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Stakeholders and Community Development: Engaging Multinational Corporations in Poverty Alleviation in Mekong Countries

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Abstract

This paper explores poverty alleviation actions from multinational corporations (MNCs) in Laos and Thailand, in the form of corporate social responsibility (CSR). The key focus is given to the nature and types of CSR activities. The researchers collected primary data from three MNCs in Laos and Thailand and secondary data from corporate resources. The results identify three emerging themes: (1) economic contribution and community participation, (2) community interactive relation strategy, and (3) capacity building in human rights. Data also supports that there are both similarities and differences in approaches by MNCs, roles they play, and challenges from the host countries in conducting poverty alleviation activities.

Keywords: Poverty, Corporate Social Responsibility, South East Asia, Multinational Corporations

1. Introduction

Poverty is one of the key global challenges requiring special attention from the international community. The United Nations Development Program report has confirmed in its 2007 report that the overall global poverty rate is expected to fall below 15% - well below the 23% target set in the Millennium Development Goals (MDGs) by 2015. The target of the first MDGs was to reduce by half the proportion of people living on less than \$1 day in the period between 1990 and 2015. The gains so far come despite the economic and financial crisis of 2008 that began in the US and Europe. The number of people in developing countries in extreme poverty (living on less than \$1.25 a day) is projected to fall below 900 million, according the UN annual report card of regional progress towards the eight MDGs (UNDP, 2007). In 2013, it is reported that, of the 7 billion people alive on the planet, 1.1 billion subsist below the global accepted extreme poverty line of \$1.25 per day (The Economist, 2013).

Factors creating chronic poverty may include poor governmental planning in financial and social investment in communities, high crime rates, illegal activities from domestic or international business

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organisations, and destabilized governments (UNDP, 2008).

Poverty eradication remains one of the major objectives that national governments, international organisations, non-governmental organisations (NGOs) and local communities seek to achieve. From the international business perspective, its involvement in this issue is limited due to the lack of clarity regarding their role, and the absence of detailed exploration of the links between poverty and international business organisations (Alkire & Foster, 2011). There is an acute absence of research at the level of the international business community in terms of the role that business can perform in poverty reduction (Wood, 1991; Shankleman & Selby, 2001; Ite, 2004; Kolk and Tulder, 2006).

A number of MNCs are located in the rural communities where economic resources are limited to social stakeholders. In such communities, MNCs can be viewed as one of a few sources of income and community development. Business strategies such as corporate social responsibility (CSR) and stakeholder engagement can promote well-being among community members and strong status of MNCs in the community (Spence et al, 2003; Pimpa, 2013).

Most MNCs identify CSR as a business tool to promote a positive perception to business stakeholders and, perhaps, as a way to improve the quality of life among citizens of the host countries. Carroll (1999) argues that business is expected to align with and respect new (or evolving) ethical norms being institutionalised in society in response to social problems, such as poverty or human rights. In recent times, the international business community increasingly has used the concept of CSR to establish a framework for broader private sector involvement in poverty alleviation (Pederson, 2009). Previous studies in CSR and poverty (e.g., Ite, 2005; Jamali and Mirshak, 2007; Karnarni, 2010) contain built-in assumptions that international business organisations should designate poverty as key part of their business mission in host communities. Moreover, MNCs should move from corporate-centric to social-centric approach in their CSR activities in the host countries (Pimpa, 2013). Although the practice of CSR among MNCS is not uncommon, it is still not clear how to link and rationalize its practice with chronic social conditions such as poverty, human rights violations, or environmental degradation in the host countries.

2. Research Background

The Greater Mekong Subregion (GMS) is made up of Cambodia, the People's Republic of China (PRC, specifically Yunnan Province and Guangxi Zhuang Autonomous Regions), Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, and Vietnam. Due to its cultural and geo-political interconnectedness, it is often viewed as one of the key strategic business and political areas by many MNCs operating in Asia. A study by AusAid (2004) on poverty in Mekong area shows that poverty remains a critical problem in Mekong area. Despite a considerable decline in poverty since 1998, there are still around 4 million poor people living in the Mekong region. This is the highest number of

poor people in Asia. Additionally, the Mekong Delta has the highest percentage of people vulnerable to falling back into poverty through adverse economic shocks. The Mekong region is also prone to natural disasters and ecological-related problems, which creates a precarious existence for the poor (AusAid, 2004).

Even though economic booming and the rise of foreign direct investment by MNCs in the region can be evident, poverty in most part of GMS remains crucial, particular in rural Laos, Vietnam and some parts in Thailand. The comparison of rural-urban poverty can be meaningful for poverty alleviation actions. Thus, in this project, the researcher focus on poverty in Lao PDR (or Laos) and Thailand. Thus, poverty in both countries is the key point of discussion.

2.1. Poverty in Lao PDR

The Lao People's Democratic Republic is more rural in character than any other country in Southeast Asia (UNDP, 2007). More than three quarters of the total population lead a rural subsistence existence, largely depending on agriculture and natural resources for daily survival (World Bank, 2008). Poverty is thus particularly concentrated in rural areas. A substantial amount of the country's mountainous terrain is unsuitable for cultivating crops, and production conditions for farmers are generally poor. Many rural communities in Laos are geographically and socially isolated (UNCTAD, 2002). More than a third of Laos' population continues to live below the global poverty line of U.S. \$1.25 a day (World Bank, 2008). Also, most of the population remains dependent on subsistence agriculture. Farming still accounts for 67.6% of total employment, compared with 16.9% of the population who is self-employed and only 15.5% who are wage-earners (the Diplomat, 2013).

To complicate the situation further, poverty in Lao PDR remains most prevalent in the mountainous regions, where the majority of the country's ethnic communities live (Asian Development Bank, 2010). In upland areas the poverty rate is as high as 43 per cent, compared with about 28 per cent in the lowlands (UNDP, 2007). However, the high growth rate achieved by the Lao PDR since introducing economic reforms after the mid-1980s has resulted in a steady decline in poverty (Epprecht et al, 2008). The incidence of poverty among various communities shrank from about 46 per cent in 1992 to about 33 per cent in 2003 (World Bank, 2005). Yet, the country remains one of the poorest and least developed in Southeast Asia (UNDP, 2007).

2.2. Poverty in Thailand

Although Thailand is perceived as one of the rapidly developing nations in South-East Asia, the incidence of poverty or wealth is dependent on a person's occupation, location of residence or work, and level of educational attainment. Poverty has been a common chronic social issue in most rural communities of Thailand. From the 1970s until the mid-1990s, the poor were mostly agricultural workers in the rural areas, particularly in the north, northeast, or southern regions, whose average

level of education was only 6 years of primary schooling (World Bank, 2005). It was reported, by the World Bank in 2005, that over 20 per cent of Thais in the North Eastern and Southern area are poor. Some areas in Bangkok remain poor and are not well maintained by the Government. A thorough analysis on poverty and wealth published in *Encyclopaedia of the Nations* indicates three factors contributing to poverty in Thailand, including (1) poor economic development in rural areas, (2) poor education system, and (3) the failure of the government to implement agricultural land reform policies. From the three issues, land reform and entitlement for poor people is the main problem affecting people living in rural areas. In contrast to rural poverty in Laos, picture 2 displays the poor condition of living of migrant workers in Bangkok, the capital city of Thailand. Most poor people in Bangkok and other major cities are migrant workers live in a very poor condition. Most of them are from North Eastern and Northern Thailand. They have no skills and long-term employment. The complexities of rural-urban migration in Thailand contribute to long and short-term poverty problems among migrant workers residing in major cities such as Bangkok, Pattaya or Nakhon Ratchasima. A study by Kakwani and Krongkaew (2000) confirms that because large pockets of severe poverty still exist despite the beneficial effects of economic growth in Thailand, a more targeted approach may be needed to speed up the process of poverty alleviation. In achieving this, collaborations and resource-sharing among government, local and international business organisations and NGOs are required.

A report by the World Bank (2005) on poverty in the South East Asian region confirms that the key strategy that could help Thailand to resolve the poverty problem include increasing economic and social resources for the poor, engaging various stakeholders from different communities and organisations, and increasing community participation among various community members. UNDP (2008) also confirms that contributions from both formal and non-formal social institutions such as MNCs, union, co-op group and religious institutions will help Thailand to alleviate poverty in the long run.

2.3. CSR and its Nature

Corporate social responsibility (CSR) refers to the relationship between business and society, where the role of business is purported to go beyond the provision of goods and services. (Dunphy, Griffiths & Benn, 2007) The traditional neoclassical view of business, the cornerstone of capitalism, is that the role of business is to create and protect shareholder value, thereby driving economic and social development through profit maximization. Made famous by neoliberals such as Milton Friedman, this dominant view of business as contributing to society through wealth generation is contested by those who argue that business must take on an expanded role in society in light of the increasing privatization of social and welfare services and the diminishing role of the state. Following the end of the Cold War, firms stepped into this vacuum and enabled by globalization, were able to accrue growing power and influence over global markets.

More recently, Schwab (2008) defines CSR as referring to a suite of activities centering around corporate responsibility. (Schwab, 2008) He opposes the use of CSR as the catchall term to describe what he considers five distinct corporate engagement activities (corporate governance, corporate philanthropy, corporate social entrepreneurship, CSR, corporate citizenship), and advocates for the currency of the term corporate citizenship as a holistic realization of all these activities. In Schwab's (2008) view, CSR is programmatic in focus and often associated with time-bound, incremental initiatives impacting directly on a firm's operations. This narrow focus on the immediate activities of the firm at the micro level are part of the reason why global social challenges such as climate change and poverty persist, despite the proliferation of CSR initiatives.

In contrast, corporate citizenship is concerned with taking a macro view on social problems and manifests through thought leadership and advocacy in the global arena. Corporate citizenship recognizes that MNCs operate in a global space that is not governed by one set of laws and therefore is not able to be influenced by any one government. International cooperation between governments, international organisations and transnational civil society is necessary in order to overcome these global challenges, which is in a company's interest as they rely on global development, stability and increased prosperity in order to operate (Werbach, 2009).

Arguments for an expanded social role of business call for decisive action on sustainability issues that are often global in scope and different from conventional socio-economic development, It is complex in nature and goes beyond the jurisdiction of any one government or set of laws. It is, therefore, unsurprising that CSR is highly contested and can be met with resistance by the private sector, which seeks to clearly define and in some cases, constrain the scope of their role in addressing complex social challenges that may not always prove profitable (Waddock, 2007). Social action is inherently political and the contested nature of CSR means that companies understand their social responsibilities to varying degrees depending on a diverse range of factors such as sector, regulatory environmental, organizational structure, leadership and political will. Consequently there is no one fixed definition, nor agreed-upon response to CSR (Lenssen, 2007).

2.4. CSR from International Business and Poverty

In a broad term, CSR refers to the relationship between business and society, where the role of business is purported to go beyond the provision of goods and services (Dunphy, Griffiths & Benn, 2007). There is no one universal definition to what CSR is but a simple term to define CSR is basically organisation acting in an ethically and morally manner by doing the right thing by their surroundings. Some argues that CSR is beneficial to companies that do integrate it into their everyday practices, others say that it's just a way for company to promote new product and features. 'CSR really nothing more than corporate advertising that makes consumers aware of new products and features for which they are willing to pay' (Coors & Winegarden, 2005).

The traditional neoclassical view of business, the cornerstone of capitalism, is that the role of business is to create and protect shareholder value, thereby driving economic and social development through profit maximization. Made famous by neoliberals such as Milton Friedman, this dominant view of business as contributing to society through wealth generation is contested by those who argue that business must take on an expanded role in society in light of the increasing privatization of social and welfare services and the diminishing role of the state. Following the end of the Cold War, firms stepped into this vacuum and enabled by globalization, were able to accrue growing power and influence over global markets. Entering the twenty-first century, MNCs made up over half of the world's 100 largest economies. CSR proponents argue that with this power comes responsibility.

This view is also confirmed by Prahalad and Doz (1987) that MNCs face strong local and international pressure. Pressure for global integration results from cost pressures, and stemming from the activities of competitors. Pressure for local responsiveness arises from national differences and certain conditions in the host countries. MNCs need to find proper solutions to both pressures.

Previous studies in this area (e.g. Carroll, 2000; Bovens, 1998; Goodin, 1986; Jones and Comfort, 2005; Lantos, 2001) have observed that the CSR concept is related to the societal commitment of local and international business organisations in general. Interestingly, issues such as environment, health or community relations seem to be better promoted by MNCs than poverty alleviation (Maignan & Ferrell, 2001). This can be explained by the triple bottom line framework (Elkington, 1999) that includes social, environmental and financial contributions by organisations to the local community. These contributions help reduce financial burden of the government in supporting the community development and sometimes the CSR activities raise the standard of living of people in the local communities.

Though CSR has been practiced by MNCs worldwide,, there is little evidence of the long-term effects of CSR in poverty alleviation (Cramer, 2006). Blombäck and Wigren (2009) criticised academic researchers for their heavy inclination to follow the generic mass media which has published numerous stories based on its knowledge of large, listed and widely recognized MNCs. As such, it can be argued that the CSR movement would advance if different types of MNCs actively participated in various community activities, with key local players (Peinado-Vara, 2006; Perrini et al, 2007). More importantly, with the dearth of research on CSR and poverty alleviation by MNCs, we tend to have limited knowledge on the roles and impacts of MNCs on poverty alleviation in developing nations.

MNCs operating in the host countries may not have a key mission to alleviate poverty. However, their CSR actions can work in conjunction with supports and policies from the local Government, NGOs and local business organisations to alleviate poverty. MNCs use the problems and challenges faced by low income citizens in the host countries as a starting point. In other words, the starting point of CSR strategies to alleviate poverty starts with the poor. The poor offer challenges and opportunities; subsequently social strategy is created to solve these problems. The products and

services will bring wealth to the low income consumer and then transfers back to MNCs who supply it. The key issue is that although philanthropy and volunteerism from MNCs have an important role, their capability to make a fundamental impact on poverty alleviation is limited when it comes to resources, collaborations from the local stakeholders, and time factor (Worldbank, 2014).

Literature in this area (i.e. UNRISD, 2008; Jamali et al, 2015) confirm that complementary CSR institutions have an important impact on the way MNCs address the issue of poverty alleviation. The quality of good governance is critical to poverty alleviation in the host countries. For example; corruption has markedly negative effects on investment and the quality of economic growth. Furthermore, poor people suffer disproportionately from the effects of corruption. Within good governance, and in this context, poverty alleviation, the role of the civil service, parliament and democratic political system deserve particular attention. Similarly, business associations and broader coalitions between business, government, and civil society can considerably contribute to poverty alleviation (World Bank, 2008).

Ite (2004) and Weyzig (2007) reveal that MNCs' engagement in CSR activities have generally been reactive in developing countries, particularly in East and South East Asia, Africa and South America. These activities are a result of public pressure arising from MNCs' operations related to issues such as health, education, human rights, pollution and occupational health and safety (Ite, 2004). There is also need for MNCs to work with local stakeholders to achieve trust among local stakeholders (Tokoro, 2007; Weyzig, 2007). Previous studies in international business studies (Rodriguez et al., 2006; Matten & Moon, 2008; Cruz & Pedrozo, 2009) have agreed that MNCs are in the middle of a public pressure debate, considering their social and environmental impact on many communities.

In developing countries such as Lao PDR and Thailand, the rise of MNCs is evident since the end of the cold war. Trade liberalization and economic integrations in South East Asia contribute to immense economic and political power of MNCs in both countries. Not only economic influences by MNCs have been reported, but also their social and environmental influences.. Although the concept of poverty alleviation is crucial in Greater Mekong Subregion, the concept of MNCs' contribution to poverty alleviation in Laos, Thailand and GMS countries is insufficient (Pimpa, 2013). With their prominent operations in the region, it is important to understand what roles MNCs do play (in the form of CSR) to improve this chronic economic conditions in the South East Asian region (Pimpa, 2013).

3. Research Questions

Having determined the various roles of MNCs in poverty eradication in host countries, the researcher attempts to identify the types of CSR activities, approaches and methods that MNCs engage with the community in order to alleviate poverty. This study is guided by the following research questions:

A) What are CSR approaches by MNCS to promote capacity building in the community where they are located?

B) What types of CSR activities have MNCS implemented in improving the social and institution conditions for capacity building in the local communities of Laos PPR and Thailand?

4. Methodology

4.1. Data Collection

This study is an exploratory qualitative study focusing on experiences and reflections on CSR activities from various stakeholders. Since the CSR process is what we try to understand in this study, the focus was given to corporate and their staff members. Data for this study derived from two sources, primary and secondary data. Primary data include personal interviews with five CSR managers from five MNCs, three from Thailand and two from Lao PDR. The first interviews with all participants were conducted in November 2011. Then, in December 2012, the follow-up interviews were conducted in order to compare changes in policy and practices in CSR actions and community reactions.

Each participant was selected to participate in this study because of their experiences and understanding of CSR practices in the community. From the researcher's perspective, the case samples in this qualitative study refer to a 'selection', not as 'representative' of anything, but as a purposive selection. This is deemed an important qualitative sampling method because the researchers planned to collect the data from MNCs that heavily engaged themselves in CSR activities related to poverty alleviation in both countries. Due to ethical reason, we will not reveal the name of the company in order to protect their identities and anonymity.

Laos: The researchers selected an MNC, a former Australian mining company, in Laos based on the variety of their CSR strategies and activities. This MNC is an international mining and exploration company. The company is truly an MNC in its nature, operation and ownership (Company A). The company is located in the Vientiane, the capital city of Laos. The operation field is located in the Southern part of Laos where the community is diverse (linguistically, ethnically and culturally). The community, where this company is located, is home to at least three ethnic groups. The company has long engaged with all ethnic groups in the community and has a strong record of economic-related CSR activities in the community.

Thailand: In Thailand, two MNCs were selected because of their ongoing CSR strategies on economic development and poverty eradication in Thailand. The first company is a financial and banking organization operating in the region. This organization also operates in Laos (but on a larger scale than its Thai operation). This case was selected due to its strong initiatives in CSR and development in Thailand (Company B). The company is located in Bangkok, the capital city of

Thailand. However, they have been working with two communities in central Thailand. The members of both communities are predominantly women and children who live of their lands and require supports from various stakeholders.

The second company is an international mining company. The organisation has been operating in Northern Thailand for 12 years. The researcher interviewed the CSR manager who has been working with the organization for a decade. The key CSR strategies include environmental and social development in the local area (Company C). The company is located in an agricultural-based society. After the introduction of mining industry to the community, some families in the community sold their lands to the company and started to work for the company in various roles and positions. However, the governance and economic system in this community are very strong and complex.

4.2. Data Analysis

This study has adopted a qualitative data analysis approach from Eisenhardt (1989). In the first step, the researchers carried out a within-case analysis for each case in each country (industry and involvement within the community). The secondary data was collected from various sources and then categorised by key activities implemented in each location. For both locations, the data were analysed independently. From these analyses, specific CSR actions and characteristics of each case emerged, which helped the researchers to identify the MNCs' idiosyncrasies.

In the second step, the researchers carried out a cross-case analysis. Considering the specific CSR actions and characteristics of each MNC from each country, the researchers identified some general elements to embrace different challenges identified in the first step. The researchers then identified concepts and themes that could help one to cope with these idiosyncrasies. In this process, literature reviews on CSR and MNCs were also conducted and compared with existing data from the first phase. Themes are extracted and reported in this paper.

5. Findings

5.1. Theme 1: Economic Contribution and Community Participation

Economic contribution by MNCs is the obvious poverty alleviation actions by MNCs in both countries. While CSR managers from MNCs in Laos and Thailand express their opinions that poverty alleviation is not directly prioritised as the prime CSR strategies, it is commonly embedded in almost all economic-related CSR strategies. All MNCs in this study pointed to their contributions to the host countries in macro and micro economic conditions such as tax payment, economic stimulation, job creation, local employment and the support to local suppliers. In many ways, economic contributions by MNCs can create a sense of community among all community stakeholders. For instance, MNCs in both countries confirmed that they recruit local people to work for them in various roles and

responsibilities. When the local people work and start to earn gradual incomes from the company, they naturally feel comfortable about their economic status and start to think about the community. Uniting in the same atmosphere may create civic engagement (Guillory, 2006) when stakeholders such as MNCs, workers, and suppliers feel that they are a part of the community where they not only have roles to play but also where they feel reciprocal responsibilities to give back to other stakeholders in the community.

Data from the interviews with the CSR managers also confirm MNCs' participation in the form of economic contributions in order to alleviate poverty in the host communities. In particular, economic contributions to indigenous and those from lower socio-economic backgrounds living in the mining community. Some data from the interviews include:

"We employ people from different backgrounds to work in the mine and it improves their qualities of living."

(Company A)

"Most people in the villages are employed by us and we promise long-term employment for the members of this community. Our organization introduced some new schemes that support local people to be able to work with us and they now can financially rely upon themselves." (Company C)

MNCs in this study position themselves as one of the key social institutions in the local community. By linking themselves with various social institutions such as schools, village councils, Buddhist temples or women's association in the village, they believe they can play a significant role in poverty alleviation in the community.

A key informant from Laos confirmed that linking with the local councils in remote areas is the key to be successful in implementing poverty alleviation strategies. Most business activities and transactions are operated in the form of informal economy. For example, the governing mechanisms from heads of villages, the council members and/or women's association help promote the role and responsibility of MNCs in the local community. In the Laotian context, where people are from diverse ethnic groups, the power of social institutions in the community can facilitate CSR activities such as recruitment and selection of qualified staff members and local suppliers from the community.

"Working in Laos is unique. You need to collaborate with the local leaders and make sure they understand what you are doing in your CSR actions or poverty alleviation." (Company A).

The complication of power and relationship among MNCs and different social stakeholders in Laos in the implementation of poverty eradication programs was mentioned in this study. One key informant referred to such complications as the 'nature' of CSR activities in Laos. Dealing with the Laotian government and including them in some economic-related CSR projects are important for

them. MNCs in Laos understand that they need to manage and maintain their relationships with the government and other social stakeholders to ensure the consistency and quality of their CSR activities. They understand that political and technical support from various social institutions (e.g. the municipality office, the Ministry of Internal, schools, or leaders in the village) in the country will promote their CSR activities, and will indirectly promote economic well-being in the community.

“In March, this company made a profit tax payment of more than US\$29 million to the government of Laos, the largest such payment ever by the company” (Company A, Bulletin)

“In order to maximise benefits of the mine for local communities, many supplies and services for the mine are sourced from local business groups. There are currently 13 local groups that supply food items and services such as laundry, grounds keeping, housekeeping and on-site bars/shops.” (Company A, Bulletin)

Similarly, the relationship with local stakeholders and social institutions is the key to be successful management of CSR for poverty eradication in Thailand. MNCs in Thailand also need to work with key local authorities to manage CSR and poverty alleviation activities. Both MNCs in Thailand expressed that their poverty alleviation schemes were achieved through the mechanism of local government. Most poor people in the villages are landless farmers or unskilled labours. Most of them are also illiterate and did not understand how to gain employment with MNCs in Thailand. One company in Thailand worked closely with the local municipality and head of villages to recruit people of different backgrounds to work with the company.

“We asked different village heads to help us to recruit and select poor farmers to work with us. Our Thai CSR team also work closely with women councils to understand the situation of women from poor backgrounds in Thailand.” (Company C).

Another focus of economic contributions of both MNCs in Thailand is microfinance program for the local communities. By providing small but well-planned financial sponsorship to promote income generation schemes (such as pig farming, weaving, vocational and entrepreneurship training), MNCs in this study feel that they can empower community members who are usually taken for granted by the local administrators or financial institutions. The assumption is that the provision of small loans and technical knowledge will not only generate wealth and productivity, but also bond the community together.

“In our microfinance project, we work with the department of agriculture and local women association to recruit women to establish their business. The project works well for us because we are well supported by the community and we feel that the women regain their status in the community.” (Company A)

Data from the interviews also confirm that management of economic-related CSR program can be culturally bound. MNCs seem to play an important role as the facilitator and mediator among key social institutions and government to accelerate some long-term strategies to fight poverty. Both CSR managers from MNCs in Thailand repeated that being the facilitator is very important in the Thai cultural context because the government and/or the influential families in the local areas may need to take the leading role in promoting economic development or well-being to poor people. MNCs can support their work in different ways such as financial donation, resource sharing, or technical support. If the project is conducted through the key 'governmental organisation' or 'influential family' in the local villages, then MNCs must take one step back and play the role of facilitator, not the leading role.

"People may not like us but it determined that the mining industry represents 80% of foreign direct investment, accounts for 45% of total exports, and is responsible for 12% of government revenues and 10% of national income." (Company A)

"Some villagers were unhappy about our operation and employment scheme but we know we cannot please everyone in the community." (Company C)

In both countries, one of the key issues identified by MNCs was the difficulty experienced by villagers in borrowing money from financial institutions when they need to start new business ventures for agricultural activities. Therefore, all MNCs in this study started some forms of micro-financing scheme to support poor people in the community to be able to continue/start their work. Although this concept is not new, it always requires diverse community to play roles in the project. MNCs in this study agreed that gaining trust and collaborations from key community members (and leaders) is the key success for microfinance project in both countries. As mentioned in previous points, culture plays role in different processes and MNCs need to be aware of some sensitive cultural issues of microfinance scheme in the host countries.

"Small groups are formed, whose members, predominately women, first save and can later borrow funds from the group with low interest rates." (Company B)

"We started with talking to the head of the village, the monks, women association, and the villagers who live nearby our company. This will create mutual trust among them and we do not want them to think that we are just giving away money to the villagers" (Company A)

It can be seen that most activities under this theme aim to contribute to area development in the community. This aspect focus on how MNCs response to economic well-being in the local community. This part also confirms that properly implemented CSR activities can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased community well-

being, and improved trust among local stakeholders.

5.2. Theme 2: Community Interactive Relation Strategy

Community and MNCs together can build ‘coalition’ (Everson and Guillory, 1998) and translate social issues into actions for poverty alleviation. In this study, the researcher found that the social development contexts in Laos and Thailand are dissimilar. MNCs in Laos focus on sustainable environment, primary and vocational education development, skills and training for uneducated citizens and cultural heritages issue, whilst MNCs in Thailand promote vocational education and training, religious and cultural affairs, and public health. All MNCs in this study identify ‘social development’ as the long-term (and perhaps the most important) strategy to alleviate poverty in both countries. Steps in implementing CSR activities on these issues require a community-centred approach and inclusion of key formal and informal groups in the community. In this aspect, we found that MNCs actions can promote the quality of work of MNCs’ operations in the local community.

MNCs’ contributions in the form of social development are presented in various forms and strategies. MNCs in this study identified the relationship between their business operations and social development as a way to improve ‘living conditions’ and ‘well-being’ among local people. One CSR manager in Laos cited:

“Our operations add significant value through indirect employment, capacity building for governments and investments in community development initiatives and programs. The benefits of our investments include improvements in infrastructure, health, safety awareness, education and training for locals, and local business development.” (Company A, Laos)

Under this theme, partnership with the local community and its people is also a significant point raised by all MNCs in this study. An MNC in Laos, for instance, identified their social development strategies to eradicate poverty by contributing to basic education and training, skills development and promotion of cultural and social equity by empowering women, girls or people with low-work skilled. In doing all these CSR activities, they need to include ideas and people from various social groups in the community from the agenda setting to the completion of the project. From the MNCs’ perspective, sustainability in education and cultural heritage will create long-term well-being (and less poverty) among people from poor socio-economic backgrounds. MNCs could promote the ideas of education development and protection of cultural heritage by working with the school leaders, the curriculum development team in the government, heads of local community and religious leaders, as illustrated by the interview extracts below:

“We have been working with our partners on staff training and educational development in one area and we

hope it will improve the condition of poverty here.” (Company A)

“In 2010, we provided a range of training courses including natural dyeing, weaving designs, silk and cotton weaving techniques, tailoring, and development of nurseries and silkworm raisin for people from different ethnic groups in the community. This will improve poverty condition in Laos.” (Company A)

Participating MNCs in Thailand confirmed that they financially contribute to various forms of social development activities. This action is crucial to stakeholders in the community because it can be seen and perceived as a superficial public relations by the corporate. Almost all MNCs in this study admitted that the continuing support for social development activities that improve living conditions of social vulnerable groups must be planned and executed in their community strategies.

Also, one point which appears from the interview is that the wealth being generated should also be used for community development. Seemingly, MNCs in Thailand are aware of their position as ‘the outsider’ in the local community and need to actively engage in some social activities to improve poverty conditions in Thailand. They need to create stakeholders’ dialogue that the Thai community will gradually accept them as the ‘insider’ of the community and play roles in social-related CSR activities.

“We focus on health issues among our staff and people in the community because we believe that good health can eliminate poverty.” (Company B)

“We are located in a region relatively infertile, for Thailand, in which the modest farming community has few other employment opportunities. Our operation offers an alternative employment resource, with approximately 80% of the workforce sourced from local villages, helping reduce migration to urban areas. We also provide water for farmers and drinkable water to the community” (Company C)

Education provision is among the most cited strategy by all MNCs in both countries. All key informants in this study stated that good education could the poverty situation in both countries. MNCs in this study also referred both short and long-term strategies in the improvement of local education and poverty conditions. In Laos, for instance, the company focuses on technical and vocational training programs. This is due to the need for specific skills, such as electrical, plumbing, or language skills, in the community. Also, some companies mentioned that this is one way to closely engage with the community because those who pass the training program will subsequently become workers for the company.

This point is perceived as a short-term strategy because it will only help the villagers to earn a living from the company. However, the operation on finite resources, such as mining industry, will end. The company, thus, mentioned some long-term education development such as working with Laotian Ministry of Education and Sport towards the improvement of information technology in the classroom,

integrating local people from different ethnic groups by way of education, providing scholarships to students who will become trainers or educators.

“Mon and Khmer ethnic groups do not speak Lao as their first language, and often have fewer educational opportunities as a result, which in turns limits their employment options. Our company establishes a program to develop their business administration skills so that they can be employed in non-mining related jobs.” (Company A)

“We provide up to 10 scholarships for our Thai staff or their families to pursue university degrees. We also transformed some part of our factory to be a learning centre and we invited local children to learn about science and chemistry with us” (Company C)

All MNCs in this study indicated their CSR practices on poverty alleviation as ‘open’, ‘sharing’, ‘mutual respect’, ‘active partnership’ and ‘long-term’ commitment to the community. Most of the partners include key persons from the community in Laos and Thailand to be part of the plan to alleviate poverty. Examples of key persons in the community who can support CSR strategies for social development (and poverty alleviation) are head of the village, key persons from the municipality council, school principals and teachers, Buddhist monks and head of women group. Similar to CSR for economic development, MNCs in both countries agree that they need to understand roles and power of various formal and informal groups in the community.

We learn from the key CSR activities under this theme that MNCs can contribute to social and institution development in the local community. This aspect can also be seen as MNCs’ responsiveness to the needs of local institutions and community. Most activities under this theme also confirm the key role of business as an institutional development agent (Schwab, 2008)

5.3. Theme 3: Capacity Building in Human Rights

The third theme emerging from MNCs in Laos and Thailand is the relationship between human rights and poverty alleviation. Clearly, human rights concept is perceived as the key community-based CSR strategy that are related with issues such as helplessness, powerlessness, deprivation, and vulnerability. When discussing the human rights issue, MNCs in this study referred to poverty as the absence or inadequate realization of certain basic freedoms, such as the freedoms to avoid hunger, disease, and illiteracy. The key word is freedom. Freedom here is conceived in a broad sense, to encompass both positive and negative freedoms. The manager of an MNC in Thailand stated that:

“A person’s freedom to live a healthy life is contingent both on the requirement that no one obstructs his/her legitimate pursuit of good health — negative freedom, and also on the society’s success in creating an enabling environment in which one can actually achieve good health — positive freedom.” (Company B).

All MNCs understand that the violation of human rights in the local area can affect the community to thrive and grow. According to MNCs in both countries, some villagers are not aware of their rights to be served by the local government and access to basic needs. Different communities may have different orders of priority and hence a different listing of what would qualify as ‘basic’ capabilities. To that extent, there is some degree of relativity in the concept of relationship between human rights and poverty in the eyes of MNCs in Laos and Thailand.

“We have a community relations team that works directly with communities impacted by our activities. Promoting people’s rights for food, shelter and education is essential for us. Their role is also to respond quickly and appropriately to issues such as human rights or development in the community. We keep communities informed regarding any planned changes to our activities.” (Company C).

“As outlined in our sustainability policy, it is our objective to ensure that the communities in which we operate receive real benefit from our activities and we strive to build trusting relationships by engaging clearly, openly and honestly with our host communities and other key stakeholders.” (Company A)

There are various aspects of human rights that MNCs raise in organisational strategies. Most of them are related to their sustainability management systems. MNCs in this study focus on promoting concept of human rights through education and training. They also cover the rights of their employees and their families, and mention the rights of other stakeholders such as local suppliers and contractors. For instance,

“Through our sustainability policy, we are committed to understanding, upholding and promoting fundamental human rights within our sphere of influence, respecting traditional rights and cultural heritage. As part of our sustainability management system, we have a standard on human rights awareness, which requires that all managed facilities must have processes for raising human rights awareness, including identification of human rights issues and impacts on their families.” (Company B)

“Suppliers and contractors are monitored in relation to safety, health, environmental and social performance, including human rights, in accordance with our contract management guidelines.” (Company C).

We learn from the interviews with different delegates from all companies in this study that business network in the local area can help MNCs to promote this form of CSR and improve the poverty condition in Laos and Thailand. The network can include local business and people, local government and key social institutions such as Buddhist temple, school and some influential people in the community. In the case of Laos, due to the country’s ethnic diversity, the concept of human rights has been promoted by the company. The key objective of activities under this theme is to create human right awareness and the capacity. Most CSR activities under this theme extend the understanding of

the role of MNCs in the political processes of Thailand and Laos beyond the conventional explanation of corporate citizenship.

Although the concepts of human rights and poverty among MNCs in Laos and Thailand are quite similar, the concept on 'human rights' differ in practices and interpretations among MNCs in both countries. For instance, MNCs in Laos may need to focus on educating local members on basic human rights and injecting some activities that create 'equity' among members of community Farmers in Laos, for instance, may expect an MNC to support their daily agricultural activities from the beginning to the end of the CSR process. In return, the company needs to show their ongoing support to confirm their genuine supports (or '*jai*' in both Thai and Laotian languages) to the local farmers.

6. Theoretical Contributions

The barriers of engaging business organisations in poverty reduction are evident in this study. This study confirms that MNCs alone will not be able to promote the concept of poverty alleviation in the community. They need to engage and be engaged with other stakeholders in the community. In fact, one emerging issue from this study is MNCs alone will not be successful in implementing CSR strategies for poverty alleviation. The comparisons of 4 key aspects (approaches, roles, patterns and challenges) in the process of CSR implementation by MNCs in developing countries such as Laos and Thailand confirm that MNCs must closely collaborate with all key stakeholders.

MNCs need to address the principal of being ethical in their poverty alleviation CSR activities. The key distinction among the practices of MNCs in Laos and Thailand is 'with whom' to confirm such important concepts. Local governments in both countries may require MNCs to follow standard rules of business practice. It is, however, important for MNCs to express their 'sincerity' and 'determination' to respond to different needs in different locations. In both countries, the concept of '*Jai*' (heart, altruism, and true feeling) is important in almost all aspects of life. MNCs need to confirm that they uphold *Jai* and share with all stakeholders in implementing their CSR strategies (Pimpa, 2012).

This point offers a theoretical contribution of this study. Engaging MNCs to the community is cultural in all community. In the communities in Lao PDR and Thailand, where poverty remains problematic, CSR activities that are not corporate-centric and involve diverse community members (formal and informal groups) will not only reduce 'uncertainty' and 'doubt' among stakeholders but will also promote the culture of *jai* and, hence, a stronger community. The data from this study confirm the link between the concept of *jai* and community's coalition building (Everson and Guillory, 1998) because it leads to the common goal (in this case poverty alleviation) over time and with shared responsibilities. The quality of relationships among stakeholders will redound to the success of community development program.

The uniqueness of Laotian and Thai culture may influence this concept in different ways. In

the Thai cultural context, conflict avoidance is one of the major Thai cultural characteristics. When stakeholders such as MNCs try to implement actions on economic, social and human rights development to alleviate poverty, it may create tensions and conflicts that may lead to undesirable outcomes of the poverty alleviation CSR program. Guillory et al (2006) identified 4-stage model of coalition building and it is obvious that conflict will potentially be a part of each stage. The strong conflict avoidance in Thai culture can lead to non-confronting approach in processes such as development inter-agency agreements in the community for poverty alleviation actions, goal setting, and monitoring and evaluation of the program,

In the Laotian cultural context, this study confirms that conducting poverty alleviation CSR activities in Lao PDR requires understanding in local pressure and cultural sensitivity. Although Thai and Laotian cultures can be somewhat similar, MNCs need to be aware of the uniqueness of Laotian socio-cultural conditions. The prominent point from this study is the collectivism of the Laotian community. The collectivism in Lao PDR is not nationalism, but more of being aware of the community or ethnic groups, and their contributions to the community. Harmony with the community and peaceful community are what we see as one of the top priorities among members of Laotian communities. CSR activities will benefit from this cultural characteristic since most community groups will be willing to participate in poverty alleviation activities with MNCs. The key cultural challenge is engaging various formal and informal groups in the process of coalition building.

Although the decision-making is hierarchical and authority centralized, the process is consensual. Many people in the community should be consulted before a decision on poverty alleviation actions is ratified and implemented. Also, it can be difficult to identify 'who' or 'which organization' to play roles in the process since it involves delegates of different natures. This study also finds that failure to promote organisational ethics may pose some threats to the MNCs operating in both countries. MNCs are in the complicated situation, due to their profit focus. The neo-classical view of MNCs may impede their ethical ground and accountability. Examples from Laos show that dealing with issues such as inequity among people from diverse backgrounds in the operation of MNCs, or preparing local villagers to be self-reliance when MNCs withdraw their business in the future, requires a strong level of ethical accountability. Similarly, MNCs in Thailand explained (we have no way of knowing what they understand other than from what they tell us) that informal institutions such as religious institutions, farmer groups or women association may expect some long-term contributions from MNCs in their villages. Expectations from stakeholders in the host countries are not uncommon. Being clear, consistent and communicable with all social stakeholders continuously is a key challenge for MNCs in both countries.

While mechanisms to enhance domestic ownership have played a pivotal role in the design of CSR strategies to alleviate poverty, key stakeholders can pose some challenges to MNCs. As mentioned, accountability requires all stakeholders to consider their responsible and willingness to carry out the

missions. The principal needs to be interested in the tasks and demand that stakeholders carry them out. Creating the sense of ownership is the key for MNCs to be successful in implementing their CSR strategies on poverty alleviation. As mentioned, key partners in promoting CSR strategies include formal and informal institutions in both countries.

MNCs' roles in promoting their poverty-related CSR can be critical. In most cases, MNCs hold financial and technical resources that are required by local stakeholders. The complication of sharing their resources and profits to each local stakeholder, in order to achieve their CSR objectives, depends upon the position of each local stakeholders and its relationship with MNCs. In that sense, political accountability is important when MNCs choose to play different roles of an active player, leader, consultant, supporter, financial provider or facilitator in each poverty alleviation project with different local stakeholders. As confirmed by MNCs in this study, contributions by MNCs can be political and complicated in the eyes of various community groups. Each role they play in promoting poverty alleviation requires transparency and clarity. Being neutral and able to explain their actions and commitment with each stakeholder will help MNCs to achieve their political accountability in the host countries.

7. Discussions

This paper seeks to find understanding on approaches that MNCs adopted in poverty alleviation CSR practices with key social stakeholders in the community. Having identified CSR issues as global and local in nature, it is crucial for MNCs in South East Asia to understand key issues and stakeholders in the host countries. Engaging with diverse stakeholders in the community is the key to success for poverty alleviation. As CSR requires long-term collaboration from various local and international stakeholders, this study shows that MNCs in Laos and Thailand invested in time, commitment and financial and technical support to bond with key local stakeholders, such as local government, community and religious leaders as well as educational and training institutions. From a management perspective, MNCs should proactively address stakeholders' needs and aim for a balancing of multiple stakeholders in them community

To understand ways of working with the community in host countries, this study included people from Thai and Laotian communities reflecting upon their needs to the organizations. In both countries, relationships among people are based upon family ties with less interest shown to outsiders. Trust is limited to those within this circle. When the Laotians and Thais have problems or need helps, they usually turn to family and close friends. This point is essential for the success of poverty alleviation CSR activities. MNCs need to find way to transform their status from the outsider to the family of the community members in order to gain trust from the community.

In Laos, where poverty is a common problem among people in rural areas and landless farmers,

MNCs seem to focus their contribution to facility development, educational development, job creation and employment for rural dwellers. In Thailand, where poverty is not an obvious problem, MNCs aim for preventive strategies, such as skill development for young locals, sustainable development, political participation among local community, MNCs and government.

A key finding from MNCs in Laos and Thailand suggests avenues for research in CSR and social development theory. What is missing in this study is the role of other key stakeholders in both countries. Previous studies (i.e. Werbach, 2009; Ragodoo, 2009; Jamali and Mirshak, 2010; McKague and Oliver, 2012) confirmed that the local government and local community leaders can play an important role in working with MNCs in identifying problems related to poverty in the area, aligning people in the community with MNCs and supporting the legislation and technical issues that support the poverty eradication process.

Data from MNCs in both sectors in Laos and Thailand conform to a high number of issues from the poverty evaluation framework. Most MNCs appear only willing to state active commitment if others in their sector do so as well. It might be suggested that MNCs fear that, because of their involvement in poverty alleviation, they might lose out to others that do not have a strong policy (and/or that claim to be active but fail to enforce it). This argument seems to be supported by the exploratory analysis of different sectors.

Finally, the three themes that are reported in this study share two things in common. MNCs in Laos and Thailand need to align with formal and informal social institutions in the community to ensure the quality of their CSR programs (and their effects on poverty alleviation). The roles of head of village, school principals and Buddhist monks are evident in the implementation of poverty alleviation activities in both countries. More importantly, MNCs must understand that roles in the community are varied. Their CSR activities need to respond to the needs and problems of the community. CSR policies that are directly transferred from the headquarters to fight poverty in Laos and Thailand will never be successful, from both cultural and managerial perspectives.

8. Limitations of the Study

Whilst the findings of the study could be applied in many instances, there were some boundaries on the generalisation. Since the study focuses on certain socio-cultural context in Laos and Thailand, key findings may be specific for business organisations in both countries. Although findings may not apply to a wider population in the region, it can offer lesson learnt (approaches, nature and types of CSR activities) for stakeholders in business and community development.

The second limitation of this study lies on the fact that we focus on the perspectives of MNCs in this study. MNCs' perspectives on CSR and poverty alleviation are useful for us to learn from their best practice and experiences. However, the story will be completed with views from other

stakeholders such as villagers, workers, community leader, civil society in the community, and the Thai and Lao Governments.

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