Corporate Crisis Recovery

Managing Organizational Deviance, Reputation, and Risk

Petter Gottschalk · Christopher Hamerton

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Introduction

The initiating aim of *Corporate Crisis Recovery: Managing Organizational Deviance, Reputation, and Risk* is to compliment and expand criminological discourse on the concept of the social license to operate as a means of influencing the behavior of corporations. In recent years, the wide-spanning consequences of some very public globalized corporate crises—including fiscal and environmental impact, staff retention, and organizational survival—have led to growing body of research on crisis perception and responsive strategic management. Developments that position corporate crisis recovery as an anticipated requirement of visible compliance to normalized and anticipated standards of ethical practice and conduct. Here, the authors address an emerging new perspective in business concerned with normative pressures through a criminological lens, making a distinction between the legal license to operate and the social license to operate (Gottschalk & Hamerton, 2023). The legal license refers to compliance with laws, regulations, and rules that apply within the jurisdiction. The social license refers to conformance with norms, values, and guidelines that apply within society. Utilizing convenience theory to illustrate how corporations, and the individuals within,

are able to recover and regain the corporate license to operate after violations, the treatment develops to evaluate the differences in the responses by the criminal justice system and the public sphere to violations of the legal license versus the social license (Gottschalk & Hamerton, 2022).

Lack of conformance by violations of the social license to operate provides context in terms of possible consequences. The public often reacts strongly when organizations and corporations are seen to pollute, do business with authoritarian regimes, help launder money, and commit other forms of wrongdoing that might appear beyond the reach of the criminal justice system. People express their reactions in social media, in the press, and also on the street in demonstrations. Consumers stop buying goods and services from license violators, and they avoid doing business with license violators as vendors. They avoid employment at license violators, and they avoid being shareholders. Resulting in severe consequences including potential market value loss, executive dismissals, and unemployment. The impact of scandals and the potential of following longitudinal crises can cause the community to explicitly refuse to negotiate or cooperate with the denunciated enterprises, ensuring that knowledge of public perception is of clear importance, with pro-active recovery planning a strategic necessity.

Recovery from a problematic state of affairs, in terms of the parameters of this book, refers to return to a state of regained social license to operate—the restoration in terms of actions and events enabling return to a former condition. Negative consequences of violations are reduced and the organization is brought back to an acceptable level of functioning. Here, the authors argue that recovery is not a matter of returning to the previous situation; rather, it is a matter of returning to the previous condition of functioning. Conceptualizing recovery by social control outcomes as settlements that arise from the interaction between social control agents and deviants—the end result of the organizational social control processes. Settlement is identified in terms of social agents accepting and approving the current performance of the once deviant entity. Consequently, the book deals with crisis response strategies as they relate to the corporate social license to operate with recovery of the social license emerging as a matter of choosing an approach that

is acknowledged and accepted by those who took the license from the organization.

Throughout *Corporate Crisis Recovery*, the authors argue that license recovery requires a contingent approach where relevant measures depend on the distinctive scandal and its ensuing crisis, elements that provide productive focus for critical analysis and systematic inquiry. The authors posit that executives and other with decision-making powers in large organizations can no longer ignore actions and reactions from various public stakeholder groups. This analysis endeavors to help address rather than avoid stakeholder concerns, with social understanding seen as a prerequisite when responding to complex normative pressures. Using an interdisciplinary focus that includes illustrative case studies, European, North American, and Asian perspectives and paradigms are explored to identify, position, and reveal the impact of the social license on contemporary conceptions of corporate crisis recovery (of the social license to operate). A variety of approaches to license recovery are evaluated via close examination of the research literature and appraisal of organizational practice regarding individualized approaches to attempting recovery—some of which are identified as having succeeded, while others floundered or failed. In doing so, the book attempts to offer a compelling insight into the process and consequences of organizational deviance, while critically exploring the public perception and corporate experience of recovery within this vital but under-researched area of the global public sphere.

The book comprises eight substantive chapters (2 through 9) between this foundational introduction (listed as this chapter) and a reflective conclusion, structured with content as follows. Chapter 2 describes characteristics of the social license. Sources of license authority are a combination of people and knowledge and the perspective of source credibility proposes that people use individual characteristics to assess whether a claim is trustworthy by influencing in terms of source expertise and credibility as stakeholders. The substance of social license is a matter of messages and their contents that can represent either conflict or cooperation, with value found in both the defensive and the offensive dimensions. The defensive dimension is concerned with avoiding

criticism and obstacles in business activities, while the offensive dimension is concerned with benefits and advantages in business activities from supportive and enthusiastic representatives of the community. Consequently, the social license refers to conformance with norms, values, and guidelines that apply within the society, allowing for blurred lines between the legal and the social license to operate. An example is the social perception of corporate crime and corporate criminal liability, providing concepts that are not directly based on a singular, statutorily defined offense but rather a broad and unforgiving attribution rule. While there are laws punishing corruption, fraud, and other forms of crime that can be attributed to white-collar individuals in organizations, there is indeed often difficulty in assigning legal liability, particularly within the global business sphere. Without a chance or little chance to assign legal liability, assigning social liability is an alternative—with blurred lines between social expectations and public regulations bridged.

Chapter 3 presents eight case studies where enterprises violated their corporate social license to operate, as follows: the Danish clothing store chain Bestseller continued having their clothes made in factories controlled by the military junta in Myanmar; the Norwegian housing cooperative Obos left the business mission of "ordinary homes for ordinary people" by construction of luxury homes for wealthy people; the Icelandic seafood company Samherji obtained fishing licenses outside Namibia by means of government corruption; post-colonial masters in South Africa made substantial profits from rooibos tea without compensating the knowledge holders; landowners in Australia were ignored by mining companies; water pollution was ignored by mining companies in Peru; the danger of earthquake was ignored by a gas extraction company in the Netherlands; and, the German multinational technology company Siemens bribed foreign officials for business contracts. The research method in a majority of the foregoing cases was content analysis, to identify, retrieve, and analyze investigation reports, which presented conclusions of no legal license violations while at the same time social license violations were perceived that caused change in business operations. Three reports were identified concerned with organizations in the Nordic countries Denmark, Norway, and Iceland, which are democratic nations with well-functioning criminal justice systems and social movements requiring corporate responsibility. The reports were prepared by

corporate investigators at law firms who were hired and paid by the scandalized enterprises. Two out of three reports were publicly available in their complete length, while the third report was only presented in selective parts. The law firms' work was supplemented by media coverage to compare investigator reports to media reports where the media tends to be more critical of alleged wrongdoing.

Reflecting on the foregoing case studies, Chapter 4 develops to discuss how companies have attempted to recover their social license with business conformance presented as a matter of achieving the corporate social license from normative pressure. As discussed throughout the book, the social license refers to conformance with norms, values, and guidelines that apply within society. As illustrated in the previous chapter, the outcomes for conforming versus non-conforming enterprises are significantly different in the extent to which they are able to survive and prosper. According to Durand et al. (2019), rather than coming up with their own plans to deal with the stress, businesses should try to accommodate the requirements of various stakeholders (specifically public and regulatory stakeholders). The process of organizational adaptation is ambiguous. On the one hand, the concept is frequently and often haphazardly applied and cited in management research, and it serves as the glue that holds the primary concerns of organizational change, performance, and survival together. On the other hand, it can be found in a variety of guises (for example, "fit", "alignment", "congruence", and "strategic change"), which are studied from a variety of different theoretical streams (for example, behavioral, resource-based, and institutional) and at a variety of different levels of analysis (e.g., organization and industry levels). This chapter explores adaptation as the process by which members of an organization consciously make decisions that result in observable behaviors with the intention of closing the gap that exists between their organizational practice and the institutional, economic, and social environments in which they operate.

Chapter 5 offers an extended and extensive treatment, presenting cases where corporate social responsibility had genuine substance rather than being a form of window dressing. It is argued that contributions to prevention and detection of organized crime are important, particularly as the social license to operate can be strengthened by contribution

to state affairs via an active and visible role in crime prevention and detection. This chapter evaluates several case studies of companies that have approached state-corporate alignment within criminal justice to strengthen their social license to operate, effectively making criminal justice contributions toward their public perception. It is argued that violation of the corporate social license to operate that involves deviant or negative criminal links can have dramatic consequences for companies and executives. Differing from the legal license to operate that refers to compliance with laws and regulations, the social license refers to conformance with norms and values in society and can be applied explicitly in terms of public perception and reaction (Cui et al., 2016; Haines et al., 2022; Melé & Armengou, 2016; Saenz, 2019). An example highlighted in this chapter is linkage to money laundering in the financial sector. The liability when not preventing money laundering is illustrated by a number of financial sector scandals, typically resulting in the dismissal of chief executives and government fines.

While this book is primarily concerned with recovery of the social license to operate for business organizations, it is acknowledged that the concept of recovery within the wider business literature requires evaluation, with points of convergence and divergence highlighted.

Chapter 6 evaluates research which addresses a variety of corporate recovery challenges. Established and developing concepts are considered in detail, including *Organisational Value Recovery, Work-Related Identity Loss Recovery, Relational Energy in Crisis Recovery*, alongside the possibility of *Strategic Organizational Deviance*. Morrow et al. (2007) studied value creation in the face of declining performance when searching for firm strategies and organizational recovery, highlighting how firms that have failed to meet the performance expectations of investors seek new ways of creating value to regain investor trust. The approach of Conroy and O'Leary-Kelly (2014) was to research work-related identity loss and recovery, finding that transitions in work memberships, relationships, and roles can result in work-related identity loss, requiring surrender of the current meaning and interpretation of self and realignment to a new meaning. Sumpter and Gibson (2022) studied riding the wave of recovery by relational energy as a human resource for employees, stating that employees can generate energy from interpersonal relational interactions which influence how jobs, roles, and tasks are socially embedded in

terms of interactions with coworkers and recipients of goods and services. A final focus for this chapter is the interesting recent work of Piazza et al. (2023), on strategic organizational deviance, exploring how corporate entities might influence their environments so that rather than adapting to current opinions about what is right and wrong, the possibility that innovative enterprises and other organizations might become acceptable with little or no change after a period of criticism and refusals by various stakeholders.

In Chapter 7 the authors apply the theory of convenience to conceptions of corporate crisis recovery, highlighting the perspective of reducing and eliminating misconduct convenience. While recognizing that traditionally the theory has as its main focus crime convenience, here it is reversed for prevention. Providing a value-orientation in what motivates action, a transparent organization in action and a normative pressure on behavior in action to encourage corporate performance deserving the social license to operate. Thus, substantive coverage within this chapter includes, an approach to recovery of the social license to operate is to reduce and eliminate the convenience of deviance, misconduct, wrongdoing, and crime. A value-orientation in what motives action, a transparent organization in action and a normative pressure on behavior in action are dimensions derived from the theory of convenience to encourage corporate performance deserving the social license. It is argued that the willingness to comply and conform in order to recover the license to operate can be based on normative pressure, with normative pressure referring to socially derived expectations where a plurality of institutional demands tend to be combined. Durand et al. (2019) made a distinction between willingness and ability of organizations to respond to normative pressures, with willingness deriving from issue salience that refers to the extent to which a stakeholder issue resonates with and is prioritized by management. The ability refers to available resources and capabilities that lead to an assessment of taking or not taking action on the issue. The issue of willingness belongs here in the behavioral dimension of convenience theory, while the issue of ability belongs in the previous opportunity dimension of the theory.

Business organizations suspected of misconduct often hire specialist corporate investigators from law firms and audit firms to review suspicions and allegations, with the investigators required to submit detailed

reports making recommendations for the future. Those recommendations implicitly tend to address recovery by suggesting control mechanisms that can prevent misconduct in the future, and such recommendations are analyzed here. International practice examples researched for Chapter 8 include corporate investigations conducted by Clifford Chance, State Auditor, Sands, Smith, and PwC. Such corporate investigators are not only assigned the task of reconstructing past events and sequences of events. They are frequently also asked to suggest recovery actions to corporate management (Button et al., 2022; King, 2020, 2021; Meerts, 2020, 2021). Often, the actual recruitment of corporate investigators can in itself send a positive signal to stakeholders that contribute to recovery. Examples of recovery attempts by corporate investigations already presented in this book include Bestseller garments in Denmark by investigators Christoffersen and Mikkelsen (2021), and Obos housing in Norway by investigators KPMG (2021). The typical perspective in corporate investigation reports is that wrongdoing has occurred that needs to be corrected, although no apparent violation of the legal license to operate has occurred. Professional perception, policy, and practice are scrutinized and challenged in this chapter.

Both compliance (alignment with rules) and conformance (alignment with norms)—fundamental institutional theory perspectives—are considered in Chapter 9. Here, compliance refers to meeting legal and other formal obligations, while conformity refers to meeting and potentially exceeding societal and other informal norms and obligations (Durand et al., 2019: 300). In this final substantive chapter, the call for a new form of capitalism is addressed. Adopting a systems perspective, the authors argue that while markets may have traditionally been viewed as efficient, they are increasingly seen as insufficient—with the decentralized market system publicly perceived as incomplete but not fundamentally invalid. Therefore, the mainstream system of markets does not necessarily need to be discarded, but it needs to be repaired and further developed. Changes need to reflect fairness, well-being, equity, balance of government and business, balance between work and family, transparency in business, balance of exchanges and interdependencies in international affairs, ends underwritten by the social license to operate. Essentially, reducing the trade-offs between financial and social goals

might pave the way for a new form of capitalism. Traditionally, shareholder value maximization has been the dominant executive business practice almost as long as capitalism has existed. It is the owners' interests that have preference above and sometimes to the harm of others' interests. However, scholars have started to question the single-purpose companies. The wider responsibility toward various stakeholders has emerged as an interesting avenue for scholarly reflection—the social context of business has started to shift.

This is followed by a reflective conclusion, listed as Chapter 10 which recaps on some of the core concepts and main arguments raised throughout the book to act as a stimulus toward further research at the interrelated nexus of the criminological and strategic management fields. It is also intended that this detailed reexamination of crisis recovery, linked to the maintenance of the social license and integrating normative pressure through public scrutiny, might be considered as a useful and pragmatic device when considering the implementation of responsive policy and practice.

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Characteristics of the Social License

This foundational chapter describes characteristics of the social license. Sources of license authority are a combination of people and knowledge and the perspective of source credibility proposes that people use individual characteristics to assess whether a claim is trustworthy by influencing in terms of source expertise and credibility as stakeholders. The substance of social license is a matter of messages and their contents that can represent either conflict or cooperation, with value found in both the defensive and the offensive dimensions. The defensive dimension is concerned with avoiding criticism and obstacles in business activities, while the offensive dimension is concerned with benefits and advantages in business activities from supportive and enthusiastic representatives of the community. Consequently, the social license refers to conformance with norms, values, and guidelines that apply within the society, allowing for blurred lines between the legal and the social license to operate.

An example is the social perception of corporate crime and corporate criminal liability, providing concepts that are not directly based on a singular, statutorily defined offense but rather a broad and unforgiving attribution rule. While there are laws punishing corruption, fraud, and

other forms of crime that can be attributed to white-collar individuals in organizations, there is indeed often difficulty in assigning legal liability, particularly within the global business sphere. Without a chance or little chance to assign legal liability, assigning social liability is an alternative—with blurred lines between social expectations and public regulations bridged.

Social Conformance Pressure

Haines et al. (2022: 184) examined "how social control in the form of community pressure might be used to control corporate harm and shape business conduct in a more socially responsible direction", where "social control is the normative aspect of social life", expressed by "practices and arrangements that contribute to the maintenance of social order", and "being present whenever and wherever people express grievances against their fellows" (Piazza et al., 2023: 7). Haines et al. (2022) suggested a social license to civilize, control, or repel corporate activity. They defined a social license as acceptance of a business or business activity within a particular community. The social license adds to the legal license to operate business activities. The social license forms part of a bottom-up and outside-in strategy where wrongdoing becomes social property independent of the criminal justice system.

The social license is predominantly centered on social permission for business activity where the media, social movements, and citizen watchdogs exert pressure, demand change, and bring enterprises to account. The social license if present is a visible manifestation of a commitment to corporate social responsibility regarding agreement between company and community in business operations.

Corporate social responsibility refers to the state or fact of having a duty and obligation to deal with issues and take actions that generate societal benefits for all stakeholders who are influenced by or influence corporate business (Carnahan et al., 2017; Davidson et al., 2019; Haack et al., 2021; Jardine et al., 2020; Sajko et al., 2021; Sorour et al., 2021). Corporate social responsibility refers to "actions on the part of firms that appear to advance, or acquiesce in the promotion of some social good

beyond that which is required by law" (Bachrach et al., 2022: 533). To take on corporate social responsibility (CSR) means to pay back to society. Pay-back is the opposite of causing costs to society. CSR is supposed to be a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and conformance with national and international norms (Zhang, 2021). "CSR is a multifaceted concept through which firms respond to the expectations and needs of a variety of stakeholders, including individuals, society, and the environment" (Zhao et al., 2023: 137).

Sale (2021) defined social license as the acceptance of business or organization by the relevant communities and stakeholders, and Cui et al. (2016: 775) referred to the social license to operate as "a community's acceptance or approval of a specific company project or of the entire company's ongoing operations in the community". Melé and Armengou (2016) referred to social license as the acceptance of the expansion of profit-seeking business that can affect community life.

The social license refers to "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" (Saenz, 2019: 297). The social license is "the set of demands and expectations held by local stakeholders and broader society about how a business should operate", and "a license is then said to be granted if the business is deemed to have met these demands and expectations—and thus is viewed as being socially acceptable" (Hurst et al., 2020: 1). The social license can be defined as "a social construction to which various stakeholders contribute" (Baba et al., 2021: 248). The social license is an expression "often used in the context of a possible disapproval of their activities, when such disapproval may result in resistance that could harm business interests", and the term "refers to mainly tacit consent on the part of society toward the activities of the business" (Demuijnck & Fasterling, 2016: 675). According to Rooney et al. (2014: 209), a social license refers to "an informal agreement that is granted by communities and relevant stakeholders to an organization or industry working in the local area":

Organizations holding a social license may not even recognize they have one. However, when a social license is removed it becomes obvious to

all, incurring both human and economic costs that sometimes can be irreparable.

The social license to operate can be understood in the perspective of social control theory linked to business ethics (Chamlin, 2009; Hoffmann, 2002; Kane, 2003; Onna & Denkers, 2019). Social control is based on attachment, commitment, involvement, and belief, where a control mechanism is informal punishment in the appearance of shaming (Amry & Meliala, 2021). The legal and social licenses have connections to the concepts of formal and informal controls where formal controls can result in compliance while informal controls can result in conformance.

Social conformance pressure can occur in the form of rating systems as discussed by Lewis and Carlos (2022: 1094):

> Private citizens, social activists, and non-governmental organizations have long attempted to motivate improvements in organizational performance, transparency, and accountability. To incentivize organizational change, these third parties often introduce evaluation metrics to harness the mechanism of reactivity, the idea that organizations will change their behavior in reaction to being evaluated, observed, or measured. One increasingly prevalent way these groups stimulate reactivity is by formally rating organizations based on their past performance.

When Russia invaded Ukraine in February and March 2022 (Grønningsæter, 2022), the Yale School of Management in the United States updated on a daily basis a list of companies that had terminated their business in Russia as well as those that remained. Many companies quickly closed down in Russia and reported it to Yale so that they could be moved from the bad-list to the good-list (Sonnenfeld, 2022a, 2022b).

While companies want to avoid bad ratings and strive for good ratings, it is not obvious that they want to move beyond the requirements from social conformance pressure. If they have the social license to operate, Lewis and Carlos (2022) found that recognized firms may question the perceived value of achieving superior performance. For example, companies that were rated as generous and charitable organizations were more

likely to decrease philanthropic contributions relative to firms that were not rated as generous.

Social conformance pressure can originate with social actors who "might decide to intervene because they feel that a shared norm has been violated—often in ways that threaten morality, health, safety, or the wellbeing of society—even if no laws are broken" (Piazza et al., 2023: 10). Social control agents include nonprofits, neighborhood associations, interest groups, labor organizations, members, agencies, authorities, media, and social movement organizations.

Social conformance pressure does not always work. Witt et al. (2022) studied nonconformity. Despite the prevalence of norms and conformance pressure, they found that dominant block holders, strong labor rights, and small organizational size are some of the reasons for potential under conformity that sometimes occurs. Managerial discretion can also be a reason where executives are powerful actors with influence overboard members.

Sources of License Authority

Sources of license authority are a combination of people and knowledge. The perspective of source credibility proposes that people use individual characteristics to assess whether a claim is trustworthy by influencing in terms of source expertise and credibility (Azab & Holmqvist, 2022). The main people sources of license authority are frequently bottom-up activists and outside-in activists. The bottom-up approach to executive compliance focuses on organizational measures by employees to make wrongdoing less convenient for potential offenders (Haines et al., 2022). Compliance refers to obeying the formal and informal rules, regulations, and norms in force at a given time and place (Durand et al., 2019).

Witt et al. (2022: 137) found that "the management literature has extensively documented how powerful constituencies inside and outside the organization shape its structure and behavior". In addition to powerful constituencies as organizational boundary conditions, they found reasons to include as license sources: shareholders based on investor rights, employees based on labor rights, executives based on

decision rights, owners based on block holding, and boards based on supervisory rights.

The main knowledge sources of license authority from constituencies are insights, reflections, and assessments of benefits and harm (Rooney et al., 2014: 210):

> Other critical components include the reputation of the organization, previous relationships with communities, the level of transparency the organization operates with, and whether the organization is trusted to do the things they say they will. Social license relies critically on social aspects of knowledge diffusion, and contested "truth" claims often based on radically different ontologies, epistemologies, and axiologies.

People as sources of license authority can be referred to as social control agents who discipline organizations and draw the line between appropriate organizational behavior and misconduct. Abused, offended, or mistreated audience members notify and engage themselves as agents, seeking to influence norm and value enforcement in deviant organizations. Cattani et al. (2022) studied social control agents and found that violations of rule-based norms tended to generate greater engagement and agreement among agents as compared to violations of value-based norms:

> Violations of rule-based norms generate more agreement because such norms are less ambiguous, and ascertaining when they are violated is easier to establish.

Control by stakeholders is concerned with a negative discrepancy between the desired and current state of affairs. Control mechanisms attempt to reduce the discrepancy through adaptive action in the form of behavioral reactions (Direnzo & Greenhaus, 2011). Control mechanisms attempt to influence and manage the process, content, and outcome of work (Kownatzki et al., 2013). Control involves processes of negotiation in which various strategies are developed to produce particular outcomes. Control is therefore a dynamic process that regulates behavior through a set of modes, rules, or strategies (Gill, 2019).

There are various types of control mechanisms with various targets (Chown, 2020: 752):

> For example, prominent frameworks delineate controls based on whether they are formal or informal, coercive, normative, peer-based, or concertive. Controls are also divided based on whether they target employees' behaviors by implementing processes or rules that ensure individuals perform tasks in a particular manner, target their outputs by assessing employees based on measurable items such as profits or production, or target the inputs to the production process by controlling the human capital and material inputs utilized by the organization.

At its core, top-down control refers to the manner in which "an organization's managers can use different types of control mechanisms—such as financial incentives, performance management, or culture—to monitor, measure, and evaluate workers' behaviors and influence them toward achieving the organization's goals in efficient and effective ways" (Chown et al., 2021: 713). Similarly at its core, bottom-up control refers to the manner in which organizational members can use different types of control mechanisms—such as whistleblowing, transparency, resource access, or culture—to monitor, measure, and evaluate executives' avoidance of deviant behaviors and influence them toward achieving the organization's goals in efficient and effective ways. While the hierarchical structure remains with executives at the top of the organization in charge of the business, bottom-up control is a matter of stakeholder involvement in compliance. While top-down control is often a formal and rigid system, bottom-up control can be an informal and flexible system based on social influence (Haines et al., 2022: 185):

> Criminalization, foundational analytical territory for criminology, forms part of a 'bottom up' strategy where it becomes 'social property', untethered from law and formal criminal justice. Criminalization as social property comprises a central element of 'social control influence' over corporate harm. This is justice in the vernacular with media, social movements and citizen watchdogs exerting pressure, demanding change and bringing business to account.

When noticing wrongdoing at the top of the organization, improvisation might be a key capability for organizational members and citizen watchdogs. Capability refers to the ability to perform (Paruchuri et al., 2021), while improvisation refers to the spontaneous process by which planning and execution happen at the same time (Mannucci et al., 2021). Rather than following formal reporting lines to people who are not trustworthy, improvisation is a matter of spontaneous action in response to unanticipated occurrences, in which individuals find a way to manage the unexpected problem.

Bottom-up approaches have been discussed so far in this section. It is matter of people in the organization who prevent potential offenders from wrongdoing and who detect offenses and offenders having committed misconduct and crime. A different approach in the same line of reasoning is the outside-in approach where outsiders rather than insiders prevent and detect wrongdoing in the organization. The outside-in approach involves various stakeholders in the community such as citizens, media, unions, politicians, and action groups.

The term stakeholder refers to someone with an interest or concern in something, especially in business (Gomulya & Mishina, 2017). A stakeholder is someone who can affect or be affected by the business, and a stakeholder is someone who associates with the business and does or does not derive utility from the association (Lange et al., 2022: 9):

> Utility here describes the satisfaction, gratification, or need fulfillment that a stakeholder receives by virtue of interacting with or being associated with the business.

A stakeholder is "any group or individual who can affect or is affected by the achievement of the firm's objectives" (Stoelhorst & Vishwanathan, 2023). Stakeholders are simply those "having a stake in something" (Alvarez & Sachs, 2023). Some stakeholders typically inject various kinds of resources into the business with the expectation of receiving some form of return. Nason et al. (2018) argued that a stakeholder is someone who derives own identity to some extent from attributes of the business. Lange et al. (2022) argued that a stakeholder should not necessarily be viewed as someone having a single-minded focus on own utility but

rather as someone having an outcome in mind that often will be of utility for groups of people based on a kind of solidarity. Nason et al. (2018: 259) suggested that a stakeholder provides "intense feedback when there are major discrepancies between their expectations and the firm's actual social performance".

The rise of social media, non-government organizations, as well as the knowledge level among citizens has led to the strengthening of stakeholder demands (Panda & Sangle, 2019: 1085):

> As a result, firms often find themselves in conflicts. The cost of these conflicts for the firm is the opportunity cost of future projects due to loss of reputation, and for the stakeholders, it is the loss of opportunities, both social and economical, that could have been brought by the projects. The tension between firms and stakeholders creates a dynamic environment where following compliance is not enough, and social acceptance is equally important as government licenses. Such an acceptance is termed as 'social license to operate' (SLO). SLO exists when a project is seen as having the broad, ongoing approval and acceptance of society to conduct its activities.

Panda and Sangle (2019: 1086) further argued that there is a growing awareness among stakeholders of their power to make their voices heard:

> The rise of social media has resulted in organized movements against corporations as well as in the demand for greater transparency from firms. The number and type of stakeholders for a firm are no longer confined in their immediate surroundings. Most multinational corporations have 'global stakeholders' who may not directly have a stake in the firm but are interested in its social, economic, and environmental impacts. Firms practicing opaqueness are at a greater risk than those open to stakeholder inspection.

Panda and Sangle (2019) found that SLO is deeply rooted in the stakeholder theory. It is a theory of business ethics to promote managerial matters during different environmental situations. According to Waheed and Zhang (2022), the theory supports social issues by assisting the strategic decisions of organizations. It takes into account the evolving

role of stakeholders, from being bystanders in a company to being a part in the decision-making processes (Panda & Sangle, 2019).

However, the monitored enterprise might find it easier to challenge the authority of outsiders compared to insiders who belong to the enterprise. Outsiders can be challenged whether they count in authorizing or denying the company their social license. Outsiders can be challenged whether they are entitled to speak based on their claimed membership and representation of the community.

One potential source of license authority is activist groups and non-government organizations that take cases to the courts. While a case is pending, the accused company tends to become passive by awaiting the outcome of the trial. However, bringing a case in front of a judge is only a matter of legal license to operate. The judge is to apply the law to the issues and cannot apply other criteria that citizens are concerned about.

Another potential source of license authority is name-and-shame lists where academics consider firms that are ethical and compliant versus firms that are not ethical and compliant. When Russia invaded Ukraine in February and March 2022 (Grønningsæter, 2022), the Yale School of Management in the United States updated on a daily basis a list of companies that had terminated their business in Russia as well as those that remained. The two lists were for a while updated every hour by Professor Jeffrey Sonnenfeld and his research team at the Yale Chief Executive Leadership Institute to reflect new announcements from companies in real time (Sonnenfeld, 2022a, 2022b).

Substance of the Social License

Sources of license authority is an issue of who has the right to speak and to be listened to, while the substance of social license is concerned with what they can and cannot say in terms of the content of their messages to grant or stop social permission for business activity. Furthermore, the substance of messages might be conflict or cooperation, where both are understood to be important aspects of influence. Haines et al. (2022: 189) referred to cooperation:

When a social license is understood as the development of trust, reciprocity and problem-solving between the community and the company, the aim of the social license is one of cooperation moving towards a shared goal.

Both by conflicting and cooperative messages from license providers by authority, the messages are a vehicle of social control. The vehicle provides criminological insights into criminalization, where two requirements are usefully emphasized. The first requirement for criminalization is that people think it is wrong what the company intends to do, is already doing, or has already done. The second requirement is that potential or actual wrongdoing deserves a consequence in terms of a warning, a sanction, or a punishment. Crime refers to acts that are considered bad and that should be punished.

As the term social license suggests, it is predominantly centered on permission for business activity that is not regulated by the law. The legal license refers to laws that describe wrongdoing and punishment. In the absence of laws for many instances and incidents of wrongdoing, the social license fills the gap by substance in messages from sources of license authority. The social license refers to "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" (Saenz, 2019: 297). The social license is "the set of demands and expectations held by local stakeholders and broader society about how a business should operate", and "a license is then said to be granted if the business is deemed to have met these demands and expectations—and thus is viewed as being socially acceptable" (Hurst et al., 2020: 1). The social license is "a social construction to which various stakeholders contribute" (Baba et al., 2021: 248). The social license is an expression "often used in the context of a possible disapproval of their activities, when such disapproval may result in resistance that could harm business interests", and the expression "refers to mainly tacit consent on the part of society toward the activities of the business" (Demuijnck & Fasterling, 2016: 675). Further scholarly definitions of the expression were presented in the introduction.

A distinction can be made between the static and the dynamic vision of social license to operate. The static vision suggests that obtaining

the license mainly results from acceptable practice, while the dynamic vision suggests a continuous exchange to influence practice (Baba et al., 2021). The dynamic vision is a matter of maintaining relationships with stakeholders (Hurst et al., 2020: 2):

> While operational impacts will play a pivotal role in determining whether an entity is perceived as trustworthy, research also suggests that procedural fairness, quality of contact, promise keeping, and the development of a shared agenda are important in supporting organization-stakeholder relationships.

Procedural fairness in the quote refers to the extent a business listens to and respects opinions of relevant others. Quality of contact refers to the stability and content of relational exchanges between the business and relevant others. Promise-keeping refers to authenticity in voice and action. Shared agenda refers to development of joint perspectives and values where the business can develop mutually supportive initiatives with the community and other stakeholders that are in line with expectations, aspirations, and perceptions (Hurst et al., 2020).

According to Rooney et al. (2014: 209), a social license refers to "an informal agreement that is granted by communities and relevant stakeholders to an organization or industry working in the local area":

> Organizations holding a social license may not even recognize they have one. However, when a social license is removed it becomes obvious to all, incurring both human and economic costs that sometimes can be irreparable.

There are various reasons why certain kinds of wrongdoing are not regulated by laws. One reason is that law making is often lagging behind citizens' perceptions of what is so wrong that it should be punished. Another reason is that law makers do not consider some forms of wrongdoing serious enough to regulate the matter by law. Furthermore, inefficient law enforcement and missing links in the criminal justice system can cause an absence of a clear institutional authority even when there are relevant laws (Hamerton & Hobbs, 2022).

The content of a social license is permission for business activity when requirements in messages from stakeholders have been met (Haines et al., 2022: 186):

> This social permission and the currency of the term provide a potentially important enabler for communities to control the activities of the business in their midst and reduce associated harms. At the same time, the absence of a clear institutional authority underpinning the social license means that its legitimacy as a business requirement can be challenged. The centrally social character of the social license also means that tensions around what is and what is not socially desirable business conduct often emerge simultaneously and can settle on the same activity. Legal and regulatory regimes are ordered around specific harms. A relatively straightforward orientation to hold a business to account for specific harm under the law (safety, environmental damage, fraud) from a social license orientation becomes a multi-faceted struggle over what is desirable, what is undesirable and who has the right to decide whether the business activity should or should not proceed.

Therefore, the social license is not as straightforward as the legal license. Rather, the acceptance of a company or industry's business practices and operating procedures depends on opinions in the community that might diverge between corporate employees, corporate executives, shareholders, investigative journalists, public activists, politicians from various political parties, and the general public. The messages from these kinds of sources might be questions in terms of their legitimate authority, their content, as well as their form as confrontational or cooperative. Nevertheless, the overall ambition of a social license is to bring about agreement between company and community and assert the license value as essential to industry operations.

Given the latter criteria of being essential to industry operations, both authority of actors and substance of their opinions become a matter of power and influence. Bottom-up initiatives as well as outside-in initiatives only become determinants for granting social license if the actors are able to be recognized as essential to business and industry operations. From the perspective of the potentially accused business, it is important to listen to the community in assisting the business, obtain the