Stakeholders Alignment in CSR Implementation in Southeast Asian Agro-industry

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This article focuses on the broader misalignment of Corporate Social Responsibility (CSR) programs by multi-national corporations in Southeast Asia, particularly in the agricultural sector. It explains the likely causes of such impact through the lens of the Stakeholder Theory. The paper aims to illustrate how corporations present and strategize their CSR initiatives, emphasizing that the proposed solutions may only sometimes align with the actual needs of the recipients. Using Freeman's perspective/ This paper argues that an intrinsic disparity exists between the intentions and execution of CSR programs, particularly those initiated by multi-national companies, and the divergence of expectations between corporations acting as implementers and the recipients of these programs. Despite the clear articulation of these requests by most affected locals, multi-national corporations often need help to meet these demands. As a result, the lack of accessible information and limited consumer literacy, coupled with political and commercial branding by ASEAN, creates a conducive environment for CSR misalignments.

Keywords: *CSR; Southeast Asia; agriculture; stakeholder theory*

Introduction

In recent decades, there has been a noticeable trend where several multi-national companies (MNCs) have expanded their investments and business operations across diverse countries in the Global South, with a particular focus on Southeast Asia. Prior to the COVID-19 pandemic, ASEAN reported that its member states attracted a peak level of foreign direct investment (FDI), reaching US$182 billion in 2019. Although this figure experienced a significant decline to US$137 billion in 2020 due to the pandemic, the organization underscored that its global FDI share had increased from 11.9% in 2019 to 13.7% in 2020 (Association of Southeast Asian Nations, 2021). Significantly, a considerable rise in investments can be linked to the direct involvement of Fast Moving Consumer Goods (FMCG) companies in the region. These companies strategically anchor their supply chains in countries within the area. This investment not only involves the establishment of mills but also concerted efforts in the distribution and maintenance of their products. However, it is noteworthy that such practices have attracted criticism, as seen in the case of Unilever, which operates numerous factories heavily reliant on using palm oil.

With the increasing investments coming into the region, concerns about the sustainability and ethical practices of the incoming multi-national companies (MNCs) have also heightened, mainly for Southeast Asian countries directly impacted by the climate crisis. In 2019 alone, the reported displacement of 9.6 million individuals in Southeast and East Asia was attributed to climate-related issues such as cyclones, floods, and typhoons (McCoy & Soo-Chen, 2022). This not only poses an economic threat but also has the potential to be financially devastating. The Asian Development Bank (ADP) predicts that the crisis could lead to an 11 percent reduction in the region's GDP if left unaddressed. This is especially concerning for crucial sectors like agriculture, tourism, and fishing, which play a vital role in the region's economy and are directly susceptible to the impacts of climate-related challenges (Prakash, 2018).

In Southeast Asia, the awareness of environmental issues, and consequently Corporate Social Responsibility (CSR), is deeply rooted in diverse cultural influences that guide different countries in the region. The value of collectivism serves as a robust foundation for many Southeast Asian societies, enriched by the presence of local cultures and religions. The significance of philanthropy is notably emphasized as a core value in Buddhism, prevalent in countries near the Mekong River, like Vietnam, Thailand, Cambodia, and Laos. In Muslim-majority nations such as Indonesia and Malaysia, CSR is viewed as an extension of the practice of Zakat (donation). Additionally, the philanthropic efforts of the Catholic Church have played a vital role in fostering awareness about CSR in the Philippines (Asian Institute of Management, 2011).

The implication of such values is the creation of the ASEAN Socio-Cultural Community (ASCC) Blueprint 2025 by ASEAN, dedicated to enhancing the quality of life for ASEAN citizens and promoting sustainable development in the region (Association of Southeast Asian Nations, 2016). Additionally, domestic laws have been devised to govern corporate behavior, such as Indonesia's UU No.40 Article 74 of 2007, outlining corporate responsibility for environmental management.

This commitment is observable in numerous multi-national companies operating in the Fast-Moving Consumer Goods (FMCG) sector, including Unilever, Procter & Gamble, and Nestle. These companies regularly publish annual reports to transparently showcase their endeavors toward sustainable development in diverse communities while expanding their operations. Examples include Procter & Gamble's Yearly Citizenship Reports and the Annual Sustainability reports of Unilever and Nestle, which are accessible online for public scrutiny and are usually aligned with the achievement of Sustainable

Development Goals (SDGs), aiming to uplift communities and contribute consistently to environmental well-being (Unilever, 2023). Consequently, the initiatives undertaken by these companies have garnered acclaim and recognition from various stakeholders, earning them multiple awards.

Nevertheless, it is essential to recognize that the Corporate Social Responsibility (CSR) programs implemented by these companies have yet to consistently achieve comprehensive success in promoting sustainable development for various stakeholders, particularly those in the agricultural sectors.

Due to that, this article argues that an intrinsic disparity exists between the intentions and execution of Corporate Social Responsibility (CSR) programs, particularly those initiated by corporations, especially multi-national ones. The paper aims to illustrate and shed light on how corporations present and strategize their CSR initiatives, emphasizing that the proposed solutions may only sometimes align with the actual needs of the recipients. It is crucial to note that this argument does not imply that CSR is entirely ineffective; instead, it suggests that corporations may perceive the challenges the local population faces differently.

Prior articles addressing CSR implementation shortcomings have pointed out failures in empowerment efforts by different corporations (Adi & Mufidah, 2018; Sindhutomo, 2018). However, these articles have not analyzed the structural reasons behind implementation failures. This article aims to address this research gap by focusing on the broader failure of CSR programs by multi-national corporations in Southeast Asia, particularly in the agricultural sector, and offering an explanation for the likely causes of such failures through the lens of the Stakeholder Theory.

Stakeholder Theory

In order to evaluate the private sector's interest in and performance from executing its CSR activities, this study uses Freeman's viewpoint on the Stakeholder theory. According to the Stakeholder Theory, actors who are impacted by a company's operations in any way are considered stakeholders in corporate social responsibility (CSR) (Miloud, 2014). The fundamental tenet of the stakeholder theory proposes that a company's capacity to balance its stakeholders' diverse interests determines its success and sustainability. Stakeholder theory, on its attributes, is a subset of normative theory, which considers descriptive dimensions. This view opposes the idea that morality and financial interests are distinct, even if stakeholders in an organization are crucial to the process of designing its strategy (Castelo et al., 2007).

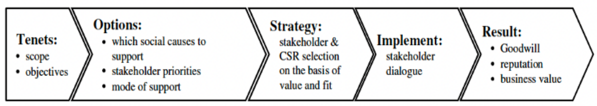
Freeman assumes that stakeholders are necessary for the firm to exist; therefore, the corporation considers their approval when conducting business (Freeman, 1984; Gariga, 2004). This idea places a strong emphasis on a network of engagement, contending that an organization such as a firm should benefit all of its stakeholders, including creditors, shareholders, customers, suppliers, the government, and the general public, in addition to operating for its profit (Castelo et al., 2007).

When it comes to researching the responsibilities of an organization, there are two primary schools of thinking. From a corporate social responsibility perspective, Redman contends that organizations should engage in social issues in addition to business ethics (Castelo et al., 2007). However, from a liberal perspective, the company's primary goal is to generate money for its owners. Nevertheless, improving the business and its relationships with the environment—or, in this case, the public—is the fundamental goal of implementing CSR (Castelo et al., 2007). In turn, CSR programs that are successfully framed to have a good relationship with the environment and the public would result in society's endorsements and approval of the company's production operations since it portrays the company's success in being responsible and active compensation to the stakeholders impacted, even if it may not necessarily address the most alarming problem caused by company's production process (Castelo et al., 2007).

The CSR process consists of two stages: (1) establishing the strategic direction and (2) putting it into practice within the organization (Child & Marcoux, 1999). The organization's goals and values will be heavily considered in the first phase, resulting in the creation of a prioritized list that is filtered according to the stakeholders and values of the CSR project (Child & Marcoux, 1999). However, while management remains in charge, the second phase gives project managers more room to share control over the technical aspects of the project. At this point, as the scope expands to include implementation, the definition of stakeholders gets broader (Child & Marcoux, 1999).

The purpose of this phase one to phase two transition is not to suggest that management or the organization's original stakeholders have a significantly reduced capacity to control the scope and value of a company's corporate social responsibility project. From the standpoint of technical project management, it is, nevertheless, subject to change. As a result, there will inevitably be compromises and limitations during the process (Naik & Chetty, 2022). On its practical implementation, compromises of initial metrics due to broadening external stakeholder involvement in CSR appear in possible logistical barriers, legal support, and public disapproval. The stakeholder theory, which describes how stakeholders' perspectives dominate statistical techniques or

Figure 1. CSR and Stakeholder Engagement Process



qualitative observations throughout problem definition processes, may also be helpful in the design process (Naik & Chetty, 2022).

Using the stakeholder model concept by Freeman, implementing corporate social responsibility (CSR) aims to achieve a synergistic effect between strategic planning and investment project improvement, given that the stakeholders who are critical to the company's sustainability have differing interests (Miloud, 2014). According to Freeman, safeguarding the interests of clients, staff members, and the community increases stakeholders' long-term wealth (Miloud, 2014). Organizations understand the importance of maintaining strong relationships to achieve the goal of "balancing" the interests of stakeholders and the production of high-quality CSR results. The universality and cultural benefits of CSR are the main topics of discussion in the academic community, starting in 1991, implied by Archie Caroll's design of the CSR pyramid to reveal major building blocks that companies use to be responsible in targeted areas (Miloud, 2014). Numerous barriers exist to achieving CSR, especially in developing nations where institutions, norms, and procedures are often comparatively "weak" (Miloud, 2014).

According to the theory, a weak system plays a role as an enabler of unchecked stakeholder behavior in the design, implementation, and result assessment process, in which the state's legislation governing the obligation of CSR and all of its processes fail to enforce strict measures and provide clear guidelines (Miloud, 2014). Due to this reason, the ability of the public to engage in a reputation-building effect towards corporate stakeholders and the perception of appropriateness held by corporate stakeholders have become crucial factors in determining the ultimate power of CSR creation. This context in the theory becomes increasingly relevant to be applied to the case of the Southeast Asian CSR system due to the avid involvement of significant economic players like the MNCs and the lack of a governing system and legislation on CSR ethics and success definition (Miloud, 2014).

The implementation of the stakeholder theory to explain this paper's case study of Unilever, Nestle, and PT. Asam Jawa's tendency to deliver CSR that fulfills corporate needs that are not aligned with the interest of the local stakeholders impacted by the corporation's production operational processes is captured in several ways. First, defining what constitutes a successful CSR and its metrics strictly depends on the perception of appropriateness. In this case, they are training programs for farmers and creating integrated farming land that would benefit those companies in gaining societal endorsements more than local stakeholders' interests.

Second, the implementation of its strategy to claim that its CSR programs are most aligned with local stakeholder's interests, even if it brought in some extent of benefits for the local farmers, has not addressed the most significant issue caused by those companies' production process, which is in line with the stakeholder theory that addresses power dynamics between multiple stakeholders in the implementation processes. This has resulted in more adherence to the corporation's purpose to tailor CSR to benefit local stakeholders and bring more advantages to the company's production process and reputation. These points will be further assessed in the discussion segments of this paper, including how a weak legal system enables such practices of CSR to prevail.

Focus of Assessment: Agro CSR in Southeast Asia

While implementing Corporate Social Responsibility has been a topic of research that has been thoroughly researched in most developed states, it has to be noted that there seems to be a lack of urgency in Southeast Asian Nations to strengthen their legal capability (Asian Institute of Management, 2011). Linking back to what had been established above, this becomes problematic when we observe the increasing amount of investment and expansion that had been happening, as well as how much resources the multi-national companies had been extracting from the region.

There has been an observable trend wherein the countries in the developed world have deindustrialized while the developing states are still industrializing. This is evidenced by the United Kingdom's ongoing manufacturing downturn caused by a lack of overseas demand for their products (Binns, 2023), while the manufacturing industry in most Southeast nations is going strong.

The rationale behind this trend is the significant role of the agricultural sector in the region. Estimates indicate that the combined value of farming, fisheries, and forestry imports by ASEAN from the global market has risen substantially, increasing from US$112.5 billion in 2015 to US$179.3 billion in 2021 (Australian Government Department of Agriculture, Fisheries, and Forestry, 2023). This is particularly notable in palm oil production, with Malaysia and Indonesia contributing 90% of the world's palm oil exports between 2019 and 2021 (Camarero & Camarero, 2023).

However, the existence of this agro-industry supply chain, particularly in the palm oil sector, is entangled with controversy. Numerous reports have shed light on social and environmental issues linked to plantations that have served as longstanding suppliers to Fast Moving Consumer Goods (FMCGs) in Southeast Asia, dating back to the 2000s. These issues encompass the acquisition of lands in Borneo, Indonesia, without the informed consent of the native Dayak Hibun community (Jong, 2021), as well as the mistreatment of migrant workers in Malaysia (Swissinfo, 2019). Similarly, concerns extend to the problem of deforestation in the protected Rawa Singkil Wildlife Reserve in Aceh, which resulted from illegal plantations directly linked to Nestle and Wilmar (Leuser Watch - Rainforest Action Network, 2023).

Similar controversies surround local companies, notably those that cultivate, process, and supply palm oil. Local palm oil companies in Southeast Asia are known for their massive scale of deforestation in the islands of Papua New Guinea, Kalimantan, and Sumatra. Examples of the biggest deforesters in Southeast Asia are PT. Austindo Nusantara Jaya, PT. Bangka Bumi Lestari, and PT. Ciliandry Anky Abadi. According to Chain Reaction Research (2019), these three companies are responsible for nearly 10.000 hectares of lost forest in Indonesian regions.

Despite these concerns, the investments made by Multi-national Companies (MNCs) and Fast Moving Consumer Goods (FMCGs) continue to rise in Southeast Asia/

ASEAN. Even after the COVID-19 pandemic, Southeast Asian countries have remained a substantial market for numerous MNCs, particularly those in the FMCG sector. In Indonesia, the largest country in the region, a significant portion of household expenditures, around 20 percent, is allocated to FMCG products. These products, including toiletries, toothpaste, cosmetics, and daily snacks, are pervasive in the market and essential for most households (Tjandra, 2022).

Despite these concerns, one primary factor driving the continuous increase in investments is the inclination of several ASEAN countries, including its current leader, Indonesia, to restrict imports and encourage the export of products (Rahman, 2020). Even recently, ASEAN has shifted its attention towards economic advancement in the region under Indonesian leadership. The tagline "Epicentrum of Growth" underscores Indonesia's commitment to enhancing collaboration among ASEAN countries, aiming to position the area as the epicenter of economic growth that is capable of rivaling global economic growth (Kementerian Komunikasi dan Informatika Republik Indonesia, 2023).

However, this pattern is not limited to a regional scope but also unfolds locally. Implementing the contentious Perppu No. 2 on Job Creation in Indonesia significantly simplifies the environmental assessment prerequisites and licensing processes. This involves consolidating environmental permits and business licenses and removing specific conditions and restrictions for foreign investment specified in various laws governing diverse business sectors. Additionally, it eases the obligations companies have to fulfill toward their workers, encompassing aspects such as severance pay, minimum wages, and contracts for outsourcing workers (Simatupang et al., 2023).

A parallel circumstance is observed in the fishery industry in Thailand, where the government's introduction of the "Pink Card" registration scheme in 2014 has created an environment prone to the exploitation of migrant workers. These workers lack adequate protection and working standards, given the weak government inspection regime that oversees the mistreatment of labor (Human Rights Watch, 2018).

Drawing from the previously discussed points, a significant challenge in Southeast Asian nations stems from the weakness of the country's institutions, impeding their capacity to enforce laws and mechanisms effectively. This challenge is particularly conspicuous in Corporate Social Responsibility (CSR) implementation. In many developing countries, including Indonesia, there needs to be more explicit regulations governing corporate behavior concerning CSR. Moreover, even when such laws are in place, their enforcement could be improved by the country's difficulties in monitoring and upholding actions that violate these regulations. This is exemplified by the fact that Corporate Social Responsibility (CSR), as outlined in Law No. 25 of 2007 on investment, often referred to as the 'Investment Law,' complementing Law No. 40 of 2007 that regulates CSR, does not articulate any sanctions for companies failing or neglecting to engage in CSR activities (Maris, 2014).

This approach differs from the regulations and perspectives on Corporate Social Responsibility (CSR) observed in many other regions. In Europe, particularly in France, the Economic Regulations Act, implemented by the French government in 2001, mandates 700 French companies to disclose their social and environmental activities annually. Similarly, the UK Company Act stipulates that companies must include CSR activities in annual reports. Interestingly, even South Asian countries prioritize CSR regulations more than Southeast Asian ones. For example, India has made CSR obligatory through its Company Act of 2013 and is committed to enforcing this regulation. This is evident in the 2023 case of Kony India, a multi-national company, which has faced repercussions for non-compliance (India CSR, 2023).

Discussion

Misalignment between CSR success metrics and recipient's needs

Strategic intent reflects the role of the recipient and the donor's role in their existing CSR strategies how these strategies interconnect, what contingency plans should strategies change or funding be reduced, and how both entities are fixed concerning their strategy. Recipient intent focuses on identifying existing needs and engaging with potential donors who can invest in projects and provide benefits for both (Jonker & Nijhof, 2006). On the other hand, organizations' interest revolves around aligning core business services, practices, and products with recipients of such programs. With differences in strategic intent, the challenge to form a catering CSR lies in creating mutual value through focused programs that represent the needs of the community - in this case, the Southeast Asian local agro-industry - and the needs of the stakeholders in the organization. Despite the different degrees of involvement in the program, each stakeholder has a part to play in the program's success.

The perception of actual versus perceived needs of the recipient during the process of designing success metrics remains one of the most prevailing debates in the study of CSR. Through the Stakeholder theory, this happens because the success of CSR depends on the stakeholders to support and execute CSR initiatives required to yield benefits to the recipients and make business sense for the organization (Porter & Kramer, 2006). However, when attempting to meet the interest of both parties, Freeman argues that the donor has disproportionate power, which influences the quantum of donations, to whom and which programs, even if this is inappropriate for the recipient (Blundin, 2012; Genasci & Pray, 2008).

Compared to how recipients of the obligations perceive corporations' responsibility in CSR, there needs to be a connection between the extent of investment and assistance (Wilburn & Wilburn, 2014). The recipient of CSR's understanding of obligation departs from an experience of deprivation due to the corporation's operational processes, such as the extraction of resources and exploitation of labor in the area. Hence, CSR, according to the recipient's ideal perception, should be based on retributory intention and should aim to include the rejuvenation of any "damage" caused by a corporation's operational processes on its CSR success metrics design (Porter & Kramer, 2006). This expectation in the agriculture field is essentially asked in the form of returning a conflicting land to indigenous communities, employing strict local-exclusive labor utilization, and maintaining sporadic local-owned farms instead of mega-merger farm operations. Such expectations often need to align with the interests of internal corporate stakeholders in the investment goal (Porter & Kramer, 2006).

The process of how misalignment happens can be seen because the existence of stakeholder interests and the corporate's core value as the center of CSR metrics design framework is not the only factor of disconnect between strategic intent and recipient's needs in Southeast Asian countries. As part of a developing region, the state and legal system play a crucial role in weaving the output of CSR compliance. This element is often found to be essentially fragile in the Southeast Asian economic vicinity.

On the legislative front, the Indonesian government takes the lead among other Southeast Asian countries, legislating through Article 74 of the 2007 revised Indonesian Company Law, stipulating that natural resources-based firms must allocate budget for CSR programs (Herrera, 2015). Another example is UU no. 40 of the 2007 Limited Liability Company, in which it was mentioned that companies are encouraged to do SCR. However, it does not include details on any CSR guideline as a standard. Meanwhile, in the Philippines and Malaysia, the government is considering a proposal for the Corporate Social Responsibility Act, which declares that the state recognizes the private sector's vital role in nation-building (Herrera, 2015). This indicates that Southeast Asian countries are aware of the importance of CSR and, as a result, have regulated CSR in some of their legislation (Herrera, 2015). However, there needs to be a clear guideline as to what a successful CSR would look like.

As a comparison point of departure, more developed Asian countries with similar demography, such as India and China, have implemented CSR design and implementation guidelines. During the deliberations surrounding the amendment of the Companies Bill 2009, the Indian government declared its intention to compel corporations to set aside 2% of their net profit from the previous three years for corporate social responsibility endeavors and to notify shareholders of the measures taken to fulfill this obligation (Herrera, 2015).

However, the poor state of CSR quality is not a result of a lack of adequate regulation but of the weak and often near absence of enforcement of national and state laws. Indonesia needs to follow through with implementing guidelines, rendering the law unenforceable. Compared to more developed countries with higher success rates of CSR planning and implementation, governments in more developed countries typically complement the state's regulations with a set of voluntary guidelines for CSR, which regulates a minimum amount of corporate's average net profits on active under its CSR policy.

An example of misalignment in defining successful key metrics would appear in the Unilever palm oil CSR method. Before assessing the key metrics, it is vital to understand the intent of multi-billion consumer goods corporations to pander to multiple external stakeholders' interests. First, as a large corporation with multiple streams of the value chain, keeping mutual symbioses with actors throughout the value chain stream is crucial to sustaining the business. Local agro-industries are one of the most significant key areas in the production process. Consumer goods giants, such as Unilever and Nestle, the brands that are used by over 2.5 billion people every day (Nestle CSR report, 2015), have been specifically accused of failing to declare zero tolerance against land grabs, even through millions of acres of land have been unjustly seized from poor farmers and rural communities over the last decade (Herrera, 2015).

As part of its sustainable business model goal, Unilever aimed to source 94% of its core palm oil volumes, with 86% coming from physically certified sources: RSPO Mass Balance, RSPO Segregated or an equivalent standard that is independently verified by a third party (Unilever, 2023). It has also targeted the remaining 8% to be bought from RSPO independent smallholders with "respecting and promoting human rights" as part of its core CSR value, with most of its sustainable business model focused on accountable palm oil sourcing (Unilever, 2023).

Setting an ambitious goal to eradicate agriculture and economic reparations in developing countries, Nestle aims to have two main outputs. First, it will increase farmers' net income, and second, it will increase production capacities by optimizing the utilization of limited available land and less available time. While a specific percentage of the increase would be country-specifically customized, the design intention is similar. Nestle's contribution to rural development mostly relates to its purchases, such as volume and value, including premiums and other market tools. Investments in productive assets like infrastructures and capacity-building initiatives can have their impacts assessed in terms of economic contribution to local actors' capabilities that would only increase through the addition of wealth.

Hence, such metrics are expected to yield two impacts. First, with the increase in farmer's net income, household consumption is bound to increase, resulting in more spending on food. Second, as production capacities are optimized, the availability of food stocks is maintained, creating a bottom line for local household well-being (Nestle CSR report, 2015).

While the design of the metric aims to alleviate local farmers' sustainability, local land-owners affected by the land-opening process of Nestle and Unilever have often demanded the return of their land as a form of retribution - quite distant-related to the CSR success metrics defined through the corporate stakeholder's perception of recipients' needs. This is evident in the disconnect of needs perception in the phase of CSR design between the needs of the stakeholders and the recipients, which is also enabled by the system.

Compared to agricultural MNCs, local agricultural firms typically use CSR somewhat differently. It is generally set up in "welfare assistance" formats that better fit the standards of the surrounding community. This is not to argue that the CSR above targets stakeholders more precisely or fairly to balance their interests. They are carried out in ways more normatively suited for the grassroots communities in such areas. This kind of help includes food aid (cembalo), volunteer work in the community (bhakti social), or gifts to organizations that meet needs, like hospitals or foster homes. The genesis of various types of support may be traced back to the widespread religious customs of "giving back" in Southeast Asia, accompanied by ethics that encourage cooperation.

The initiatives are run by PT. Asam Jawa, a palm oil company in North Sumatra, and PT. Pabrik Gula Candi Baru, a sugar plant in East Java, serves as a study case for this kind of CSR. These two businesses implemented CSR using the previously indicated methods. Both companies have historically faced criticism for the harm their commercial operations cause to the local populace. Protests were held against PT. Asam Jawa because of their contentious land-grabbing practices towards the local populace while the neighborhood around PT. Pabrik Gula Candi Baru lodged complaints regarding waste and pollution. Both businesses carry out welfare assistance CSR initiatives in response to these complaints (Harahap et al., 2019; Wardhana & Rochmaniah, 2015). We shall discuss their programs' effects in more detail in Chapter C below.

Applying the Stakeholder Theory to this, it became evident that these CSR cases were likely to have yet to be planned or built with sustainable causes in mind. In actuality, they seem more like a gift intended to broaden public acceptance of businesses and earn sympathy from the community despite the deprivation these businesses inflict. It is clear from this that, although having an advantage in understanding local customs and cultures, local enterprises who engage in CSR also have a comparable gap between the company's aim for its programs and the interests of the recipients. Nevertheless, because neither company has released a publicly available sustainability report, it is impossible to determine which sustainability framework these companies employed or even if one was used when designing their CSR. Even in non-MNC situations, recipients' needs are frequently subordinated to commercial interests.

Inaccuracy of CSR campaign and implementation process

As previously discussed, this article underscores a significant issue concerning the implementation of Corporate Social Responsibility (CSR) in Southeast Asian nations—the divergence of expectations between corporations acting as implementers of CSR programs and the recipients of these programs, as had been discussed in the theoretical framework. To further elaborate on the conflict between the companies and the local communities it impacted, this paper will dive further into the misperception related by several multi-national companies' CSR campaigns against its actual impacts on the programs' recipients.

In instances involving Fast-Moving Consumer Goods (FMCGs) and their investments in the agricultural sector, a notable impact is anticipated on the residents, many of whom may belong to indigenous communities and have longstanding land rights where FMCGs have established their factories and production facilities. Consequently, it can be deduced from the perspective of these recipients that the expected CSR programs should lean towards restorative/retributive measures, fully compensating them for the losses incurred. Such expectations from recipients may encompass the following:

- Ensuring the safeguarding of forests and lands crucial to local communities, particularly within protected areas;
- Assuring a decent standard of living for individuals impacted by production, especially workers;
- Ensuring protection for local farmers who have long resided in the area;
- Ensuring the mills they source their supplies are ethically acquired, free from forced land grabbings.

The four restorative measures outlined above align with two key Sustainable Development Goals (SDGs): Goal 12 (Ensure sustainable consumption and production patterns) and Goal 15 (Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss). Utilizing SDG 12 as a foundation for CSR initiatives ensures a sustainable and responsible approach to production for companies engaged in agricultural activities and their supply chains. This approach also supports SDG 15's objective of promoting sustainable land use among local populations who are recipients of corporate CSR efforts.

Nevertheless, despite the clear articulation of these requests by most affected locals, multi-national corporations (MNCs) in Southeast Asia's agribusiness sector often need help to meet these demands completely. In addressing the expectations of the local communities, a common strategy employed by MNCs and Fast-Moving Consumer Goods (FMCGs) is to communicate their CSR programs through commercially crafted slogans or taglines, as well as embracing governmental and local institutions to make it seem that the action is genuinely retributive and sustainable. This communication tactic aims to convey to the recipients that the companies are trying to compensate the communities impacted by their production processes.

In the case of Unilever, the company had announced its commitment to follow the "People and Nature Policy" in their reports, which would encompass four principles that the company (and its donors) deems to be valuable in the public eye, which is: (a) "Protecting natural ecosystems from deforestation and conversion," (b) "Respecting and promoting human rights," (c) "Transparency and traceability," as well as (d) "Being a force for good for people and planet."

Detailing their approach, the company clarifies that as part of their commitment to sustainability goals, they directly engage with primary producers and mills, specifically farmers, to integrate them into Unilever Oleochemical Indonesia's supply chain at their North Sumatran facility, wherein they offer training and certifications to ensure these farmers can produce palm oil sustainably (Unilever, 2023). To bolster the credibility of its sustainability efforts, the company discloses information about its palm oil suppliers and collaborates with institutions like the Tropical Forest Alliance (TFA) (Unilever, 2023).

Even with Unilever's claim to be a global leader in sustainability, many reports have doubted the accuracy of their campaign. Numerous reports have surfaced regarding their close ties with Astra Agro Lestari, the second-largest palm oil company in Indonesia known for numerous human rights violations and environmentally harmful practices conducted by its subsidiaries such as PT Agro Nustra Abadi (Friends of the Earth, 2023). Astra Agro Lestari has been implicated in conflicts with indigenous communities in West and South Sulawesi, especially concerning the local's right to land ownership (Christina, 2023).

Similar challenges extend to multi-national corporations (MNCs) rooted in Southeast Asia, exemplified by Wilmar International, an agribusiness conglomerate from Singapore that had also conducted relations with FMCGs such as Unilever, which has encountered comparable allegations (Amnesty International, 2016). Apart from accusations leveled against Wilmar and its subsidiaries by Amnesty International regarding labor mistreatment, the company has faced criticism for its failure to uphold its No-Deforestation pledge, notably highlighted by its withdrawal from the High Carbon Stock Approach (HCSA), a non-governmental organization dedicated to identifying forests for conservation based on their ecological significance in 2020 (Hicks, 2020). This happens because of the differing perspectives between the company and the NGO about the effectiveness of HCSA.

Another illustrative case highlighting the gap between FMCG companies and their recipients involves Nestle and the Budi Luhur Dairy groups in East Java, Indonesia. How this happens is throughout their partnership, Nestle faced challenges stemming from the farmers' entrenched "traditional" mindset regarding milk production, which prioritizes traditional methods that they deem to be "sacred" over the quality of the end product—a perspective at odds with Nestle's priorities. Consequently, this traditional mindset hindered Nestle from persuading farmers to adopt its programs, like Hijauan Makanan Ternak, to improve milk quality. Thus, although Nestle succeeded in community development to an extent, it faced limitations in aligning with the recipients' preferences (Adi & Mufidah, 2018).

The identified problems with companies, as discussed earlier, happen because of lenient regulations and weak enforcement of laws, especially those about CSR, as previously explained. With MNCs/FMCGs expanding their investments and market influence in the region, it seems inevitable that states will need help adequately overseeing these companies' business activities. Consequently, ensuring that the CSR programs implemented by these companies truly serve as restorative or retributive measures in proportion to the harm they cause becomes problematic for regulatory bodies.

The instances involving companies discussed here can be interpreted through the lens of the "Stakeholder Theory" outlined earlier. Unilever's collaboration with Astra Agro Lestari, as well as Wilmar International's failure to comply with its No-Deforestation pledge, evidences the corporations' failure to fully comply with the requirements needed for a robust CSR implementation, given that the companies would most likely still prioritize measures in their operations that would still give them the utmost benefit irrespective of their commitments, especially when it relates to their relations with other local and subsidiary companies (Amnesty International, 2016). Additionally, the case study involving Nestle further demonstrates the existence of divergent perceptions of values between the company and the individuals it seeks to support, which happens due to the inability of the company to fully integrate its profit-maximizing objective with the local beliefs, thereby mitigating the restorative ability of its CSR initiatives (Adi & Mufidah, 2018). All of the issues mentioned before then are also amplified due to the lack of transparent governing systems and loopholes that companies could exploit in their operations.

Aftermath of CSR metric and implementation misalignment

Before diving deep into the aftermaths of CSR misalignment, there are 2 important contexts needed:

a. There is a significant lack of accessible information regarding ideal sustainable practices and consumer literacy on brands, specifically in Southeast Asia (Herrera, 2011). This is mainly caused by the nations' imperfect democratic system, limited access to information, and lack of education, as most of them are still in the stage of developing states. Hence, consumer awareness, or ethical consumer movement, either does not exist or needs to be more scalable to result in any proper check and balance to the companies' misaligned CSR.

b. Under Indonesia's leadership, ASEAN continuously brands multi-national companies, especially FMCG and extractive industries, as spearheaders of growth. This political and commercial branding highly places companies as main contributors to ASEAN's goals, in need to be welcomed as the nation's "economic heroes". Hence, this significantly reduces the institutional incentive to investigate or criticize companies' business and sustainability practices. It is even harder to check exaggerated claims, critically check the community's aspirations, or audit any program misalignments.

These two contexts, though they do not act as root causes, catalyze problems discussed below in multiple ways:

- It adds both the discrepancy and continuity of the misalignments in CSR programs, as all external

parties, including the community on the ground, consumers, and policymakers, need to be made aware of this or barely recognize it as a problem. (Herrera, 2011)
- The public's dependency on these companies' economic and social contributions creates friction against many attempts of criticism or demand for existing program alteration.

The aftermath of CSR misalignment, where the company's interest dominates more than the recipients', can be categorized into two possible scenarios:

A. *Continuity and Expansion of CSR Programs.*

When a CSR project aligns well with the company's commercial interest, it further incentivizes them to invest and grow the program more. This is due to two possibilities: a) the programs are projected to benefit the FMCG company's supply chain and business process, and b) the program significantly adds more positive branding and may serve as a marketing campaign.

This means that CSR is now seen as a project to fulfill compliance duty to external stakeholders and to be integrated into the company's business to generate more revenue. Programs like this are likely to be maintained by upper management and less likely to be subject to cost-cutting. The forms of investments companies ought to give are various, such as injecting more funding into the program, deploying more human resources, providing more tools and infrastructure, as well as intense educational support.

Such investment fosters the growth, expansion, and sustainability of the program. Many CSR programs fail to sustain due to a variety of reasons. For multi-national corporations, the complexity of implementing the strategy in various business functions (Oppenheim et al. in Laudal, 2011) becomes the most relevant barrier. Emphasis on CSR's alignment with the company's commercial interest mitigates this barrier, as such programs are designed to be viable for integration into their business functions.

A perfect example of this is Nestle's Nescafe Plan 2030, which aims to empower local coffee farmers in Thailand, Indonesia, and the Philippines and assist them in transitioning into regenerative agriculture (Nestle, 2022). The produced coffee beans are to be supplied to Nestle as the main source for their instant coffee brand Nescafe. This fulfills Nestle's environmental goal of sourcing 50% of their coffee beans from regenerative agriculture by 2030 (Nestle, 2022). Not only does this give added value to Nestle's supply chain, but it also serves as a strategy to brand their products as "locally sourced" or "responsibly sourced".

However, successful cases of misalignment like this can only happen in specific situations where, despite misalignment with the recipients' needs and demands, the programs successfully result in socio-economic benefits that exceed the amount that recipients would otherwise receive without the company's CSR. Such possible situations can be:

- The supposedly misaligned CSR programs discover new, highly valuable natural resources or capital that the recipients would otherwise be able to capitalize on with the presence of companies.
- The company's CSR programs helped provide facilities with objective benefits for the surrounding communities. Such facilities may have yet to be previously demanded, but through continuous demonstration and socialization, they helped solve the social or health issues of the recipients.

B. Failures to Meet Sustainability Goals

Despite some positive success cases, CSR misalignments should result in more potential harms that may jeopardize the programs' long-term commitments and sustainability. This is because such success can only happen if companies manage to maintain positive trust from the communities despite their unresolved demand of retribution and significantly deliver their programs' socio-economic promises at the same time. In cases where companies' business activities cause significant damages, like displacement of civilians, land revocation, and environmental hazards, such outcomes are unlikely to be achieved.

First and foremost, the misalignment of CSR programs with recipients' needs is often driven by reducing pressure from social conflicts, especially regarding agricultural lands (Harahap et al., 2019). The said social conflicts are rooted in society's resentment over activities such as hostile land revocation and forceful relocation of local communities, resulting in thousands of people losing their livelihoods. This is especially true for FMCG companies, whose suppliers need to free hectares of land, often sweeping away locals, to build factories or plantations for their raw materials production. Social conflicts typically arise due to the loss of land ownership and the loss of jobs experienced by local farmers and casual laborers.

- One of the primary examples of such cases can be seen in the work of Harahap et al. (2019), which examines the failure of PT Asam Jawa's CSR implementation. PT. Asam Jawa, a palm oil company based in North Sumatra, forcefully seized more than 4000 hectares of land from the locals in 1981. This resulted in intense sentiment from the local community, escalating into failed negotiations and even violent altercations until 2019. PT. Asam Jawa responded to this by implementing CSR programs focusing on health, education, the development of public facilities, and religious harmony (Harahap et al., 2019).

The program eventually failed to "rescue" PT. Asam Jawa from social conflicts it has caused from land seizing. This is because a) there is still a significant amount of people in the area that actively unionize, demonstrate, and consistently fight for their lands back, b) people who are part of such groups are instead excluded as the CSR beneficiaries, leading to more sentiment and violence (Harahap et al., 2019).

Such misalignment can lead to various negative consequences for CSR continuation:

- Decrease in Participation

As dissatisfaction grows, the level of active participation from the community may decrease over time. This reduced engagement hampers the effectiveness of the CSR initiatives, as the intended beneficiaries become less involved in the activities, diminishing the potential positive impact.

- Unsuccessful Outcomes

The culmination of these issues contributes to overall program failure. If the recipients are dissatisfied and unengaged, and there is a lack of cooperation, the intended social, economic, and environmental impacts envisioned by CSR initiatives will likely remain unrealized.

- Risk of Discontinuation

The ongoing dissatisfaction and diminished participation increase the risk of the CSR program being discontinued. Companies may decide to halt initiatives that are not yielding the anticipated benefits or are causing reputational damage (Laudal, 2011). This discontinuation reflects the company's failure to fulfill its CSR mandates and highlights a lack of adaptability and responsiveness to community needs.

In essence, the success of CSR programs hinges on sustained community engagement, responsiveness to local needs, and a genuine commitment to creating positive impacts. Failures in these aspects jeopardize the intended benefits for the community and tarnish the company's reputation and ability to meet its social obligations effectively.

In the short term, the consequences may not be significant to the companies, as discontinuing the CSR program is only seen as a cost-cutting measure, and failed CSR may lead to temporary reputation tarnish. In the longer term, misguided sustainability techniques predominate and the cycle of discontent and animosity toward businesses persists. Not only do the participants of CSR programs not receive the benefits they were promised, but the extractive nature of agricultural FMCG businesses continues to crush the communities' hope of proper livelihood as the resources they took from them are never returned.

Conclusion

FMCG companies widening their extraction of the value chain in the Southeast Asian agro-industry landscape has made it increasingly important to assess their CSR and their attempt at retribution to the marginalized farmers and local communities impacted by their business processes. However, according to the stakeholder theory, the CSR design, implementation, and result process have yet to be aligned with the recipient's expectation due to the existing disconnect in the perception of needs.

In the success metric design process, the existing disconnect between the recipient's perceived needs and the recipient's actual needs by the corporate stakeholder in formulating CSR success metrics has resulted in misaligned program creation for the recipient. Recipients of the CSR program, often marginalized farmers, generate their expectation of CSR as a form of corporate retribution. Meanwhile, corporate internal stakeholders perceive their obligation as important as long as it aligns with their core values. The lack of a system governing guidelines of CSR minimum investment amount and its guidelines in the Southeast Asian economic landscape has enabled corporate stakeholders to prevail over the misalignment of the CSR program.

In the implementation process, the differing expectations between the recipients of CSR and the companies that implement them actively create misaligned programs that cannot be perceived as retributive/restorative towards the recipients. To bypass public scrutiny, the companies would usually utilize slogans and programs that point to sustainability and embrace local stakeholders to make it seem like they are creating inclusive and aligned programs, when the programs may need to be more effective. This practice is only allowed to be fostered due to the region's weak enforcement of CSR laws by regulatory bodies.

As a result, the lack of accessible information and limited consumer literacy in Southeast Asia, coupled with political and commercial branding by ASEAN, creates a conducive environment for CSR misalignments. While some misaligned programs may appear successful in the short term, they often fail in the long run due to societal resentment, inadequate planning, and a lack of synergy with recipients' needs. Sustainable CSR demands genuine consideration of local contexts and active community engagement to ensure lasting positive impacts.

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