

COMMUNITY ENGAGEMENT: AN INTEGRAL COMPONENT OF CSR FOR LOCAL DEVELOPMENT AND SUSTAINABILITY OF PALM OIL INDUSTRY

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ABSTRACT

Palm oil is consistently outperforming all other substitute vegetable oils in terms of the price and becomes an important food ingredient around the world. Malaysia is the second largest producer of palm oil in the world market. Meanwhile, the rapidly expanding global biofuel sector can grow into an important new market outlet for Malaysia. In order for the company to gain business profits through the palm oil industry internationally, there are detrimental effects on the element of CSR which involve natural environment, local community, stakeholder relationship and original country image. Moreover, many companies ignore the consequences from the deforestation and open burning where those activities are, in fact, the cause of global warming as well as severe haze that happen every year. Since this industry becomes the most important industry for Malaysian economic, the palm oil companies should ensure that their business activities sustain over the time in the global market. Most of the palm oil companies take into consideration of CSR programme as one of their business sustainability strategic management. Therefore, the CSR becomes one of the strategic initiatives taken by the company to address the issues related to palm oil industry. Based on the interview conducted, researcher illustrated the result in a form of model. This study indirectly will help companies and community to collaborate and to take care each other.

Keywords: Corporate Social Responsibilities, Palm Oil, Engagement, Stakeholder, Sustainability.

INTRODUCTION

Palm oil is consistently outperforms all other substitute vegetable oils on price, it is also becoming an important feedstock globally. It has a huge range of uses including in foods-particularly biscuits, margarine, frying oil, sauces, ice cream, mayonnaise, chips, chocolate and livestock feed-and in other derivative products such as soaps, shampoo, cosmetics, paints, detergents, and grease in the metal and leather industries. Malaysia Palm Oil Industry (MPOI) has competitive advantages since Malaysia has over 100 years of experience in this industry as well a strong market leadership in terms of productivity and R&D. Today, Malaysia has become one of the largest producers and exporters of palm oil and palm oil products in the world with 44% of world export and 39% of world palm oil production. The industry provides more than half a million of employment. The MPOI has since undergone two further phases; from 1970 with the expansion of large scale planting had moved Malaysia to involve in extended upstream operations off-shore, particularly to Indonesia where adequate supply of workers, availability of land for plantation development and cost of production is lower than in Malaysia. But

nevertheless, in order the companies to gain more business profit through the palm oil industry internationally, there are adverse effects on the element of CSR which involve natural environment, community or society, stakeholder relations and also origin country image. Whereby, in the management perspective, CSR seems to refer only to additional input to social charities and due to the social progression and evolution, now CSR is gradually considered as a manifestation of ‘corporate citizenship’ (Shiu & Yang, 2017).

LITERATURE REVIEW

Issues in Palm Oil Industry

Many scholars and activists have widely addressed the issues from production and plantation of palm oil which is deforestation, forest fire and haze, social conflicts and also the extinction of many species of animals (Gunarso et al., 2013; UNEP, 2007; World Bank Group, 2011; Zahari et al., 2005; and NGO's-RAN, FOE, SAWIT Watch, WENGO), which is later on will affect the quality of life of community surrounding the plantation. And there is also will incur inequitable of benefit sharing between the organization and local communities and adverse impacts to the indigenous people (World Bank Group, 2011).

The statistic shows that the palm oil industry is the main cause of rainforest destruction in Malaysia and Indonesia (UNEP, 2007). Whereby, Indonesia has third highest rate of deforestation in the world and the first highest rate of deforestation in the world goes to Brazil (Weisse & Goldman, 2017). However, this industry is still the most important industry for those countries since it becomes the main contributor for national economic. The intention to increase the national economic through this industry needs the palm oil companies to ensure that their business activities must sustain over the time in the global market. Yet, sustainability cannot be achieved without a good management strategic. Most of the palm oil companies take into consideration of doing CSR programme as one of their business sustainability strategic management programmes. Because of this reason, palm oil companies are expected to resolve many social, environmental and economic issues such as poverty, climate change and many more. Hence, the CSR becomes one of the strategic initiatives by the company to address these issues. CSR is not just a publicity program to gain stakeholder positive perception but also to help companies achieve good economic environment by understanding the true meaning of CSR as a corporate behavior-environment, energy, products, community involvement, human resource and also economic responsibility.

Stakeholders’ perception and interest are very important to Palm Oil Companies and required the companies to engage with them. Stakeholder Engagement (SE) is one of the integral components of CSR. This serves as a platform for communication between the companies and the stakeholder that involve directly or indirectly with the companies’ business activities. This component of CSR also serves as viable means for the companies’ business sustainability. Moreover, the management of a corporation should attempt to maximize the positive impacts and minimize the negative impacts of its routine business activities on society. The SE process can be defined as a process that organization takes to involve stakeholder in a positive manner in the plantation activities which include processes of developing, establishing, and maintaining stakeholder relation and also can be included stakeholder identification, communication, dialogue, consultation and partnership (Greenwood, 2007; O’Riordan, 2011). SE is to function in reducing negative effect of companies’ plantation and operation such as social gap between company management (newcomers) and community directly for the provision of employment

opportunities, coaching and mentoring program that offer by the companies. Based on the review and understanding on SE, researcher illustrated it in the Figure 1 below:

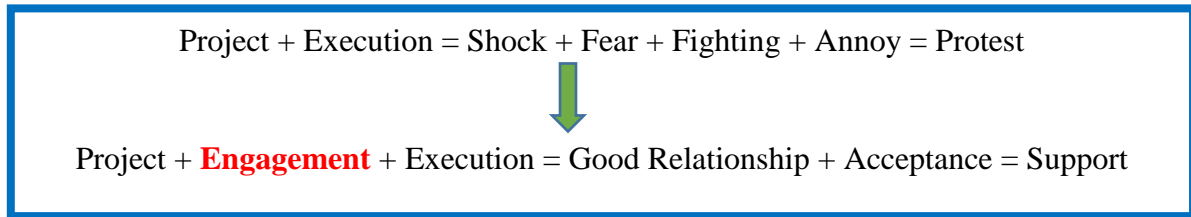


FIGURE 1
WITH AND WITHOUT STAKEHOLDER ENGAGEMENT

Accountability, as a form of employee involvement, as a method to gain trust or as a substitute for true trust, as a discourse to enhance fairness, and also as a mechanism of corporate governance (Greenwood, 2007). And not to forget, this practice also can be a mechanism to gain support from the local community. As stated in the study by Abdullah et al. (2017), it is argued that, the main nature of Community Engagement (CE) is as a mechanism to enable the company to have effective communication with locals. CE provides the community an opportunity to voice their concerns about plantation activities and to work together with the company in its efforts to move towards sustainable development of the industry. This engagement also offers the company an opportunity to seek, to listen to and to address concerns raise by the community regarding plantation activities and to meet their expectations as well. Both the company and community will equally benefit if such engagement is properly implemented in an effective manner.

METHODOLOGY

The research approaches to be applied in this study is the qualitative research approaches to gather more information and describe the situations involving the process. Obviously, the qualitative research methods tend to allow more depth and details of information gathering than the quantitative methods. Moreover, the qualitative methods also provide a way of collecting data that is viewed as natural rather than artificial. In this qualitative study, the researcher has adopted case study strategy. According to Carson et al. (2001) in social science study, a case study is the best method to be applied to answer the questions and issues or problems which are relatively complex and little is known. Thus, the researcher found that the case study to be the most appropriate research strategy for this study since it offer a holistic view of the subject matter under the study. And what more, this study tries to explain the reality (phenomenon) rather than to measure them.

The data collection method for this study is using primary data where the researcher collects primary data through semi-structured in-depth interview on an individual face to face basis. This research focuses on Malaysian Palm Oil-Based Multinational (MPOB MNE) companies that plant or operate internationally, especially undertaking FDI in Indonesia as a population for this research. The researcher had interviewed five MPOB MNE companies that listed as Government Link Companies (GLC) and have operated in Indonesia. An interview is one of the evident sources for this case study. The in-depth interview involved informants from different companies, different provinces and numerous managerial levels. An interview protocol has been prepared to ensure the consistency of the interview process. Actually, there are

numerous of MPOB MNE operating in Indonesia but only five of them give good responses and cooperation to the researcher while conducting this study. The researcher chose these MPOB MNE companies involvement in this study based on the three main reasons: 1) These companies are the major players in the Malaysian palm oil industry, 2) these companies have many subsidiaries in Indonesia province and have contributed two-third of Indonesia oil palm production together with Singapore companies, 3) these companies have capabilities and enough resources in order to apply CSR concept in respect to the CSR stakeholder engagement. Furthermore, the choice of places such as Riau province, West Kalimantan and Aceh as field work for this study is due to the fact that these places are considered to be the main area of palm oil plantation for Indonesia.

RESULTS

To get the reliable result, this study conducted interview sessions with the head of community, the locals, and companies' employees (local people) that reside in the plantation area for more than 20 years. This study employed more than 20 informants who have direct or indirect relationship with companies in the palm oil business and can be considered as an experienced dealing with the MPOB MNE companies. A lot of information had been gathered especially in reality of the stakeholder engagement by the companies. When all respondents were asked about their awareness of MPOB MNE companies' CSR involvement, most of the answers were that they only knew little about CSR Engagement and did not worry about it as long as their daily routines were not affected. Many of them pointed out that they did not aware of the SE but they agreed that the companies made little contribution to them in term of income and employment opportunity. They also agreed to support if the company wish to expand the planting area with conditions the companies should care more and be responsible to the inland community needs. In other words, the companies must play vital role in SE if they want to stay longer (gain support from locals) and to have a worthy relationship. The result is best illustrated in the Table 1 below:

Code	Sub-Code	Details	Finding
Capacity building	CSR awareness	Community and employee knowledge on CSR concept practices by the company	Low awareness, basic knowledge and confused about CSR concept among informants
	Training and education outreach	On new technology and system (gouged skills)	Education infrastructure, less training provided and Non-scholarship scheme offered.
Building Relationship	Personal Contact	Manager to community (don't used middle person)	Direct with head villages only (not direct with locals)
	Two-Way Communication	Two-way communication-informing the community	Company A and C, there is no two-way communication. Company B, D and E have two-way communication.
	Cultivating relationship	Involved and participating together in any occasion.	Company A and C- none activities for cultivating relationship Company D- the relationship become rigid between communities and top management when the company rotate

			new management staff for every 2 years' time Company B and E have good relationship with community-lead for positive perception
Socio-Economic Development	Collaboration or partnership	Special project offered	Freshwater fish only introduced by company D and other companies have not implemented yet.
	Monitoring/regulating	Services after any project	No one to represent the company in monitoring the project
	Employment Opportunities	Offer employment opportunities to locals and encourage for more employment opportunities.	Pekanbaru-majority informants agree that company offers employment opportunities but for the new generation who have just finished study do not have equal employment opportunities West Kalimantan & Aceh- all informants are very satisfied with the employment opportunities being offered by the company

Therefore, all of these will give impact to the integrity, harmonization, sustainability and also development. Later on, stakeholders (communities, suppliers, government, NGO and employees) and companies have good relationship and collaboration in order to make the CSR engagement to be successful so that the palm oil industry will be sustained for a long term basis and society lives in harmony and also well developed.

DISCUSSION

With the current economic situation, companies should be more aggressive in practicing CSR Engagement with inland communities to maintain profit, image and reputation as a large international company and this will benefit both parties. Larger companies need to practice more CSR Engagement activities than smaller companies as they have better financial support and tend to have a greater impact on society (Haniffa & Cooke, 2005; Russo & Tencati, 2009).

CONCLUSION

As a result, this study concludes that from the understanding and monitoring of CSR Engagement in companies, inland people involvement is also important for the success of the CSR Engagement process. In general, it will be a tradeoff and it is for the company to decide on balancing some of the needs of the inland communities as it is important for the company to remain competitive in the global market. Instead of making money fast from palm oil production, the Indonesian government should strive to control the indirect impact and especially to investigate the problem of how to make the palm oil-based economy more sustainable and fair in the long term. Without government intervention and with the laissez-faire approach, today's palm oil expansion will soon lead to a lack of natural resources and increase of social tensions due to unemployment and food insecurity. Thus, the model presents by researcher will help companies, government and communities to improve standard of living in between to make palm oil industry sustainable in long term basis.

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