

Corporate Engagement with the Community: Building Relationships Through CSR

¹Azwan Abdullah, ¹Mohd Rafi Yaacob, ¹Mohammad Bin Ismail, ¹Mohd Nazri Bin Zakaria,
²Zulhamri Bin Abdullah and ¹Siti Amaliya Mohd Radyi
¹Faculty of Entrepreneurship and Business, Universiti Malaysia Kelantan,
Pengkalan Chepa, 16100 Kota Bahru, Kelantan, Malaysia
²Department of Entrepreneurial Development and Graduate Marketability,
Universiti Putra Malaysia, 43400 UPM Serdang, Selangor Darul Ehsan, Malaysia

Abstract: The rapid expansion of companies, particularly through their large scale projects has met with growing concerns within the local community over the social, environmental and economic impacts of such expansion. Failure by the companies to recognize and respond to these concerns may have an adverse effect on the long term commercial viability of their projects. Many giant companies today operate in highly regulated environments, demanding them to behave ethically and to be transparent. Companies are expected to resolve many social, environmental and economic issues such as poverty, climate change and many more. Corporate Social Responsibility (CSR) is a strategic initiative by the company to address these issues. Community engagement is one of the integral components of CSR. This serves as a platform for communication between the companies and the local community and also as viable means for their business sustainability. This study describes the importance of such engagement and the methods employed by companies in sustaining and building strong relationships with the local community and contributing towards their economic growth.

Key words: CSR, community, sustainability, engagement, behave ethically

INTRODUCTION

Community engagement, one of the components of corporate social responsibility, 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 raised by the community regarding plantation activities and to meet their expectations. Both the company and community would equally benefit if such engagement is properly implemented in an effective manner. A business that practises CSR takes into consideration the current and future impacts of its business operations on the environment, the community locally and the society at large.

CSR is increasingly being promoted in developing countries as an important mechanism for furthering economic and social development goals. According to the analysis conducted by Secchi (2007) and Lee (2008) the deep definition of CSR is “the continuing commitment by business to behave ethically and to contribute to

economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (World Business Council for Sustainable Development). It was argued that CSR initiatives could lead to innovation through the use of ‘social, environmental or sustainability drivers to create new ways of working, new products, services, processes and new market space’ (Little, 2006). This has led to many organizations redefining their business models and strategies.

Today, the concept is wider. Organizations are also engaging with their stakeholders because the more an organization engages with its stakeholders, the more accountable and responsible that organization is towards these stakeholders (WBG, 2011). In other words, CSR is practised by organizations because they are aware of the benefits of CSR, even if it may take a long time before any profits or returns materialize. The problem statement is are the organizations practising CSR doing it in the right way to engage with the community? So, there will be no more ‘the rich get richer and the poor get poorer’. Here, the concept of community engagement acts as a mechanism to help organizations in their communication with the society.

CSR-human to human relationship: CSR illustrates the relationship between two entities namely the organization and the stakeholders but who builds the relationship? The organization itself or the people inside the organization? This is what we termed as human to human relationship. Engagement with the community is part of a CSR strategy in ensuring long term sustainability of a company. The surrounding community also benefits in the long term from projects run by the company. Organizations worldwide designed their CSR strategies with the objective of making profit and ensuring sustainability and engagement is part of that strategy to assist those organizations in achieving their objective.

The question is how far can such engagement be part of a company project and how long can the community benefit from the project? In today's global market, CSR is not merely a sense of responsibility towards the community. CSR aligns the company's interests with the interests of the community (stakeholders). CSR also safeguard the interests of the community by addressing issues concerning the well-being of the people as this can foster better relationships between the company and the community.

Companies have responsibilities towards the community within which they are operating as their daily operations have an impact on the community, socially, economically and environmentally. Many corporations today are investing millions to manage CSR programs in order to fulfil their corporate social performance both locally and internationally (Abdullah and Aziz, 2013). Some of these organizations practice CSR as a tool to promote sustainable development and others adopt CSR due to pressure from investors, customers and also government intervention (Ragodoo, 2009).

A majority of the organizations employ CSR as publicity to gain support from stakeholders and some companies involved in community development. Companies are also implementing CSR at the international level and this will not only elevate the name of the company's country of origin but also help to shine the company's name and image worldwide. The question is what exactly is business responsibility? To make profit from the business? Or to do well by doing good? In an attempt to be perceived as positive by stakeholders, the question that the company needs to ask is the company effectively implementing its CSR initiatives that are positively contributing to the sustainable development of the community and environment. This is will be a future topic of discussion.

Among the goals of an organization that practises CSR are poverty reduction, environmental sustainability and community empowerment (Salamon, 2010). How does

the organization achieve these goals? They should show concern and be sensitive to the needs and wants of the community and the stakeholders particularly in developing countries (Visser, 2006). Here is where engagement with stakeholders plays an important role.

Stakeholder engagement in community development and corporate sustainability: As good corporate citizens, corporations today place great importance on their engagement with stakeholders, the communities within which they operate and the people affected by or show interests in their business activities. Many corporations are creating voluntary environmental programs, often under the label of 'corporate citizenship' that directly address public concerns about potential environmental impacts of their plants, facilities and operations and are actively involving stakeholders to improve local economic, environmental and social conditions through cooperation and partnership. Corporate citizenship is especially important in communities around the world where environmental conditions are hazardous and where protective regulations may not be as effective (Berry and Randinelli, 1998).

Communities and stakeholders especially NGOs and government authorities are becoming more concerned with social and environmental issues relating to the corporation's operating activities. Corporations are adopting CSR practices due to stakeholder pressure and also government intervention. Any corporation may be deemed a responsible corporation by the society when it acts beyond the limits of the law. As quoted by Davis (1973) a corporation is not being socially responsible if it merely complies with minimum requirements of the law, social responsibility begins where the law ends. 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 concept of CSR is closely related to the role of sustainable development with great focus on long term benefits, i.e., social, economic and environmental benefits. As business environments are changing according to global standards, so are the requirements for business success and competitiveness. By reason of this situation, building a deeper and more strategic relationship with stakeholders has a mutually beneficial value on competitive advantage and even survival in the global market.

As stressed by Kiessling *et al.* (2016) and other scholars, engaging in CSR is regarded as a long term investment that improves competitive advantage, creates beneficial relationships with the society where both have the same economic objectives, namely social development

and environmental protection. In other words, developing a long term relationship between an organization and the community ensures the success of this long term investment. By engaging with stakeholders, an organization inevitably builds a good relationship with them. How is this engagement conducted?

Engagement itself is not about 'do what you like and offer what you like. For example as far as community engagement is concerned, is not merely a matter of writing a cheque for a local charity? Contributing to local charities would surely benefit the community but it doesn't engage them at all. If an organization truly wants to engage the community, it has to listen to the community to include them in its plans and to reflect on the needs of the community. Through the engagement process, an organization captures the hearts and minds of society within which they operate. The engagement process brings the organization face to face with the needs of the community and facilitates the building of relationships between the organization and groups of individuals.

This process may be introduced during the earliest stage of exploration or initiated during project development. A number of literatures defined engagement as an umbrella term that covers all of the organization's efforts to understand and engage stakeholders in their business activities and decision making. The success of such engagement depends on the understanding of its purpose and scope and the people to participate in the engagement (Partridge *et al.*, 2005).

In fact, Stakeholder Engagement (SE) is not a new phenomenon. Engagement has long been practised by companies through communication and dialogues with their main stakeholders. The SE process can be defined as a process whereby an organization invites stakeholders to be involved in a positive way in their activities. This process includes identifying the stakeholders, developing, establishing and maintaining its relationship with them and also communication, dialogue and consultation with the stakeholders (Greenwood, 2007; O'Riordan and Fairbrass, 2008).

From the points presented above, we can see how such engagement benefits both the organizations and the communities. Organizations are able to maintain their sustainability with the support they gained from the local communities. Engagement practices can help organizations meet tactical and strategic needs ranging from gathering information and spotting trends that may impact the organization's activities, to improving transparency and building the trust of the local communities whose support is vital for the long term success of the organizations and to igniting the innovation and organizational changes needed to meet new challenges (Partridge *et al.*, 2005).

MATERIALS AND METHODS

This study uses qualitative methods. Face-to-face interviews using a structured question were partially implemented in this study. According to Creswell (1994), Idris (2010), Corbin and Strauss (1998), Marican (2005) such interview techniques are suitable for achieving the objectives of the study. The objective of this study was to look at the involvement of the operators of the plantation sector of corporate social responsibility which is carried out on the local community. Local community intended is residents who are involved directly or indirectly as an employee or residents in a sector involved.

Meanwhile corporate social activities intended were plantation companies which were are directly or indirectly engaged in developing local community either in terms of infrastructure, social or community. This is because the question that is often raised is the company that worked on the plantations is not focused on the corporate social activities of local communities. The company may be looking at profit solely with compromising aspects relating parented a clean environment and the well-being of local communities. However, for starters this study just put forth some literature highlights related to corporate social responsibility that should be played by the conglomerate in the global context.

RESULTS AND DISCUSSION

Based on the literature reviews that had been made, the study discovered the need for CSR activities to cover various aspects. Community engaged in an enterprise undertaken by a company shall have the right to enjoy a better life needs other than salary or wages received each month. The intended requirements are as accommodation facilities, schooling of children as well as providing a quality living environment. In this context the cooperation between farmers or the company and the community will have to move in tandem with the development of the organization. In addition to providing physical facilities, the company should also have the initiative to keep the environment in every aspect of operations. This is because a good environment is able to contribute to the productivity of employees in performing their duties. For example the environmental pollution that often occurs as a result of acts of operators which do not focus on the aspects of the release of toxic residues and chemicals in the plantation or manufacturing operations carried out.

This attitude reflects a lack of sensitivity of the company or entrepreneur involved in CSR activities to the local community. Air pollution can cause the occurrence

of haze which will result in the level of health of the people in the community affected. Similarly, the uncontrollable release of toxic waste into the river by the manufacturing sector could result in contaminated marine life ecosystems and destroy existing habitat. Thus, the consciousness of farmers in this regard is needed so that the profit earned does not sacrifice environmental sustainability.

However, in this case the entrepreneur or the company alone should not be blamed. Local communities should also act as “authority” in dealing with this problem. Neglect of CSR activities by companies or operators concerned should not be left unattended. The community should play a more proactive role in curbing this problem. In the event of neglect CSR activities by the parties involved, the affected communities are entitled to a proper defence. The community should cooperate with local authorities such as the police, the department of environment, municipalities in eradicating environmental pollution problems faced in the affected settlements. All the misconduct of the company and the operators concerned must be reported to the proper channel. While once a report is done, appropriate action should be taken by the authorities in curbing this problem.

However, to create a win-win situation in addressing this problem, a monitoring body should be established. The monitoring body should be empowered to act upon the company or entrepreneur engaged in CSR activities neglect over the community involved. The body also needs to act as a body that can ensure compliance with elements of the standard operation of specified works as soon as possible by the compliance of the operator or the company involved. The elements of a compound or a fine penalty as imposed should accordingly be applied to the company or entrepreneur who ignores the supposed CSR activities. For example, their business can be seized, revoke business licenses, impose restrictions on the market of products produced or withdraw all forms of recognition that has been granted. Sentence elements implemented should be able to create awareness and example to the company or entrepreneur who ignore CSR activities in the communities involved.

Meanwhile the elements of remuneration should also be given by the authorities (government) to the company or entrepreneur carrying out CSR responsibilities successfully. Incentive reward element of a tax exemption, facilities such as stimulation of business capital, flexible line of credit can be given to farmers or companies that comply and actively carry out CSR activities in the communities involved. A positive element is expected to give a boost to farmers and companies involved in the popular CSR activities so that the community recognise it

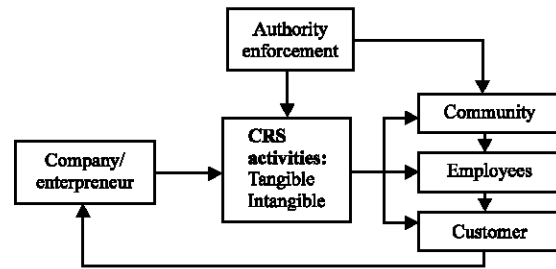


Fig. 1: Proposed framework to enhanced CSR activities

as a responsibility that must be implemented. CSR framework proposed in this study (Fig. 1) is a point of view that could strengthen CSR activities among the participating companies or operators. This frame was built with regard to all parties involved in an enterprise involving local communities as well as the authorities in the affected areas.

Based on Fig. 1, it can be concluded that the importance of CSR activities widespread and affect very significantly against a lot of parties. As we are aware, CSR activities in a community are driven by company or entrepreneur in an area involved. CSR activities can be divided into two forms, namely that affect in manifest (tangible) and which do not expressly affects (intangible). Real nature of CSR activities are as physical development (housing, schools, health clinics and so on). Meanwhile, the impact of the intangible nature of CSR is a good environment like air free from haze issues, increases healthy birth rate, the decline in the spread of infectious cases such as food poisoning, dengue fever, etc.

CSR activities indirectly give direct effects not only to the local community but also impact directly attributable to employees who work in the industries concerned. Even customers who subscribe to a product that is marketed by companies also get the impact of CSR activities. However, please note that CSR activities conducted directly contribute to community living environment which is beneficial and universal harmony.

However, overall CSR activities planned by the operators of the affected communities need to have a body which regulates aspects of compliance and implementation. The body must have credibility in terms of authority and action so that a holistic mechanism in the enculturation of CSR activities in the community can be implemented accordingly. Therefore, the responsibility of all parties is needed to ensure that the interest in CSR activities can be enjoyed optimally without sacrificing environmental elements for the sake of continuity of business nature and well-being for the community involved.

CONCLUSION

Global business leaders today acknowledge that CSR is an important element of business strategy and recognize the benefits and impacts of participating in CSR activities hence many corporations today are adopting CSR practices. Corporations are engaging CSR practices to ensure the success of their business in their host country. However, practising CSR is not easy as what many corporations have experienced because CSR deals with among others, issues on how to sustain the environment and to develop the community. How engagement with employees is of great importance to a corporation, the same goes for the community as to how engagement with corporations is of great importance to them.

ACKNOWLEDGEMENT

A research funded by Ministry of Education Malaysia: RACE 1/2015 Code: R/RACE/A01.00/01134A/001/2015/000236.

REFERENCES

- Abdullah, Z. and A.Y. Aziz, 2013. Institutionalizing corporate social responsibility: Effects on corporate reputation, culture and legitimacy in Malaysia. *Soc. Responsibility J.*, 9: 344-361.
- Berry, M.A. and D.A. Rondinelli, 1998. Proactive corporate environmental management: A new industrial revolution. *Acad. Manage. Execut.*, 12: 38-50.
- Corbin, J. and A. Strauss, 1998. *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*. 2nd Edn., Sage Publications, Thousand Oaks, California, ISBN: 0-8039-5939-7, Pages: 366.
- Creswell, J.W., 1994. *Research Design: Qualitative and Quantitative Approaches*. Sage Publications, Thousand Oaks, CA., USA., ISBN-13: 9780803952546, Pages: 228.
- Davis, K., 1973. The case for and against business assumption of social responsibilities. *Acad. Manage. J.*, 16: 312-322.
- Greenwood, M., 2007. Stakeholder engagement: Beyond the myth of corporate responsibility. *J. Bus. Ethics*, 74: 315-327.
- Idris, N., 2010. [Research in Education]. McGraw-Hill, Kuala Lumpur, Malaysia, (In Malay).
- Kiessling, T., L. Isaksson and B. Yasar, 2016. Market orientation and CSR: Performance implications. *J. Bus. Ethics*, 137: 269-284.
- Lee, M.D.P., 2008. A review of the theories of corporate social responsibility: Its evolutionary path and the road ahead. *Int. J. Manage. Rev.*, 10: 53-73.
- Little, D., 2006. Innovation high ground: How leading companies are using Sustainable-driven innovation to win tomorrow's customers. *Strategic Direction*, 22: 35-37.
- Marican, S., 2005. [Social Science Research Methods]. Prentice Hall, Kuala Lumpur, Malaysia, (In Malay).
- O'Riordan, L. and J. Fairbrass, 2008. Corporate social responsibility (CSR): Models and theories in stakeholder dialogue. *J. Bus. Ethics*, 83: 745-758.
- Partridge, K., C. Jackson, D. Wheeler and A. Zohar, 2005. *The stakeholder engagement manual, Volume 1: The guide to practitioner's perspective on stakeholder engagement*. Stakeholder Research Associates Canada Inc., Ontario, Canada, July 2005.
- Ragoodoo, N.J., 2009. CSR as a tool to fight against poverty: The case of Mauritius. *Soc. Responsibility J.*, 5: 19-33.
- Salamon, L.M., 2010. *Rethinking Corporate Social Engagement: Lessons from Latin America*. Kumarian Press, Sterling, VA., USA., ISBN-13: 978-1565493131, Pages: 159.
- Secchi, D., 2007. Utilitarian, managerial and relational theories of corporate social responsibility. *Int. J. Manage. Rev.*, 9: 347-373.
- Visser, W., 2006. Revisiting Carroll's CSR Pyramid: An African Perspective. In: *Corporate Citizenship in Developing Countries: New Partnership Perspectives*, Huniche, M. and E.R. Pedersen (Eds.). Chapter 1, Copenhagen Business School Press, Denmark, ISBN-13: 9788763001410, pp: 29-56.
- WBG., 2011. *The World Bank Group framework and IFC strategy for engagement in the palm oil sector*. World Bank Group, Washington, USA.