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Enhancing the community engagement of Indonesian Palm Oil Companies through the implementation of the Social Life Cycle Assessment (SLCA)

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Abstract

As national economic stakeholders, businesses are now paying more attention to the broader issues involving the public, local, and social dimensions of development. The Indonesian palm oil companies, as key stakeholders in the economy, play a crucial role in directly supporting the improvement of the community's well-being. The paper analyses the implementation of the UNEP/SETAC Guideline of Social Life Cycle Assessment (SLCA) as a sub-category of "community engagement" implemented by Indonesian palm oil plantations. Using the qualitative approach, this study describes four distinctive models of community engagement to mitigate the negative and positive social impacts brought about by business activities. The study finds that there is no convincing effective approach to corporate community engagement for poverty reduction. The study also highlights the importance of including community stakeholders in the decision-making processes as the means to prevent conflict and to maintain company reputation. Other approaches, such as capacity building and social economic development, can also be effective as long as a thorough assessment is conducted in advance and the participation of the local community is ensured in developing the intervention plan.

Keywords: community engagement; Social Life Cycle Assessment; social welfare; social impact; sustainable business; corporate community engagement.

1. Introduction

Due to the earth's limited carrying capacity and the exponential global population growth, the concept of sustainable development has been promoted among all stakeholders, including the private sector. To produce goods and services, the private sector utilizes the natural resources, which affect the existing habitats in the ecosystem. Thus, a company that extracts its resources from an area attached to a local community should respect such a community, whose residents lived in the area long before that company started doing business. Aside from the ethical value of such an act, respecting the local community can be a mitigation effort to prevent potential conflicts. At the same time, this can enhance the company's reputation and improve its productivity by gaining trust from stakeholders. A previous study ([Dulkiah, Sulastri, Irwandi,](#)

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& Sari, 2019) reported that the implementation of corporate social responsibility (CSR) programs can reduce the potential for conflict in a community, both vertically and horizontally.

Meanwhile, the Social Life Cycle Assessment (SLCA) is a social impact (and potential impact) assessment technique that aims to assess the social and socio-economic aspects of products and their potential positive and negative impacts along their life cycle encompassing extraction and processing of raw materials; manufacturing; distribution; use; re-use; maintenance; recycling; and final disposal (UNEP-SETAC Life Cycle Initiative, 2009). Complementing the SLCA is the Methodological Sheets for Subcategories, which was developed because of the labor-intensive data collection involved in conducting the SLCA. Therefore, different indicators may be used depending on data availability as well as the goal and scope of the study (UNEP-SETAC Life Cycle Initiative, 2009). The community engagement as a sub-category in SLCA does not have indicators for the form of engagement, it only has indicators for the diversity of community stakeholders' group, organizational support for the community initiative, and the number and quality of meetings held with the community stakeholders (Singh, Singh, & Srivastava, 2019). Thus, by analyzing which engagement form is more effective, the current paper aims to provide inputs for the SLCA in order to bring improvements in the palm oil sector in Indonesia. The study's findings can help mitigate the negative social impacts and/or promote positive the sector's positive social impact.

This article considers the company reputation and performance as well as the poverty rate in the community. The author believes that by identifying the correct form of community engagement, a company can also gain benefits from eliminating conflict. This assumption is based on a previous study's finding, which reveals the importance of identifying the strengths and weaknesses of specific engagement techniques in achieving particular social license (Dare, Schirmer, & Vanclay, 2014). The right form of community engagement can also help a company maintain security despite any temporary closure (e.g., due to a forest fire in the community), improve its reputation by reducing negative publicity, and increase productivity.

Although a previous study offered a critical review of the forms of corporate community involvement, it only discussed the differences/similarities and compared the limitations of the transactional forms of interaction with the latest form of partnership (Seitanidi & Ryan, 2007). A similar study on corporate community engagement also reviewed the level of participation and corporate community engagement of the extractive industry (Msweli, Wushe, & Mandudzo, 2013). However, both studies did not specifically identify the impacts on the company and did not focus on palm oil plantation companies.

Corporations have increasingly become involved in poverty reduction in the "Global South" (Schölmerich, 2012). Here, they act as "development agents" (Volkert, 2009) and implement CSR strategies aimed at poverty reduction (Schölmerich, 2012). The current article aims to find an effective community engagement form as a business strategy, which is also capable of reducing poverty. This is based on the idea that, if a company can reduce poverty, then it has a positive social impact that can be acknowledged in the SLCA.

A study about business and poverty (Steidlmeier, 1993) revealed the impact of business upon the poor. However, the article did not discuss the form of community engagement but more on the causes of poverty. A previous work examined poverty reduction through community participation (Osei-Kufuor & Koomson, 2014); but, it did not use a business perspective. Another study on poverty and business strategy focused on inclusive business or the bottom of the pyramid, which was under local employment rather on community engagement in the SLCA (Hart, Sharma, & Halme, 2016). Another study (Schölmerich, 2012) also considered the issues regarding the impacts and effects of CSR strategies on the developing country context still in a nascent stage (Blowfield & Frynas, 2005; Blowfield, 2007). Meanwhile, in this paper, the author used the business perspective in analyzing the community engagement outside the supply chain, wherein the goal of a company is not poverty reduction but to secure the business itself, thus all activities are considered an investment. An academic study found that corporate community engagement programs can boost the levels of employee engagement and customer service (Korschun, Bhattacharya, & D. Swain, 2014). Another study (Msweli, Wushe, & Mandudzo, 2013) reported that community engagement strategies are intended to fit a firm's strategic position (Abzug & Webb, 1999) and be in consonance with an organization's identity (Bowen, 2000). More strategic approaches emphasize the good match between a firm's resources (Knox & Gruar, 2007) and its capabilities (Kaufman & Alfonso, 1997) and organizational structure (Schouten & Remm, 2006).

In relation to the current study, the conflicts between oil palm companies and local communities in Indonesia are the result of many factors, e.g., the company's lack of transparency with communities and unequal benefit sharing, to name a few (Rist, Feintrenie, & Levang, 2010). According to a study (Barreiro, 2017) a conflict can have tangible costs, namely, the cost of reputational loss and the cost of violence (to property and people) for the business.

Thus, it will be better if the company can measure its social impact as a mitigation effort to avoid potential costs, especially from a conflict. A similar study from the community perspective (Zakaria, Pradipto, Iswari, & Wibisana, 2018) reported that households that

participate in oil palm production suffered more severe impacts than those that do not participate. The study results indicated that conflicts related to oil palm plantations, regardless of the cause, or nature of these conflicts, lead to significant costs to communities.

There are several guidelines for measuring the company's social impact, such as the UNEP-SETAC Guideline for SLCA, which proposes a comprehensive approach ([UNEP-SETAC Life Cycle Initiative, 2009](#)), and others proposed by some authors who developed their own indicator sets with participatory approaches ([Luca et al., 2015](#)). The use of the SLCA participatory approach enables the selection of impact categories and the methodological protocol of the participatory approach, which is based on the Principle, Criteria, Indicator (PCI) method ([Rey-Valette, et al., 2008](#)). The participatory approach uses a hierarchical and embedded framework, thus making it possible to relate the indicators to contextualized impacts and the general principles of sustainable development ([Mathé, 2014](#)), as shown in Figure 1.

Fig. 1 Participatory Approach of the Social Life Cycle Assessment (SLCA)

Source: [Mathé \(2014\)](#)

Unlike the participatory approach, that is based on the PCI, the guideline from UNEP-SETAC divides the company's stakeholders into several groups, which are further broken down into several subcategories. These stakeholder categories in the UNEP-SETAC were chosen, as they were "deemed to be the main groups potentially impacted by the life cycle of a product."

Table 1. Stakeholder categories and subcategories in the SLCA

Stakeholder Categories	Subcategories
Worker	Freedom of Association and Collective Bargaining Child Labor Fair Salary Working Hours Forced Labor Equal opportunities/Discrimination Health and Safety Social Benefits/Social Security
Consumer	Health and Safety Feedback Mechanism Consumer Privacy Transparency End of Life Responsibility
Local Community	Access to Material Resources Access to Immaterial Resources Delocalization and Migration Cultural Heritage Safe and Healthy Living Conditions Respect of Indigenous Rights Community Engagement Local Employment Secure Living Conditions
Society	Public Commitments to Sustainability Issues Contribution to economic development Prevention and Mitigation of Armed Conflicts Technology Development Corruption
Not including consumers	Fair Competition Promoting Social Responsibility Supplier Relationships Respect of Intellectual Property Rights

Source: [UNEP-SETAC Life Cycle Initiative \(2009\)](#)

An SLCA assesses the social and socioeconomic impacts of all life cycle stages from cradle to grave, thus looking at the complete life cycle of a product; from resource extraction, processing, manufacturing, assembly, marketing, sale, use, recycling, and disposal, among others, which may be identified during the construction of the product system ([UNEP-SETAC Life Cycle Initiative, 2009](#)). The subcategories are socially significant themes or attributes, which are classified according to stakeholder and impact categories. Several inventory indicators and

units of measurement/reporting types may be used to assess each subcategory ([UNEP-SETAC Life Cycle Initiative, 2009](#)).

This paper analyses the “community engagement” subcategory and selects cases from the palm oil sector in Indonesia. This subcategory considers the overall extent to which an organization tries to engage with the community. According to the UNEP-SETAC methodological sheet, the community stakeholders include individuals or community groups that may be affected by the actions or products of a business organization. Further, the methodological sheet explains that organizations should consider these stakeholders in the development and implementation of business policies.

According to a study on community engagement as an integral component of CSR in Malaysia, under the current economic situation, large international companies should be more aggressive in practicing CSR engagement with inland communities in order to maintain profit, image, and reputation; the same study revealed that such a strategy can be beneficial to both parties ([Radyi, Yaacob, & Abdullah, 2019](#)). Furthermore, 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](#)).

Similarly, in Indonesia, a poverty study in one of the largest palm oil producers in Riau reported that the poverty level of agriculture and plantation areas occurs in the mainstay sector of their livelihood (plantation sector) at 36.68% ([Sari, 2011](#)). Poverty is dominated by the absence of land (66.90%), the lack of work capital (66.72%), and the lack of education (56.22%) ([Sari, 2011](#)). Meanwhile, the potential conflict in palm oil plantation can occur due to changes in the socioeconomic structure of society from the traditional system of cultivating the potential of natural resources to the capitalist system through the core and plasma patterns, resulting in the grouping of people over the structure of resources ([Thomas & Rahmaniah, 2015](#)). A study on the community perception of social impact ([Sari, 2017](#)) revealed that 64.52% of the respondents stated that private oil palm plantations do not carry out effective community empowerment programs. Meanwhile, 51.61% of the community believed that the existence of private oil palm plantations still has the potential for conflict, which can be attributed to the inability of the community to ensure social conditions and the economy in the future as well as possible issues that will arise in the community. This is because, essentially, the conflict is not just based on economic interests but can also arise from differences in cultural values, affiliations, religious cohesion, and ethnic sentiments ([Basri & Nurhamlin, 2013](#)).

The current paper focuses on the palm oil sector as one of the business in plantation sector that has a huge influence on the country's economy and can pose significant social risks to the surrounding community. A study (Obidzinski, Andriani, Komarudin, & Andrianto, 2012) revealed that some stakeholders in the development of palm oil, particularly traditional landowners, experienced restrictions on traditional land use rights and land losses. Obidzinski, Andriani, Komarudin and Andrianto, (2012) also observed increasing instances of land scarcity, rising land prices, and conflicts over land in all sites.

The structure of the paper is as follows: Title, Abstract, and then Introduction, Methods, Result and Discussion, Conclusion, and end with References. The study divides the form of community engagement into four main types of approaches implemented by 14 companies being studies using the purposive sampling method to determine whether the approaches have been exercised by the companies and which of them is the most effective way to manage the impacts on social aspect of the companies activities on the local communities.

2. Methods

The research method used in this article is the qualitative research approach, which aims to capture community engagement practices from companies and determine their effectiveness in controlling the social impacts of such practices on the local community. A program is considered effective if it can minimize the negative impacts of social issues, bring about positive results (e.g., increased productivity), and if it is a key factor in poverty alleviation in the area.

The main unit of analysis was the corporate performance. The data collection method for this study involved collecting secondary data from previous studies; corporate secondary data and websites; organization-specific reports (i.e, RSPO), the Statistics Indonesia (BPS) data on plantation areas, reports on poverty percentage, and the data on the human development index (HDI). Some figures come from recalculated BPS data. The data analysis method used was the qualitative descriptive analysis method.

The methodological sheet which provided detailed information on each of the subcategories introduced in the guidelines organized by the stakeholder category. For the sub-category of community engagement, this paper aimed to look further on how this sub-category can help the user of the guideline mitigate the social impact on this sub-category.

The analysis looks at the companies community programs, and the relevance of the programs to poverty alleviation. To select the area, the paper used the purposive sampling method. The top 4 provinces were selected (because the 2nd and 3rd positions had no significant

difference with the 1st position), after which the author chose two of the four provinces with high and low HDI (Figure 1), assuming that poverty rate was part of the decent standard of living component in the HDI. Then, the author focused on the regency with large plantation areas with high poverty rate and the regency with low poverty rate. This was done to compare and analyse what possible programs can be developed by companies to contribute to poverty alleviation to bring about positive social impact while securing their business at the same time.

Fig. 2 Human development indexes in the top 4 provinces producing palm oil in Indonesia

Source: Data recalculated from Central Agency of Statistics Indonesia (BPS)

In this study, the company programs commonly developed by palm oil companies as their CSR programs were categorized into four groups. The categories are explained below.

- a. Written policies on community engagement at the organizational level (Community involvement and FPIC) means that a company uses the participatory approach for decision making process and implements an FPIC, specifically, as the policy for the activities that may have possible impacts on the surrounding community.
- b. Capacity building refers to the training provided by the company. Due to poverty, lack of education is both a handicap for income-earning *and* income-using (Sen, 1997; Schölmerich, 2012). Hence, capacity building is highlighted in this paper, because it gives the people “knowledge and tools to break the cycle of poverty” (Burnett, 2008).

- c. Financial support as part of philanthropic donations means that the company provides funding for community projects.
- d. Socioeconomic development means the company develops long-term programs to improve the welfare of the surrounding communities.
- e. The impact column refers to the social situation faced by a company or the possible result caused by the lack of engagement to the community and negative media publicity.

Using purposive sampling, this research focuses on companies operating in the palm oil sector in Indonesia based on two main reasons: 1) the companies that are one of the major players in palm oil industry in Indonesia, and 2) the companies that are located in the palm oil producing provinces with either a high HDI (West Kalimantan) or a low HDI (Riau). The paper will focus on the community engagement practices/programs between 2002–2019, assessing whether a specific approach has a more positive social impact and shows adequate community involvement than other approaches.

3. Result and Discussion

Based on the data from the Directorate General of Plantations of the Ministry of Agriculture Republic of Indonesia in 2016, the author selected the top four provinces, namely, West Kalimantan, South Sumatera, Riau, West Sumatera, and North Sumatra, then took samples from the companies in the province with high HDI and the highest total CPO production (Riau) and the companies in the province with the lowest HDI and low CPO production (West Kalimantan). The HDI was used because it calculated the indicators of life expectancy, education, and per capita income.

In West Kalimantan (Figure 2), the research focuses on the regency that has the highest production of palm oil but has the highest poverty rate (Ketapang), and the regency with the second highest production of palm oil with the lowest poverty rate (Sanggau). The selection is made to analyze whether a company's community engagement program can influence the welfare of the local community as a form of positive impact from a company practice, which is assessed by the SLCA.

From Figure 2, we can see that the size of a palm oil plantation area does not guarantee that the community will have a lower poverty rate, although the size of the plantation seems to correlate with the HDI. Due to the large contribution of this sector to the GDP, and the fact that

Figure 2 shows that the plantation area does not reduce the poverty rate, it is interesting to refer to [Midgley \(1995\)](#), who argues that the major problem facing developing nations and regions today is the "distorted development" wherein economic growth is not accompanied by concurrent progress in social welfare for the entire population. Therefore, to mitigate this kind of development, the current paper tries to seek effective engagement programs of palm oil companies as possible solutions to promote sustainable development in this sector.

Fig. 3 Plantation area against poverty rate in percentage and human development index in West Kalimantan

Source: Data recalculated from Central Agency of Statistics Indonesia (BPS) data

This work also analyzes whether there is a specific approach of community engagement that can be considered more effective than others toward social development in the surrounding community. Meanwhile, Table 2 analyzes how the companies in Sanggau, which has a low poverty rate compared to other palm oil producer regencies in West Kalimantan, developed their community engagement programs.

Table 2. Forms of community engagement implemented by companies in the Sanggau regency

Companies in the Sanggau regency	Written policies on community engagement (Community involvement and FPIC)	Capacity building	Financial support of community project	Socioeconomic development	Impact
Company A (Meliau District)	N/A	N/A	N/A	N/A	(2008) conflict with the community in which the company won via a Supreme Court decision (Haryanto, 2013) (2018–2020) The buyer no longer purchases palm oil from the company due to a deforestation allegation (Unilever.com, 2020)
Company B (Sekayam District)	N/A	N/A	N/A	N/A	No conflict reported (2019) some hotspots were found on the company's area; issuance of permits is frozen (Kalimantantoday.com, 2019)
Company C (Tayan Hulu District)	Implemented for all development projects (RSPO, 2015)	Increase of education level for the locals (RSPO, 2015)	N/A	Provide reliable income, contribution to the local economy, the productive swamp area, increase of accessibility for the locals (RSPO, 2015)	No conflict reported

Source: Extracted from Various Sources (News Articles and Report)

In Table 2, only Company C has a community involvement policy, aids on education, and support for socioeconomic development, such as health facilities and the local economy. Meanwhile, Company A and Company B do not seem to engage in the local community in any form, but only the former has a conflict with the local community. Furthermore, Company A also lost its market, whereas Company B's operation was threatened, because the government found hotspots in its concession area. Thus, with these three companies in Sanggau, which has a lower poverty rate than Ketapang, the absence of community engagement programs can influence a company's sales and operation. The assessment of community engagement forms by companies

in Ketapang with high poverty rate compared to other palm oil producing regencies in West Kalimantan, Regency, is shown in Table 3.

Table 3. Forms of community engagement by companies in Ketapang

Companies in Ketapang regency	Written policies on community engagement (Community involvement and FPIC)	Capacity building	Financial support of community project	Socioeconomic development	Impact
Company D (Manismata District)	N/A	Improve school curricula, financing quality education (Siap-Sekolah.com, 2015)	N/A	To solve conflict (2002), the company repaired village roads; provided a soccer field, a generator and a satellite dish; and gave donations to the church (Down to Earth Indonesia, 2002)	Conflict with the local community (Down to Earth Indonesia, 2002). The company was threatened to be temporarily closed due to forest fire (2019).
Company E (Marau District, 23,000 ha)	The holding company is committed to practice Free, Prior, Informed Consent (RSPO, 2017)	Empowerment training program and improvement of education quality program for local community (Puspa, 2016)	N/A	Form a joint business group, utilized fish and vegetable cultivation, provided training on sewing skills; treated plasma farmers as business partners (Sampoerna Agro, 2016)	No conflict reported
Company F (Nanga Tayap District, 250,000 ha)	Yes (RSPO, 2012)	Gave an Award to the Desa Bebas Api and 22 scholarships (Infosawit.com, 2016a)	N/A	Road maintenance (Sutan, 2016)	No conflict reported
Company G (Sungai Laur, Jelai Hulu)	Yes (First Resources, 2020)	Supported the education of children (First Resources, 2011)	N/A	Supported local healthcare and infrastructure (First Resources, 2011)	No conflict reported

Source: Extracted from Various Sources (News Articles and Report)

Although Ketapang has the largest palm oil plantation area than other districts ([Central Agency of Statistics Indonesia, 2019a](#)), it has the second highest poverty rate in West Kalimantan ([Central Agency of Statistics Indonesia, 2019b](#)). Thus, it is interesting to see what the companies are lacking in terms of community engagement. In Table 3, we can see that

Company D supported the socioeconomic development of local communities after the conflict in 2002. In 2017, the same company provided support to improve the education of locals. However due to forest fire, the company is threatened to be temporarily closed (Cargill, 2019). While Companies E, F, and G have community involvement and implement the FPIC policy, they also provide capacity building and socioeconomic development programs; moreover, they have no conflicts with the local communities surrounding them. The latter is especially interesting (i.e., the companies with FPIC have no conflicts with the local communities).

Companies in Ketapang are more active than those in Sanggau on implementing community engagement programs. Although three out of four companies in Ketapang have FPIC commitment and have less conflict than those in Sanggau, Ketapang has a higher poverty rate than Sanggau. The findings, therefore, still cannot help determining what the companies lack in terms of community engagement, resulting in Ketapang having a high poverty rate. In relation to this, information about the size of beneficiaries may answer the question.

In Riau, the research focused on the regency with the highest rates of palm oil production and the highest poverty rate (Rokan Hulu) and a top 4 regency with highest palm oil production but the lowest poverty rate (Siak), as shown in Figure 4.

Fig. 4 Plantation area against poverty rate in percentage and human development index in Riau.

Source: Data recalculated from Statistics Indonesia (BPS) data

Figure 3 also shows that having a larger oil plantation size does not mean that a regency would have a low poverty rate and a high HDI in the area. In fact, poverty rate tends to decrease

in regencies with smaller palm oil plantation areas. This is an interesting finding to be analyzed further. Table 4 presents the assessment of four companies in Siak as, the regency with the lowest poverty rate among others.

Table 4. Forms of community engagement by companies in Siak regency

Companies in Siak regency	Written policies on community engagement (Community involvement and FPIC)	Capacity building	Financial support of community project	Socioeconomic development	Impact
Company L (Kandis District)	Yes	Provided scholarships and financial support for teachers (Riaukepri.com , 2019)	N/A	N/A	No conflict reported
Company M (Kandis District)	N/A	N/A	N/A	(2012) provided social assistance to Sakai residents affected by flood (Wijaya , 2012)	(2016) trade union conflict (Suarapersada.com , 2016)
Company N (Koto Gasib District)	N/A	(2016) Organized a road show promoting independent plantations in the context of developing independent and sustainable oil palm plantations (Infosawit.com , 2016b)	N/A	N/A	No conflict reported

Source: Extracted from Various Sources (News Articles and Report)

From Table 4, we can see that Company L has an FPIC policy and supported capacity building by giving scholarships and support for the teachers. Company M provided social assistance to Sakai residents affected by the flood and has a reported trade union conflict. Meanwhile, Company N supported capacity building by developing independent and sustainable oil palm plantations and has no conflict reported. Thus, the findings indicate that investing on education and capacity building seems to be an effective strategy for companies to mitigate conflicts with local communities. Table 5 presents the assessment of four companies in Rokan Hulu, which is one of the regencies in Riau with the highest poverty rate.

Table 5. Forms of community engagement by companies in Rokan Hulu

Companies in Rokan Hulu regency	Written policies on community engagement (Community involvement and FPIC)	Capacity building	Financial support of community project	Socioeconomic development	Impact
Company H (Kepenuhan Hulu District)	N/A	N/A	N/A	N/A	No conflict with the community, but has other issues; liquid waste and illegal land use) (Infosawit.com, 2017)
Company I (Kepenuhan Hulu District)	N/A	Provided scholarships for 80 students (Riauandalas.com, 2018)	N/A	Rehabilitation of the village office halls (Hasran, 2019)	(2012) land use conflict with the local community (Haloriau.com, 2012)
Company J (Ujung Batu District)	N/A	N/A	N/A	Formed a group of fishermen who can harvest catfish (Riau24.com, 2017)	Accused of not making a contribution to society (Rahmat, 2017); was asked to employ local workers and realize CSR programs by providing scholarships or educational assistance according to existing laws (Poskonews.com, 2018)
Company K (Kunto Darussalam District)	Yes	Provided assistance to increase the competence of elementary school teachers (Beritaintermezo.com, 2017)	N/A	CSR plan on infrastructure, sports, arts, and culture, social religion, partnership land (some not yet implemented) (Hazimah, 2017)	The local community requested the realization of the company's promises, because only half of it has been fulfilled by the company (Putra, 2018)

Source: Extracted from various sources (News Articles and Report)

Table 5 shows that Company H does not engage in local community programs of any kind and that it has an illegal land use case and a lack of implemented CSR programs. Company I supported capacity building and helped revitalize the village offices, but it has a case of land conflict with the local community. Company J supported socioeconomic development through the formation of a fishermen group; however, a year later, it has yet to realize its promise of implementing CSR programs in the community. Meanwhile, Company K has exercised three

forms of community engagement: FPIC policy, capacity building, and socioeconomic development. However, the news said the number of culverts provided by the company is insufficient for all bridges that need repairs; hence, bridge repairs were mostly handled by the local villagers. The provision of basic food assistance is doubtful, and its accuracy can be evenly distributed to all disadvantaged communities; moreover, aside from the lack of information on the provision of basic food, scholarships are only available for the employees' family (Hazimah, 2017). This underserving program may have caused the 2018 conflict with the local community due to the company's failure to realize its promise regarding the partnership land; until now, only half of the promises have been fulfilled by the company (Tribunrohul, 2018). Overall, three out of four companies in Rokan Hulu, the regency with the highest poverty rate, have conflicts with the local community. Thus, it is interesting to see the possible correlation between these two elements.

Inputs on the company programs on community engagement shown in Table 5 refer to Kadir and Syapsan (2012), who concluded that a company can bring about positive social impact regarding the rising unemployment rates from 2007 to 2011 by increasing the salaries of low-level workers and providing capacity building for mid-level workers. The absence of this employment opportunity for local low-level workers is due to the mismatch in salary or income, whereas that for the middle- (staff) and the upper level workers is due to the quality of the specified workforce (Kadir & Syapsan, 2012).

Some companies in Siak (Table 4) and Rokan Hulu (Table 5) have capacity building, socioeconomic development programs, and FPIC commitment. Siak, which has a low poverty rate, has less conflict than Rokan Hulu. A study (Braithwaite, Dasandi, & Hudson, 2014) has shown that there is a causal arrow running from poverty to conflict. Looking at the findings of the current study, it can be concluded that, if the company can reduce poverty, it can gain benefits by eliminating potential conflicts. If this is true, this indicates that the form of community engagement program being implemented has an important role in ensuring that the company gains benefits from such a strategy.

From Tables 2–5, we can conclude that a company often uses the socioeconomic development approach for community engagement, followed by capacity building. According to a study, at the most basic level, firms may engage the community by providing information, employee volunteer time, or providing philanthropic donations (Jenkins, 2005). Interestingly, in the current study, these approaches are not used by the companies under study. From the 14 companies assessed, only five companies have an FPIC policy, nine companies used the

socioeconomic development approach, and nine other companies provided capacity building for community engagement, and none of the companies provided financial support for community projects.

Moreover, from Table 2, we can clearly see that the absence of community engagement by a company can bring a negative impact on its sales and operation (this is what we refer to as the “social license to operate”). Hence, identifying the strengths and weaknesses of specific engagement techniques in achieving particular social license is needed to achieve such a license (Dare, Schirmer, & Vanclay, 2014). In terms of the company’s sales, past studies have shown that, for firms in industries that are highly sensitive to consumer perception, community engagement is associated with subsequent sales growth (Lev, Petrovits, & Radhakrishnan, 2010; Russell & Russell, 2010).

Investing on education, and capacity building has proven to be an effective approach for six companies, helping them mitigate conflicts with the local community. Although it has different impacts on three other companies (Table 3 and Table 5). In comparison, the socioeconomic development approach seemed to be less effective, because five out of nine companies that used this approach still experienced conflicts with the local community.

Furthermore, implementing capacity building, and socioeconomic development, does not guarantee that the company would have less conflict with the local community. Company I, for example, has supported capacity building, and socioeconomic development, but still experienced land and labor conflict with the local communities. Even implementing the three approaches also does not guarantee that the company would minimize its negative impact upon the local community. Company K, for example, still experienced conflict with the local community, which required the realization of the company’s promise for the partnership land. This is because only half of the promises have been fulfilled by the company so far.

In comparison, implementing FPIC policy and supporting capacity building yields positive results. Company L, which has an FPIC policy and supports capacity building, is able to eliminate any conflict with the community. Interestingly, four out of five companies with FPIC have no conflicts with the local communities. This strategy also worked for the companies in Rokan Hulu (Table 5), especially if they realized their promises to the community. Looking at the fact that the regency with the high poverty rate has more conflicts (Table 5), it is also interesting to see the possible correlation between these two elements, although Sanggau does not show the same result.

Looking at various companies programs on community engagement, (Table 4 and Table 5), it is clear that the most important element to mitigate conflict is to involve the local community in any decision making process, including assessing of what the local community really needs, and analyzing their strengths and available opportunities. This is in accordance with [Ife \(2016\)](#), who explained that, in the field social development, the process of identifying social needs, forming structures, and planning is very important. Social development can also focus on the actual quality of a company's social interaction within a community, rather than focus directly on the provision of human services. [Ife \(2016\)](#) also mentioned that promoting the concept of a community worker who lives in a community can bring people closer together and help them experience better community interactions.

Further, [Ife \(2016\)](#) explained that one of the most important aspects of relationship in community work is dialog; this is because we seek to learn from one another, not privileging the wisdom, and expertise of one person over another, but also recognizing that each person can contribute and has something to learn from the other. This is the kind of approach that the FPIC or participatory decision-making aims to be—one that is inclusive of the local community. Therefore, the FPIC policy and consultation must be implemented properly rather than just done to fulfill the CSR requirement. An FPIC consultation that is not conducted properly can only undermine the indigenous autonomy of the local stakeholders and serve as a counter-insurrectionary device, reinforcing a context of substantial political and economic asymmetry between the interests of the state, the corporations, and the societal elite, on the one hand, and that of the indigenous people, on the other hand ([Dunlap, 2018](#)). Thus, such an approach will fail to achieve its goal of eliminating potential conflicts.

4. Conclusion

To mitigate conflict, community involvement through FPIC in any decision that may affect the livelihood of the local community should be the top priority of a company, to ensure that it effectively provides venues which community members can voice their concerns. In turn, this can help a company mitigate potential conflicts with the locals and maintain a good reputation. Moreover, investing on education and capacity building seems to be more effective in mitigating negative social impacts than supporting local socioeconomic development, although the two approaches only show a slight difference in their results. These are especially effective when the promises are delivered and when they are well-planned through proper assessment and the active participation of local community in the planning process.

However, in analyzing the effectiveness, using the forms of community engagement as the variables, this work cannot provide a convincing conclusion as to which form is more effective than others in mitigating negative social impacts or promoting positive social impacts through poverty reduction. This is because, with almost the same approaches, Ketapang, which has a bigger plantation area, still has a higher poverty rate than Sanggau, which has a smaller plantation area. The same thing is observed with Siak and Rokan Hulu. The paper assumes that this is because a bigger plantation area has a bigger scale and has more beneficiaries under different types of beneficiary group. However, the author cannot find such information based on the secondary data collected.

Thus, the limitation of the research is the lack of information on the scale (in term of size/quantity) of the beneficiary groups. Hence, the broad interpretation of the forms of community engagement in the methodological sheet guideline, which may include other activities (e.g., recycling initiatives and visits to local schools), as described in the methodological sheet, may not be captured in this paper. This paper only analyses the common community engagement practices of companies in Indonesia that are usually shown as CSR programs. The other limitation is that the statistical data are only available in the district/regency level and not specifically in the community level (village level) wherein the companies operate. Other companies programs in the same regency may influence the social situation, such as poverty rate reductions, conflict, and so on. Finally, another limitation of this work is that the paper does not look at the company's market sales status, which may be affected by the performance of a company's CSR programs, especially those related to community engagement. Thus, future research may consider investigating primary data on this topic.

Author Contribution

Indah Budiani is the sole author of this paper. All ideas were conceived and executed by the author.

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