

# White Paper: September 25, 2015

---

## The Power of Social License in the North American Casino Industry

Kara Holm and Helen MacMillan, with Robyn McIsaac

### ABSTRACT

Government agencies, private casino operators, as well as First Nations and Tribal casinos in North America are all reliant on social license – whether they know it or not. Without social license, gambling would be more controversial, more stigmatized and would not be normalized as a form of entertainment. Social license is a complex, mutable, multi-stakeholder calculation that grants the power to operate today, tomorrow and in the future. The prevailing source of influence over the license to operate is held by the public, but there are many opportunities for interested parties to positively impact and strengthen their position. Most operators and agencies do not collaboratively or holistically work to earn social license, nor is it strategically managed. The authors review the context for social license in the casino sector, and identify specific considerations for private operators and government agencies individually, as well as their shared interests. The question of social license for First Nations and Tribal operators in Canada and the United States is also considered.



*“Social license is a shared interest of government agencies and/or regulators and operators as they collectively work to meet their goal of sustainable, responsible revenues from casino gambling.”*

### Issue:

Since social license is directly tied to financial results for casino operators and their government partners, as well as to the sustainability of the business, **should building and maintaining social license be a collaborative, strategic and deliberate effort, engaging and aligning all concerned parties?**

### Definition:<sup>1</sup>

*Social License is rooted in the beliefs, perceptions and opinions held by the local population and other stakeholders... It is therefore granted by the community. It is also intangible, unless effort is made to measure these beliefs, opinions and perceptions. Finally, it is dynamic and non-permanent because beliefs, opinions and perceptions are subject to change as new information is acquired. Hence the Social License has to be earned and then maintained* (emphasis ours).

### Assumption:

Building and maintaining social license for casino operations is critical to the success of a casino as a business in a given market. This assumption has been made by the authors, based on their experience and observations of the casino industry in North America.

### Context:

In the casino industry, social license is a shared interest of government agencies and/or regulators<sup>2</sup> and operators<sup>3</sup> as they collectively work to meet their goal of sustainable, responsible revenues from casino gambling. This ensures player protection through a framework focused on security and integrity. The social license for casino operations and the broader gaming industry is ultimately controlled by the public, not the government or operators, which can be confounding to the entities trying to shape and manage something that has so many external influences.

---

<sup>1</sup> Ian Thomson and Robert Boutilier (<http://sociallicense.com>)

<sup>2</sup> There are a number of models in use in Canada and the United States that establish the relationship between private operators and the government (the Crown, the State, and municipalities) for which they are earning revenues. The authors of this article have elected to speak generally about government agencies and regulators, understanding that readers in any market will have some experience of how this general category is implemented in their own jurisdiction.

<sup>3</sup> Typically, operators are private firms, although some instances, such as Manitoba, Ontario and Saskatchewan the provincial governments operate the casinos without the involvement of a private company.

strategic undertaking that considers the complex array of factors that contribute to social license (detailed below). In practice however, social license typically *happens*, rather than being proactively earned and maintained.

There are multiple, interrelated touch-points that influence social license for casinos specifically, and gambling more generally, including:

- Corporate reputation of the operator(s) in the local market and in the national/international business community;
- Public acceptance of gambling generally and casino gambling specifically in the local jurisdiction;
- Government support for casino gambling;
- Media environment;
- Other types of gambling and the public perceptions of those (including online gambling, ticket lottery, video lottery, and Tribal or First Nations casinos);
- Perceived entertainment value beyond games of chance offered by the casino;
- Level of casino / industry philanthropic activity within communities;
- Consumer confidence in game integrity, security and fairness at the casino properties;
- Location of the operation;
- Relation to other non-casino entertainment options (bars, restaurants, theatres, sport clubs etc.);
- Responsible gambling protocols, programs and considerations;
- Strength of the anti-gambling lobby;
- Public understanding of how casino revenues help build and support communities through dedicated funding to specific causes or the general government budget in support of infrastructure, programs and services;
- Positive perceptions of employment and other economic impacts from casinos (tourism, for example).

At different stages in the industry's evolution in a market, the priorities and key influencers that affect social license may shift. Social license does not become less important as a business ages, it may become even **more** important, as struggling operators in mature markets can confirm. Each touch-point comes with its own set of issues, accountabilities and tasks. Some parts of the whole may fall more logically within the purview of one partner or the other. With all the fragmented parts, it is no wonder that operators and governments find it difficult to perceive social license in a holistic manner.

*“Social license as a concept, let alone a conscious business objective, is not top-of-mind for operators or strategically managed.”*

### Casino Operators:

In our experience, “social license” as a concept, let alone a conscious business objective, is not top-of-mind for operators or strategically managed. Activities that influence social license may be business priorities, but they would be considered individually and not explicitly within the social license envelope. An excellent example is the priority which operators place on game integrity and security, both of which are foundational to casino operations. While understanding that game security and integrity are absolute requirements for casino operations, operators may not consider how important these are to the public or how connected the public is with support for the industry.

Many operators are not proactive in managing relationships with important stakeholders, like community groups and the business community, even though this is an important way to influence social license. Government and community relations are not high on the list of operational priorities for casinos because they are not linearly correlated with revenue objectives.

Corporate social responsibility (CSR)<sup>4</sup> also feeds into social license. We observe that many operators only consider their corporate giving when they use this term, when in fact there are other business activities incorporated under CSR, including responsible business practices to operate in an economic, social and environmentally sustainable manner. There is very little reporting, if any, among gaming operators on CSR, and when there is, it rarely includes all aspects of CSR. Too many operators are spending time and money based on a narrow definition of corporate social responsibility without connecting it back to strategic business objectives (acquisition, growth), leveraging investments, analyzing the outcomes of their investments, including social license.

Some activities which support the development and maintenance of social license are imposed on operators by regulators or included in the operating agreements with crown agencies or states. These requirements can include:

- Responsible gambling programming;
- Advertising restrictions;
- Hours of operation;
- Game testing and game integrity;

---

<sup>4</sup> Corporate Social Responsibility (sometimes referred to as corporate responsibility or social responsibility) is a business consideration when companies operate in an economically, socially and environmentally responsible manner. When they do so transparently, it helps them succeed, in particular through encouraging shared value and social license (adapted from <http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/other-autre/csr-rse.aspx?lang=eng>).

*“Consider that without the efforts to earn and maintain social license, gambling would be even more controversial, have more of a stigma attached to it and would not be normalized as a form of entertainment.”*

- Dealer to supervisor ratio;
- Cage and count room procedures;
- Anti-money laundering and other financial protocols;
- Surveillance requirements (both technical and human resources);
- Training, certifications.

Operators fulfill the requirements of their regulators and partners, often we suggest, without considering or strategically leveraging the many benefits they receive from fulfilling these responsibilities. It is clear that the main benefit of complying with regulatory and contractual requirements is the opportunity to keep the partner relationship in good order. There are, however, other benefits, which are highly valuable to operators. Consider that without the efforts to earn and maintain social license, gambling would be even more controversial, have more of a stigma attached to it and would not be normalized as a form of entertainment. New products would be difficult to introduce and the ability to change operational processes and reduce the need for regulator involvement would be difficult.

Having social license also benefits casino employees, and this is good for business. Happy employees offer a better experience to customers and there is lower turnover. Satisfied employees help protect and grow revenue and save money. When there are inaccurate or negative news stories about a casino and the people who play or work there, it is hurtful and embarrassing for employees. Having a workplace where people are proud of what they do has a positive impact on the business.

#### **Tribal/First Nations Operators:**

Tribal Gaming organizations in the United States and First Nations operations in Canada must consider social license as well.<sup>5</sup> Operators of Tribal and First Nations organizations have different relationships with state or provincial and federal authorities than private operators, which are the primary focus of this paper. However, these groups also need to influence the members of their communities as well as the general population in the areas where they operate. The direct engagement with members of American Indian and First Nations communities and the public at large is critical to generate support for the operations and drive visitation.<sup>6</sup> It is also critical to ensure a sustainable and trusted offering, and to build credibility for future negotiations with various stakeholders to increase the scope of operations.

---

<sup>5</sup> The authors have attempted to use the most current terminology, recognizing that preferences and conventions are different in Canada and the United States.

<sup>6</sup> As of September 2015, the operators of two Tribal casinos in Connecticut are actively thinking about social license as they have received State approval to open a casino on non-tribal lands in response to new competition in an adjacent state. Government support for the deal is not enough. They need the public to support the project.

*“For provincial or state governments, social license is the price of entry into the gambling industry.”*

First Nations and Indian groups are not always subject to the same regulations as private operators. Smoking, for example, is an option in First Nations casinos across Canada, but is banned in private or government operated casinos. On one hand, this is a competitive advantage, as some players would like to be able to smoke and enjoy their favorite games. It also presents a challenge, as it is counter to dominant public values that are concerned about the long term health risks of smoking, the cost to the tax payers and the potential liability of health implications to employees.

We have observed that while many First Nations and Tribal operators do not have the same responsible gambling requirements that are regulated elsewhere, progressive operators have implemented positive responsible gambling protocols and training on their properties. These proactive operators understand that it is good for the guest experience, good for business and helps maintain public support.

#### **Government Agencies & Regulators:**

Government partners and regulators necessarily treat social license as a priority. As with operators, they may not use the term or talk about social license explicitly. However, it is well understood that the people they represent must support the idea of receiving revenues generated by gambling for public use.

Essentially for crown or state governments, social license is the price of entry into the gambling industry. While it may not be addressed or discussed overtly, it is the critical foundation on which the operation is built. Social license is the strategic element that is integrated into all decision making, and drives stakeholder and government relations and risk management measures. It is how private operators are able to offer games of chance and continue to operate the business on behalf of government. If products were seen as unfair or unsafe, the government’s ability to generate revenue from this form of entertainment along with the perception and acceptance of gambling as a normalized activity would be outweighed by a number of voices in the community, communicating the impacts of problem gambling and social harm. Actions that earn social license need to be taken and actively demonstrated and communicated to build public and political trust and confidence, and to balance social considerations with economic impacts and sustainability of the industry.

Government agencies and regulators must balance their need to promote their responsible industry and fulfill their revenue-generating mandate with the influence of the anti-gambling lobby and the shorter term priorities of elected officials. It is a difficult task and one that often gets confused, creating conflicting messages that negatively impacts the social license.

***“Social license must be earned and maintained.”***

potentially wrapping their public positioning on problem gambling programs, addiction services and/or responsible gambling in the “social license” blanket. From a political perspective, the communications risk is always focused on problem gambling and the related harms. This can cause misplaced confusion for the public and potential players as it suggests that there is a “foreboding”, rather than a “fun” aspect to casino gambling. It puts government agencies in the awkward position with the public of “sucking and blowing” by focusing the narrative on the risks rather than the benefits.

Problem gambling should not be the main public discussion. Concern must always be authentic and apparent for the very small number of individuals who would be classified as pathological problem gamblers. The process of building trust hinges on the ability to clearly identify the services and programs that are available for those individuals with concerned stakeholders, and the prevention measures in place to reduce the risk of further social harm. Once a response to the question of problem gambling is in place, governments can redirect the conversation to the positive impacts of gambling for communities, focusing on the measures taken to offer responsible, fair and safe operations. This allows governments and their operating partners to further build trust and credibility.

### **Outcomes and Measurements:**

Measuring social license is critical to the discussion but it is often left out of the equation because the question of social license is not formalized within organizations. In order to understand whether strategies to earn, build and maintain social license are effective, operators and government agencies must have a plan to evaluate their activities as a whole, not simply on a program-by-program basis.

Measures can and should include:

- Public Perception;
- The ability to obtain political support and approvals more quickly;
- The opportunity to modify or update regulations to facilitate a more The ability to obtain stakeholder buy-in and support;
- The ability to dedicate funding and tie gambling revenues to good causes (such as sports, culture, health and education);
- The ability to earn positive media coverage;
- The ability to achieve high levels of employee satisfaction working within the gambling industry;
- The ability to offer products that are relevant and enjoyed by players;
- The ability to foster new partnerships within the community;
- The ability to expand gambling and introduce new products and experiences without controversy.

*“Investments in social license reduce risk to the province or state and well as the stigma associated with gambling in general.”*

*“Social license is a long-term business development strategy, and therefore it must be included in the big picture vision of the business with measurable outcomes.”*

### Conclusions:

There is an opportunity to harness the power and influence of social license to help generate results for all parties and improve the player experience. Investments in social license can result in lasting partnerships in the community and will result in increased competitiveness by allowing the operator to introduce new and innovative products in a timely manner. It will allow operators to grow their player base by appealing to a broader segment of the population as an accepted and fun entertainment option, which increases sustainability of the industry. Social license allows the operator and government agencies to connect gambling to good causes and demonstrate the many benefits of gambling in the community. It enables operators to build an engaged workforce that is proud to work in the industry. Investments in social license also reduce risk to the province or state and reduces the stigma associated with gambling in general.

Social license is so much more than responsible gambling, corporate social responsibility and game security and integrity. The states, Crowns and operators that successfully talk about social license – whether they use the term or not – are able to purposefully and strategically layer regulations, controls, responsible gambling programming, community outreach programs, sponsorships, employee relations, and public profile together. Ideally government agencies and operators are aligned and able to clearly articulate ‘where the money goes.’ Regions with the strongest social license are those where all of these things are aligned and politicians speak with confidence – are even able to defend – the contributions casinos make. Any of the operator or government agencies that consider their quarterly ‘public acceptance’ or ‘corporate citizenship’ score as their Key Performance Indicator for social license are either new to the game, lack resources or have yet to figure out that social license is a long-term business development strategy.

As social license is so important to establishing and maintaining a successful casino be identified as a key business objective, with senior leadership engagement with both the operators and their government partners. Because social license is complex and broad, it is sometimes challenging to consider all of the parts as a whole, rather than siloed activities within organizations or business departments. It is therefore critical that social license is included in the big picture vision of the business with measurable outcomes.

### About the Authors:

**Helen MacMillan** is Founder and Principal Advisor of All-In Gambling & Hospitality Advisory Group Inc. Prior to launching All-In Helen spent 15 years working in senior marketing and operational roles with Caesar's Entertainment, Great Canadian Gaming Corporation, and at Casino Nova Scotia and Hotel. Helen's approach recognizes that businesses are not isolated from the communities in which they operate and strives to ensure success for the business means success for the community. Her 'anything can be done' approach stimulates innovative strategic thinking, leading to positive top and bottom line results.

**Kara Holm** is an independent business consultant who specializes in helping clients to identify opportunities through enhanced understanding of their customer leveraging research, and converting consumer insights into actionable business strategies. Her experience includes extensive work in the private, public and non-profit sections. Kara is now part of the All-In Gambling & Hospitality Advisory Group and curates the online publication "It Is A Dirty Job! Reflections on the Customer Experience & More."

**Robyn McIsaac**, BPR, MPR, owns and operates Infuse PR. She has recently joined All-In Gaming & Hospitality Advisory Group as an advisor leveraging her expertise working as Vice President, Responsible Gaming & Communications at the Nova Scotia Gaming Corporation. Robyn has more than 20 years of professional experience in a variety of sectors, including gaming and health, and a special understanding of Corporate Social Responsibility.

*The team would like to thank **Lindsay Wadden**, BA, LL.B. for her comments and suggestions.*

### About All-In:

All-In Gaming & Hospitality Advisory Group Inc. is an innovative new Canadian-based think-tank that offers a unique, blended perspective that considers the customer, operators and government agencies and regulators in the delivery of gaming experiences and associated revenues. We believe in strategic alignment of all aspects of the business to deliver exceptional customer experiences and drive revenue responsibly. All-In is your partner in the game!