Corporate-Community Engagement—The Case Study of Malaysian Palm Oil Companies in Indonesia

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Abstract Corporate-community engagement is one of the integral components of Corporate Social Responsibility (CSR), this is especially challenging in international business endeavour where a company is considered a foreign entity and any negative encounter against a local community would easily backfire its existence as well as portrays negative image of its home country. By and large, any business' CSR initiatives in whatever forms and shapes would positively contribute to the triple-bottom-line of business, namely profit, people and planet. Apart from looking after its employees, engaging local community is inevitably included under the people bottom line. Malaysian Palm Oil Companies over the last three decades have expanded their activities in Indonesia to gain competitive edges by tapping attractive land's price and relatively cheaper labour resources. Notwithstanding of socio-economic contribution of Malaysian Palm Oil Companies in their host country through job opportunities, improvement in infrastructure as well as economic gains by Indonesian government through tax payment, not much has been studied about their benefits to local communities who live within the vicinity of the palm oil plantations. Against this academic lacuna, this study aims to investigate level of engagement of Malaysian Palm Oil Companies in Indonesia with local communities by using six companies as the case study. Utilising on qualitative method where interviews were conducted with the community leaders and palm oil companies' management in various provinces in Sumatra and Kalimantan. The results of the study found that majority of those companies hardly engage with their local communities. These findings are instructive where Malaysia Palm Oil Company needs to proactively embrace and engage community engagement through a deeper, meaningful and continuous collaboration

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₂₄ the local communities in order to gain minds and hearts of their existence which in
₂₅ turns can contribute to the sustainability of their companies and also the palm oil
₂₆ industry.

₂₇ **Keywords** Corporate-community engagement · Sustainability · Malaysian Palm
₂₈ Oil Companies

1 Background of the Study

₃₀ Since the introduction and scientifically propagation of oil palm plantations in the
₃₁ South East Asia in the late nineteenth century by Western colonials, palm oil produc-
₃₂ tion has increased exponentially and has been consistently outperformed all other
₃₃ edible oils. It has a huge range of uses in foods—particularly biscuits, margarine,
₃₄ frying oil, sauces, ice cream, mayonnaise, chips and chocolate. It is also used in
₃₅ other derivative products—including soaps, shampoo, cosmetics, paints, detergents,
₃₆ and grease in the metal and leather industries. Although Indonesia has overtaken
₃₇ Malaysia in terms land acreage of oil palm plantation and volume of production of
₃₈ crude oil palm, Malaysia palm oil industry (MPOI) has competitive advantages in
₃₉ terms of high crude oil productivity per hectare as well as development in palm oil
₄₀ industry due to the continuous R&D in both upstream and downstream sectors of the
₄₁ industry.
₄₂   In general, the MPOI has undergone four developmental phases: first, during the
₄₃ colonial time when the crop was first introduced in the country, second, from the early
₄₄ independent in 1957 to the 1980s where oil palm plantation expanded leaps and bound
₄₅ in Peninsular Malaysia due to government scheme—FELDA. Third, in the 1990s
₄₆ where the expansion of large scale of oil palm plantations especially in Sabah and
₄₇ Sarawak by private sectors. Fourth phase, in the end of the 1990s and the early 2000s
₄₈ MPOI extended its upstream operations off-shore, particularly to Indonesia. The
₄₉ international expansion of the industry has been largely justified. In Indonesia, there
₅₀ is adequate supply of workers and availability of lands for plantation development
₅₁ and cost of production relatively lower than in Malaysia. But nevertheless, expanding
₅₂ overseas, has its own downside. Apart from complying with the nitty–gritty of the host
₅₃ country's laws and regulations, winning the minds and hearts of relevant stakeholders
₅₄ is also crucial to ensure its presence is positively welcomed and meaningfully felt.
₅₅   Unlike in the past where the bottom line of business was always and solely about
₅₆ financial profit, nowadays it has expended to the welfare of staff and well-being of the
₅₇ local communities as well as looking after the natural environment through environ-
₅₈ mental conservation and preservation. In short, any businesses' sustainability relies
₅₉ on those 'triple bottom line'. While, financial profit is always on the top priority,
₆₀ no business will ignore it and would level its best to maintain its survival. Environ-
₆₁ mental and social issues are yet to be fully embraced by businesses especially when
₆₂ pressure exerted by stakeholders are not strong enough for them to do so. As far as
₆₃ literature is concerned, this also rings true for players in the palm oil industry. As

⁶⁴ for MPOI, its existence in its neighbouring country, Indonesia represents the image
⁶⁵ of its own country Malaysia. Unlike, operating in the home country, any negative
⁶⁶ impacts associated with Malaysian Palm Oil Companies (MPOC) will have negative
⁶⁷ consequences to them as far-reaching impacts to Malaysia. Realising this, MPOC
⁶⁸ could not help but to comply with the laws and regulations of its host country. But
⁶⁹ complying with the laws and regulations is considered the least MPOC can do. It
⁷⁰ should go beyond compliance by doing something beyond its responsibility.

⁷¹   In this case proactively, continuously and meaningfully engages with local
⁷² communities where their plantations are established is essential to say the least.
⁷³ In the era of IR4.0 where news spread 'like wildfire' where in just a click of a
⁷⁴ mouse, any good or bad deeds will be locally and internationally exposed. It has a
⁷⁵ far-reaching consequence to the MPOI and Malaysia's image. Indeed, the existence
⁷⁶ of MPOI in Indonesia is a litmus test of its international expansion, by being at a
⁷⁷ forefront and a champion in corporate engagement with local communities in the said
⁷⁸ industry ensure positive and favourable international reputation and in turns create
⁷⁹ competitive edge and sustainability.

⁸⁰   Notwithstanding of socio-economic contribution of Malaysian Palm Oil Compa-
⁸¹ nies in their host country through job opportunities, improvement in infrastructure as
⁸² well as economic gains by Indonesian government through tax payment, not much
⁸³ has been studied about their benefits to local communities who live within the vicinity
⁸⁴ of the palm oil plantations. Against this academic lacuna, this study aims to investi-
⁸⁵ gate level of engagement of Malaysian Palm Oil Companies in Indonesia with local
⁸⁶ communities.

⁸⁷ 2 Issues Related with Palm Oil Industry

⁸⁸ Many scholars and activists have widely expressed their concerns and dissatisfaction
⁸⁹ pertaining to the expansion of palm oil industry in the Southeast Asia, amongst others
⁹⁰ its association with deforestation of tropical rainforests, forest fire and haze, erosion
⁹¹ and sedimentation, local climate change and also the extinction of many species of
⁹² flora and fauna (Gunarso et al. 2013; UNEP 2007; World Bank Group 2011; Zahari
⁹³ et al. 2005). Consequently, affecting the quality of life of the communities who live
⁹⁴ in and surrounding the plantations and conflicts occur when local communities react
⁹⁵ against the players of the industry. While it cannot be denied that palm oil industry
⁹⁶ expansion has brought many positive impacts to the local economy, but inequitable
⁹⁷ of benefits between the organization and local communities is usually observed and
⁹⁸ adverse impacts to the indigenous people have been highlighted by many researchers,
⁹⁹ academicians and non-governmental organisations (Yaacob and Wong 2007, WBG
¹⁰⁰ 2011).

But nevertheless, this industry up until today is the most important industry for Malaysia, Indonesia and other countries in South East Asia and Africa since it has been the main contributor for the countries' economy. Unsurprisingly, oil palm is called as the 'golden crop'. Hence, to increase and justify the national economy through this industry, palm oil companies should ensure that their business activities sustain over the time in the global market. Yet, sustainability cannot be achieved without a good community engagement. It goes without saying that more and more of the palm oil companies, especially the big ones now are taking into consideration of CSR activities to show they are socially responsible. Amongst others they engaged in various forms of donations, philanthropic activities including offering scholarship and organising events with communities. However, these programmes have no or little everlasting impacts to communities they engaged with because these activities are piecemeal in nature and ad hoc in their practices. Communities are treated as outsiders and passive receivers rather than strategic partners and collaborators. In short, community is still perceived as an externality and it is not included in the company's account, rendering it unrelated when making strategic decision and action.

As far as literature in corporate social responsibility and corporate engagement are concerned, palm oil companies are expected to expand their social responsibility horizon, to do more to empower, address and resolve social, environmental and economic issues such as poverty, climate change and to name but a few. In so doing community engagement which is part of the CSR has to be inclusive, to become one of the strategic initiatives and important agendas, need to strategize and discuss together with business related issues which contribute directly and positively to its financial coffer. Sadly speaking, now CSR has failed to be seen by businesses that it has a long-term benefit. It is considered as a mere publicity program which is exercised rather than gaining positive lights and attention from the stakeholders. In reality, CSR includes deep and meaningful community engagement that acts as a double-edged sword, not only it gives perpetual benefits to society involved but it also helps companies to achieve good reputation which in turns attract quality workers from communities, reduce negative publicity and create loyalty amongst consumers. From this point of view, CSR itself is as a valuable mechanism and platform for companies including MPOC to gain profit through the stakeholder interests.

Stakeholder's interest is very important for MPOC and it requires the players to deeply and meaningfully engage with local communities (Yaacob and Wong 2007). As previously mentioned, stakeholder's engagement is one of the integral components of CSR. This serves as a platform for communication between the companies and the stakeholders that involved directly or indirectly with the company's business activities and also as viable means for their business sustainability. Words of mouths from local communities will spread far and wide in the era of IR4.0 where social media plays crucial roles. In the era where all information can be assessed on the webs, positive images of MPOC add as an advantage.

¹⁴² While proactive community engagement is strongly laudable and welcome, first
¹⁴³ ones must understand and fully grasp the very concept of it. Community engagement
¹⁴⁴ is part of a wider company's stakeholder engagement (SE). It lays the very concept
¹⁴⁵ and practice of commitment to ensure a company behaves ethically. Simply put, any
¹⁴⁶ corporation may be deemed as responsible by a society when it acts beyond the limits
¹⁴⁷ of the law and regulations. As quoted by Davis (1973), a corporation is not being
¹⁴⁸ socially responsible if it merely complies with the minimum requirements of the law,
¹⁴⁹ social responsibility begins where the law ends. The management of a corporation
¹⁵⁰ should attempt to go to the horizon of its social responsibility, maximising the positive
¹⁵¹ impacts and minimising the negative impacts of its routine business activities on
¹⁵² society. At the end of the day, it has nothing to lose but some things to gain.

¹⁵³ SE, logically has a function to increase positive impacts and at the same time
¹⁵⁴ reduce negative effects of MPOC because it acts as a catalyst to reduce social gap
¹⁵⁵ between the newcomers in the host country and the communities. They dealt with
¹⁵⁶ not only through the provision of employment opportunities, but also with coaching
¹⁵⁷ and mentoring program that is offered by the companies to the local communities
¹⁵⁸ they live and deal with. SE propagates engagement with a community through a
¹⁵⁹ two-way communication and continuous dialogue with their stakeholders, including
¹⁶⁰ local community. This augurs well with the SE which can be defined as a process that
¹⁶¹ an organisation involves and engages with a stakeholder in a positive manner in the
¹⁶² organized activities including a process of developing, establishing, and maintaining
¹⁶³ stakeholder relation that also can be included in stakeholder's identification, commu-
¹⁶⁴ nication, dialogue, consultation and partnership (Greenwood 2007; O'Riordan 2011).
¹⁶⁵ This context of engagement is as a mechanism for consent, control, co-operation,
¹⁶⁶ accountability, it is as a form of employee involvement, as a method to gain trust or as
¹⁶⁷ a substitute for true trust, as a discourse to enhance fairness, and also as a mechanism
¹⁶⁸ of corporate governance (Greenwood 2007).

¹⁶⁹ In the study on companies' exploration by Eerola (2013), she said that because SE
¹⁷⁰ is one of the CSR components at the beginning of the exploration, companies should
¹⁷¹ communicate and inform the local community about the business activities so that it
¹⁷² can help companies to establish a good relationship with the community. But it is not
¹⁷³ only about a good relationship. It is also about a good long-term relationship where
¹⁷⁴ business is accepted by the community since the company undergo their business for
¹⁷⁵ a long-term basis so this is justifiable.

¹⁷⁶ Eerola's evaluation (2013) also can be a proper and viable mechanism for business
¹⁷⁷ to gain support from local community that an organization is engaged with. In the
¹⁷⁸ case of MPOC, SE guides and provides opportunities for MPOC to engage with
¹⁷⁹ local communities in Indonesia in its efforts to gain a win–win situation where well-
¹⁸⁰ being of a community is looked after and at the same time MPOC move towards
¹⁸¹ sustainability. This engagement also offers the company an opportunity to seek,
¹⁸² to listen to and to address concerns raised by the community regarding plantation
¹⁸³ activities and to meet their expectations. Both the company and community would
¹⁸⁴ equally benefit if such engagement is properly implemented in an effective manner.

3 Data Collection

The researchers deliberately applied qualitative approach method because it allowed in-depth and detailed information than the quantitative method. Hence it provided a better way of collecting data in natural setting which is viewed as natural rather than artificial. In this study, the researchers adopted case study approach. According to Carson et al. (2001) and Yin (2014) in social science study, a case study is the best method to be applied to answer the question and issues or problems which are relatively complex and little is known. Albeit it is time consuming and costly, the researchers found that case study was the most appropriate research strategy for this study since it offered a holistic view of the subject matter under the study.

While, face to face interview is usually the most expensive survey method since an interviewer needed to spend a large amount of time and costly because they needed to pay for travelling to and from interviews (Gray 2013). In this research, most of the data collection costs involved air travelling, accommodation and local logistics from airports to oil palm plantations, companies' office and place of settlements of local communities. Fortunately, in this study, travelling for data collection was possible because parts of the costs were covered by the allocation of the research grant provided by the Ministry of Higher Education of Malaysia. In order to minimise the cost incurred, the researchers scheduled the interviews accordingly and bought cheap return tickets from no-frill regional and local airlines in advance and as for the accommodations and logistics a few MPOC generously provided accommodation and ferried the researchers from airports to their oil palm plantations and vice-versa at no cost.

Altogether five MPOC, all Government Link Companies (GLCs) which operated in two provinces in Sumatra and one province in Western Kalimantan voluntarily agreed to participate. The researchers collected data through 30 in-depth interviews with staff at managerial level of MPOC, head villages and representatives of selected communities and a government officer through face-to-face meeting. Three major themes of community engagement involved were: i) Capacity Building, ii) Building Relationship and iii) Social Economic Development. In each and every interview, a permission was asked to audio-record the conversation. A semi-structured interview questions were used to facilitate the interviews. It was also helpful to ensure consistency and smooth flow of the questions. Prior to the interviews, the researchers prepared the interview protocol to ensure efficiency, consistency and validity of the interview's process. The interviews were conducted in the four visits, January 2016, March 2016, December 2016 and March 2017. The informants for this study came from multiple demographic backgrounds. The youngest informant was age 28 years old, and the oldest informant was 68 years old. Majority of them have between 20 to 40 years of experience in dealing with palm oil plantation. As far as education level was concerned, the informants' education level varies, but most of them had completed schooling at the secondary level. Data were transcribed shortly after the interviews and were analysed using ATLAS.ti software according to research themes and subthemes which were identified through extensive literature review.

4 Findings

This section deliberates CCE involved between MPOC and local communities. The researchers examined each of the company's engagement with its local communities based on the code and subcodes appearing in the analysis. Overall, there were two groups of companies in relation of CCE of MPOC. They were classified based on the similarity of their engagement with the community. Group A which consists of company B, D and E is known as the positive group engagement. In terms of capacity building, Company B and E show a low CSR awareness, but moderate for Company D. However, none of the companies was involved in any sort of training and education with local communities. When it came to building relationship, even though all companies did not appoint anyone as a personal contact, effective two-way communication and cultivating relationship were identified and observed with the local communities. As far as a socio-economic development with the local communities was concerned, only Company D engaged in collaboration or partnership. But the project failed due to lack of monitoring and regulating by the said company. All local communities in Group A were satisfied with the employment opportunities provided by all companies.

On the other hand, Group B, in which consists of Company A and C were categorised as the negative group. From the information gathered from the interviews, it seems there was a lack capacity building of this group. The result also shows neither local communities aware of the concept of CSR now nor CSR activities conducted by MPOC. As far as the education outreach was concerned, the researchers found no training and exposure provided to the local communities pertaining to oil palm plantation. Even though the companies were aware of the importance of training and education for local communities who had their own plantations and would rely on them to process their fresh fruit bunches upon harvesting in terms of implementation, it was yet to be implemented. In terms of building relationship, none of these companies appointed someone as a personal contact when dealing with local communities. In addition, the finding showed no effective two-way communications occurred with the communities and the companies also failed to cultivate relationship with local communities. As far as social-economic development was concerned, no collaboration or partnership in any project or activities were engaged with the local communities. When this did not exist, expectedly, no monitoring and regulating involved between both parties. While companies in this category provided job opportunities to the local communities, it was rather small and unequal compared to the outsiders (Table 1).

Table 1 Corporate-community engagement of the Malaysian Palm Oil Corporation

		Group B		Group A		
Code	Sub-Code	Company A	Company C	Company B	Company D	Company E
Capacity building	CSR awareness	Low	Low	Low	Moderate	Low
	Training and education	x	x	x	x	x
Building relationship	Personal contact	x	x	x	x	x
	2-way comm	x	x	/	/	/
	Cultivating relationship	x	x	/	/	/
Socio-economic development	Collaboration or partnership	x	x	x	/	x
	Monitoring or regulating	x	x	x	x	x
	Employment opportunities	Small	Small	/	/	/

5 Discussion and Conclusion

CSR has gained traction over the last two decades as more and more businesses have realised the importance of it. As for stakeholders socially and environmentally responsible business be their paramount concerned (Delannon et al. 2016). With the situation where stakeholders are more educated, companies should be more sensitive towards local communities and be more proactive in CSR approaches, and one of them is through deeper, meaningful and sustainable engagement with local communities to gain favourable images and reputations (Greenwood 2007). Due to their sheer size and visibility, international companies inevitably need to practice more CCE activities than smaller companies. Afterall, as they have the upper hand of better financial support and tend to have a greater impact on society (Haniffa and Cooke 2005; Russo and Tencati 2009). On the other hand, many studies had shown that international companies proactively engaged with local communities were welcome as perceived as part of them and they managed to resume their activities as no conflict against them that could distract their daily operations. On the other hand, failure to gain minds and hearts of the local communities will in turn create conflict and their establishment and presence will be frown upon and will surely give negative knee-jerk reaction. When locals found that they have no or little opportunities to prosper and develop with the existence of the so-called foreign companies, they will have a mindset that these companies are going to colonise them. Supposedly, companies and local communities' development go hand in hand.

285 In general, the findings of this study show MPOC was rather reactive in their CCE
286 to say the least. Capacity building was rather weak due to the absence of strong under-
287 standing of CSR amongst the management. It comes as no surprise no training and
288 education was engaged with the locals. Although building relationship was observed
289 through effective two-way communication and cultivating relationship was initiated
290 in some MPOC, the absence of personal contact shows companies were not serious
291 enough to build perpetual relationship. In terms of socio-economic development, not
292 all local communities felt they had an advantage of employment opportunities. The
293 clear absence of collaboration or partnership (except for one company) as well as
294 lack of monitoring and regulating to ensure long lasting relationship clearly shows
295 MPOC was rather preoccupied with their daily operations which directly related to
296 their financial bottom line.

297 The findings of this study are instructive. In order to ensure that company prac-
298 tices CCE, the MPOC should first understand the very concept of CSR. Rather
299 than taking it as in passing, it should be deeply thought in their top management
300 minds and concrete strategies should be charted and implemented to ensure CCE
301 is taken seriously through the involvement of frontline staff (Dobela et al. 2013).
302 CCE should have better understanding of their locals' plights and difficulties as well
303 as the strengths. By having such kind of mental map, appropriate initiatives can be
304 made to ensure community needs and wants can be fulfilled. With better two ways
305 communication and continuous supports that involved in appropriate collaboration
306 in agreeable activities and projects added with monitoring of MPOC to ensure their
307 success, local communities will feel the benefits of MPOC presence. Because the SE
308 concept cover various aspect in society, whereby the community around the plan-
309 tations shall have the right to enjoy a better life other than wages received each
310 month for fellow communities who worked with MPOC. The intended requirements
311 for local communities are easily recognised such as better accommodation facili-
312 ties, new technology development into the villages, offer learning and knowledge
313 outreach to educate community and also provide an equal quality of living environ-
314 ment. So that there is no more maxim the richest become richer and the poor will
315 always be poor. Over time, the presence of international companies which in this
316 case is MPOC in the hearts of provinces in Indonesia can address social and envi-
317 ronmental issues. This directly and indirectly project positive image and reputation
318 of MPOC in specific and Malaysia in general internationally.

319 In conclusion, CCE of MPOC in Indonesia was rather reactive. Their presence
320 should make locals felt and have a noticeable effect and influence for the betterment of
321 the said communities. In order to do so, MPOC needs to strategize and their strategies
322 should be inclusive. Developing local communities through meaningful engagement
323 and collaboration is a win–win situation which have a better consequence for MPOC
324 even though their commitments not necessarily translated in monetary terms in a
325 short term. After all, the very essence of business is to serve the community, in this
326 case, local communities in Indonesia.

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