saenz, 2021). Given the possibility of being dissolved or reorganized, short-lived companies might not participate in future development or other projects in the current status. Still, the same group of staff is likely to be reserved at a new company due to their experiences. Based on the same reason, the team might be arranged to undertake the same work as at the former company. Thus, their future achievement highly depends on their previous reputation in the communities. From that viewpoint, the attempt to gain a SLO should be supported by the staff of many short-lived companies, through which way the sustainable production and operation of short-lived companies can be guaranteed (Vanclay, 2017).

There are some differences between short-lived companies and other kinds of companies in consideration of SLO (Eerola, 2022). The former companies focus more on their implementation period, while standing social investment strategies are beyond their scope. Therefore, the SLO literature should be adjusted to the differences and facilitate short-lived companies to manage social impacts and reduce business risks, so that they can accept the role of SLO and are willing to adopt it in their business strategy. The short-term social actions of companies might reduce local residents’ benefit potential. On the other hand, some immediate and direct benefits could be provided to the communities and create an immediate effect. In addition, short-lived companies can concentrate on a specific project instead of balancing different projects. Thus, their social investment strategies tend to be targeted and effective.

Multinational corporations are supposed to follow various international/national/local principles due to the high CSR expectations from the public. However, some of these principles are unpractical, overlapped, or even contradictory in certain scenarios, resulting in a rigid, invalid, and time-consuming performance of companies. Compared to longstanding corporations, short-lived companies are more flexible in following principles and thus adopting strategies (Mak et al., 2021). Fewer observation of social performance generates not only the risk of bad social behaviour, but also the ability to fast react and adjust. When short-lived companies acknowledge the necessity of SLO consideration, their temporary nature brings more advantages. For example, relatively loose regulation of short-lived companies showcasing the local residents as a group of people rather than an alienated corporate machine, which might be more suitable to establish a good relationship.

The exposed or buried relationship between the short-lived companies and the local government is not a secret to most local residents due to their previous experience. Even if there is no such relationship, many local residents believe so. In other words, they treat different short-lived companies as local government representatives. Consequently, a transport chain of SLO has been generated: the company inherits a SLO from the previous development company, and delivers it to the following one after adjusting it through social behaviour. Eventually, the SLO reaches the local government, carrying local residents’ cumulative views on the performances of all the companies through the transport chain. From this point of view, the social behaviour of the short-lived companies truly influences local residents’ trust in the local government, so the local government is suggested to strengthen the regulation and supervision of the short-lived companies (Howse, 2022). To put it another way, SLO’s contribution to the future development potential of an institution is not limited to a company, but also applied to the local government.

Besides regulation, local government has more options to reduce the future crisis of public trust generated by the short-lived companies. In our case, the company complained that the repair work of the community should be taken care of by the property management companies using special funds. However, some property management companies are not responsible enough, thus leaving the development company with facilities in disrepair and unsatisfied residents. The company worried that their work would be ruined again by future companies’ misbehaviour, thus unwilling to waste money and time to fix some fragile facilities. We argue that the local government can play a vital role in this field, such as turning the development company into a property management company to take care of their own work in the future. This strategy not only stimulates short-lived companies’ motivation to improve the community, but also reduces the government’s potential risk of being blamed by the local residents in the future.

Instead of the continuity among different projects, short-lived companies are suggested to consider the continuity with previous and future companies. Ideally, short-lived companies should assess the future feasibility of relay when adopting specific strategies in terms of commitment to the community, operation mechanism, community engagement process, etc., thus jointly developing a responsible relay of SLO with previous and future companies (Poelzer et al., 2020). This reliable model of corporate action puts high requirements on short-lived companies. Thus, the overall planning and regulation of local government are expected. The supervision and regulation of CSR should be strengthened through the whole life cycle of consecutive projects (van der Ploeg and Vanclay, 2017).

6. Conclusions

This is not just a Chinese story. At one point, China is a country in transition, and is transforming from non-market state communism to market-based state capitalism. From another point, the extent of government control over companies and public institutions varies around the world, and many countries in which short-lived companies operate have high levels of government oversight, especially in fast-developing countries such as India, Indonesia, Brazil, Malaysia and Singapore (Balon et al., 2022; Matsutani et al., 2022). In some ways, all countries are unique in having specific legislation and regulation that needs to be considered. But there are commonalities in various situations. This paper can be a good reference point for similar studies in other countries.

This paper applied the concept of SLO in the unusual context of short-lived companies conducting public-good projects and developed specific strategies for the policy makers (local government), the producers (short-lived companies), and the customers (local residents) to jointly manage social impacts and achieve social sustainability, which enriched both the existing literature and the practices. Even though characterized by different natures and demands, short-lived companies also need to consider obtaining a social license to operate. A SLO consideration contributes to not only the fulfillment of corporate social responsibility, but also the actual reduction of business risks and the effective guarantee of project implementation. The pyramid model of SLO facilitates short-lived companies to figure out how to gain support from local residents by understanding and analysing the achievement of three key issues: legitimacy, credibility and trust.

Our case company is state-owned, but the conclusion can be adapted to a broader scope. To avoid negative science and engineering ethical issues, all companies and projects should fulfill the expectation of CSR by managing social impacts and improving local well-being. However, companies with a short-lived perspective (whether public, private, or partnerships) might lose the motivation to gain a SLO from the local residents. Given the increasing number of short-lived companies, the consideration of SLO and CSR needs to expand to a broader context to ensure local residents’ well-being and human rights in the worldwide trend of project interpretation, thus contributing to the achievement of SDGs.

Regardless of validity, local residents’ views on the relationship between the short-lived companies and the local government imply that the local government cannot escape from taking responsibility. The establishment of special purpose entities or the reorganization of companies after a project might facilitate the local government to get around the financial regulation and raise money effectively in the short term. Still, the trust from local residents shaped by the cumulative social performance will eventually transform from short-lived companies to the
government. In the long run, the local government is suggested to carefully regulate short-lived companies’ CSR and ESG performance.

The qualitative methods this paper adopted are appropriate to answer the research questions. Various essential stakeholders involved in the project have been fully consulted, which generated an integrated story from multiple perspectives. The concept of SLO has been tested under a new circumstance, and specific recommendations were developed. Even though data from different sources were generally cross-checked, the black box of decision-making of the local government and the company is difficult to open fully. Quantitative methods might be helpful for future studies, for example, establishing a model to predict future changes when adopting SLO strategies, or convincing the company of specific economic benefits.

The pandemic of COVID-19 and the increasing regional conflict have generated a turbulent time. A growing number of companies rise and fall at high speed, resulting in the discussion of SLO deserves dynamic and integrated inspection. The uncertainty of life and the future makes local residents need more trustworthy and dependable development companies. An expectation of SLO-related activities can be regarded as a way for affected local residents to establish stable partnerships with the local government, companies, or other organizations in this turbulent time.

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**Declaration of competing interest**

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

**Appendix A. Supplementary data**

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**References**


