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## Development of Agro-Entrepreneurs through Corporate Social Responsibility (CSR)

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### Abstract

Agro- entrepreneurship is a strategy that has been undertaken by many countries globally in the effort to increase the wellbeing of farmer's community, particularly in the rural area. However, the development of agro-entrepreneur need a supportive environment to grow and also full support from relevant agencies to make it a reality. Hence, the private sector should come forward to assist in order to faster developing the agro industry of the country. This paper discusses the contribution of CSR program by a multinational company towards farmer's community and the development of Agro-entrepreneur in Malaysia through the implementation of the CSR agriculture project. A total of 45 farmers that involved with the project were interviewed to explore their experience as the participants and to gain understanding on how the farmers being developed to become agro-entrepreneur. The research adopts a qualitative approach and data were analyzed using thematic analysis procedures with the help of Nvivo software. The research themes help to explain the factors that assist in developing agro-entrepreneurs among the community involved with the CSR project.

**Key Words:** *Corporate Social Responsibility, Agro-Entrepreneur, Qualitative Approach,*

## **Introduction**

The development of agro-entrepreneurs is one of the strategies for community development especially for income generation and poverty alleviation. However, the development of agro entrepreneurial activities are not just happening on its own. Development and implementation of the activities require a supportive environment that would enable it to happen through the implementation of policies and infrastructure as well as the cooperation of the private sectors that help the agro-entrepreneurs to manage the risks of the activities (World Bank 2002, Chamhuri Siwar 1991). Hence, the private sector should come forward to help in developing agro-entrepreneurs particularly in the aspects of commercialization of its product. This paper will discuss how private sector able to help in developing agro entrepreneur in Malaysia through a case study of Corporate Social Responsibility (CSR) project of a multinational company towards farmer's community in the country.

## **Corporate Social Responsibility and agro-entrepreneur**

According to business management strategy, corporate sector assistance to the community can be implemented through the concept of Corporate Social Responsibility (CSR). This concept is defined by the World Business Council for Social Development as a commitment of business institutions in contributing to the sustainable economic development, working with the employees, their families, local communities, and society at large to improve their quality of life World Business Council for Sustainable Development (WBCSD 2000). In Malaysia, Bursa Malaysia has developed four main components of CSR implementation that are a social responsibility to the environment, community, workplace, and marketplace Bursa Malaysia (2006). Indirectly, this concept has motivated corporations to develop social initiatives that pay attention to the needs of all parties that contribute directly or indirectly to the activities of the corporation.

According to Muthuri (2007) CSR initiatives able to give impact to the community by focusing on the effort to build the capacity of the local community. Issues related to the development of local community capacity has been discussed by Barney (2003) who found the positive approach of CSR initiatives strategy through developing local capacity has been well received by the local community even if the project does not being accompany with a material contribution. Hence, corporations are strongly encouraged to invest in the human capital development of the local communities to enhance their capacity to develop their economic activities (Eweje 2006).

In Malaysia, the agricultural industry is essential for the successful development of the country mainly for the rural community. The government of Malaysia has formulated and implemented a number of policies and strategies to boots agriculture industry of the country (Rosmiza et al. 2015). Data shows that global agricultural industry primarily in the food industry has the potential to earn a profit and Malaysia has distinctive advantages to earn a spot in agribusiness. One of the strategies is to create a business environment which is driven by a dynamic agriculture business. This strategy requires the provision of a package that provides a favorable business environment, education, training, intensive fiscal, credit support, technology and infrastructure to support the successful development of agribusiness (Fatimah Arshad & Mad Nasir Shamsuddin 1997).

Hence, the development of agro-entrepreneurs needs to be given attention in the country. According to the Agricultural Development Board of Malaysia agro-entrepreneurs referred to the operators or manufacturers of agricultural products including crops, livestock, aquaculture, tailoring and retail or wholesale. Individuals involved in the production of agricultural products and sell them to the market is also refers as an agro entrepreneur.

Referring to the countries that also have the same goal in developing agro-entrepreneurs it is observed that agriculture projects such as CASE (Competitive Agricultural Systems and Enterprise) are being developed and implemented in those countries. The project incorporates the relevant actors to support the development of agro-entrepreneurs through a collaborative approach between all stakeholders ranging from small farmers, local entrepreneurs, the business development services, bankers, researchers and the people involved with information marketing system. They are being referred to as the operational chain, support, and facilitation chain that implement the role as economic agents and not as recipients of the project (project beneficiaries). Each party will play their respective roles to develop a relationship with the farmers and thereby making agriculture business more effective in promoting agro-industry (Alidou et al 2010, Sarmila et al. 2013).

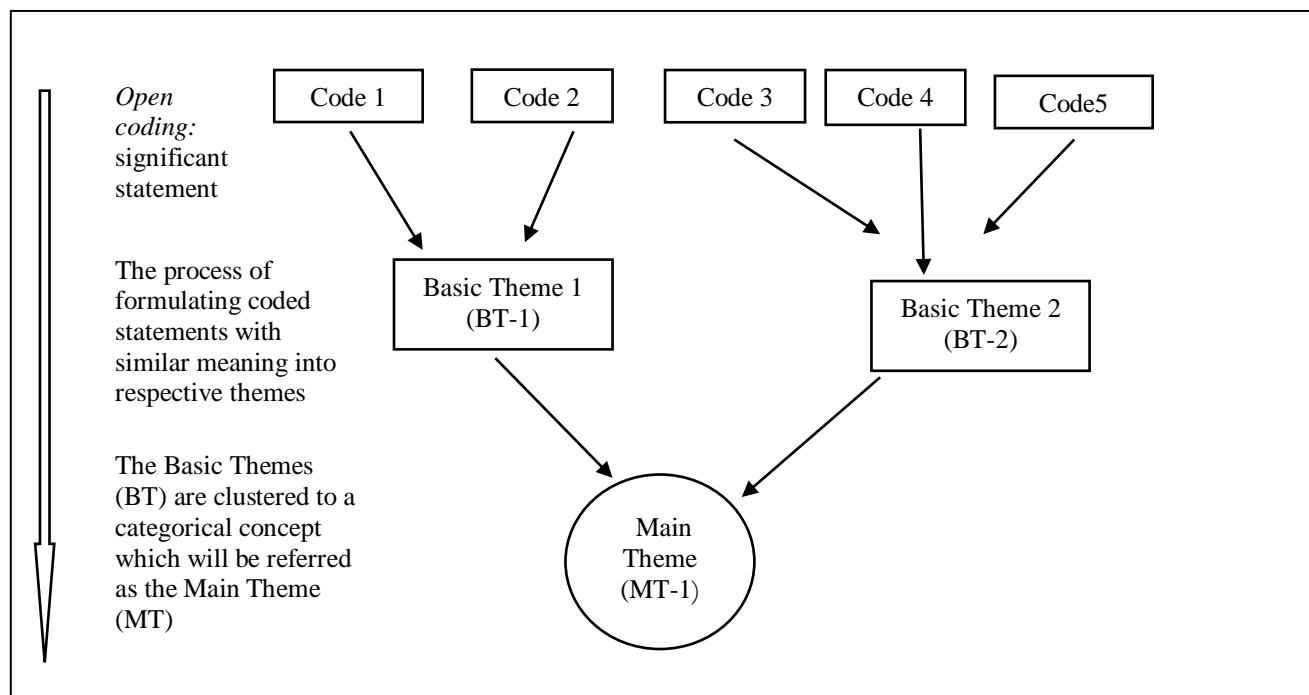
A study on agro entrepreneurship by Mohd Noor & Samsuri (2008) however shows that entrepreneurship is still new in Malaysia, especially in agriculture industry compared with other areas. Participation in entrepreneurship is low in agriculture as well as in the sub-sectors of agriculture and plantations. However, Shamshubaridah et al. (2009) has come out with factors that shape the success of entrepreneurial farmers or agro-businesses that are being referred to as environmental and individual factors. Environmental factors include international and domestic factors such as economic trends, market, technology and also national agricultural policy and programs while individual factors refer to age, gender, experience, and attitude including professional skills, management, opportunity, strategy, and networking. These factors contribute to shaping the success of agro-entrepreneur. Taking into consideration, the collaborative approach discussed above on developing agro-entrepreneurs, this paper will explore the extent of corporation's contribution to the development of agricultural entrepreneurs through the implementation of corporate social responsibility projects. A case study of a CSR project by a multinational company in Malaysia has been undertaken for this purpose.

### **Method of Study**

This study adopts a qualitative strategy based on the approach of interpretivism. The approach involved a process that transformed the theoretical constructs of language and meaning in the context of the everyday activities of social actors as a basis for understanding and explanation of the problem (Blaikie 2007).

Based on this strategy the researcher will develop a scientific explanation related to what has been experienced by the communities involved in the project from the communities' perspective (Levin-Rozalis 2009). To gather the experience of the social actors, a total of 45 farmers that has been involved with a CSR project by a multinational corporation project were interviewed. The interview data were recorded and transcribed verbatim in the form of transcript documents before thematic analysis was carried out with the assistance of *NVivo* software. The analysis began with the extraction of significant statements to the phenomena being studied to be coded. This process is known as *open-*

*coding*. The coded statements were then combined with similar meanings to form *Basic Theme* (BT). These basic themes were compared and clustered to categories according to its meaning which then being referred as *Main Theme* (MT). These main themes will help the researcher to understand the phenomena being studied (Sarmila et al. 2015) (refer Figure 1).



**Figure 1:** The Process of Developing Research Theme  
Source: Sarmila et al. (2015)

### **The CSR Project: Chili contract farming**

The CSR project that has been chosen as the case study is a chili contract farming project which has been implemented from the year 1995. It is a collaboration project between food and beverages multinational company in Malaysia, Farmers Association and also the farmer's community at Bukit Awang Pasir Puteh Kelantan. The Chili contract farming project is referred to by the corporation as the *spicing community project* which is one of the company's CSR initiatives under the principle of *shared values* by the corporation with its stakeholders. Through this project, the corporation provides an opportunity for the local farmers to produce chili in a large quantity that will then be purchased by them at a price agreed in the contract between the corporation and farmer's community who are being represented by the farmers' Association.

The corporation would provide advice on farming technical aspects and farm safety whereas the farmers' Association would provide farming credit facilities. The Farmer's Association would also

assist the farmer’s community in farming and product planning, storage and transportation. It is the responsibility of the farmers to grow the chili, take care of the crops, harvest and sell it to the corporation as being agreed in the contract. According to the report of the Farmers Association, the numbers of farmers involved in the project has grown from only four farmers in 1995 to 212 farmers in the year 2010. Each of the farmers involved would plant 3000 to 3500 of chili in an acre of land. The chili would take four to five months before ready to be harvested.

**Result and Discussion**

The analyses have found 84 significant narrative statements pertaining to the factors that contribute to the development of agro-entrepreneur among the farmers that involved in the contract farming project. The statements have been coded and grouped into 15 Basic Themes (BT). The basic themes were clustered into 7 categories of Main Themes (7 MT) that are MT-1: Development of positive attitudes; MT-2: Increase agro-productivity; MT-3: Guaranteed market; MT-4: Development of agriculture skills, MT-5: Mastery of skills and knowledge, MT-6: Freedom of work and MT-7: Networking and Teamwork (Refer to Table 1).

Table 1: Research Themes

Basic Theme (BT)	Description of Theme	Major Themes (MT)
BT-1: Keep trying and never give up (15) BT-2: Trust and Confidence (10) BT-3: Visionary and planning ahead (4) BT-4: Taking opportunity (1)	By participating in the project, the farmers have developed certain attitudes in their day to day farming activities	<b>MT-1:</b> Development of positive attitude
BT-5: Harvest period is longer (5) BT-6: Earnings season can be estimated (9) BT-7: Opportunities to plant in large quantities (4) BT-8: Less risk of unsold produce (3) BT-9: Able to focus on farming (3)	The project have given the farmers opportunity and avenue to be productive in their farming activities	<b>MT-2:</b> Increase agro-productivity
BT-10: Addressing the problem of marketing agro product (5) BT-11: provide guaranteed market (15) BT-12: Overcoming the complexity of the marketing system (17) BT-13: Markets at a fixed price (5) BT-14: Encourage to increase sales (2)	The contract farming has overcome the problem of the farmers in selling their agriculture product.	<b>MT-3:</b> Guaranteed market

BT-15: Opportunity to choose the right farming techniques (3) BT-16: Opportunity to use new techniques (2) BT-17: Build awareness of appropriate techniques (3) BT-18: Ability to manage large-scale plantation (6) BT-19: Skills improved through the process of planting (3)	The farmers that participated in the project are being exposed to new farming techniques in chili farming.	<b>MT-4:</b> Development of Agriculture Skills
BT-20: Build Skills in planting and replanting (12) BT-21: Build Skills and techniques on pesticide (18) BT-22: Skills can be used for other crops (2)	The farmers have the opportunity to repeat the farming process and keep on improving their skills and technique	<b>MT-5:</b> Mastery of planting Skills, knowledge, and techniques
BT-23: Opportunities for self-employment (5) BT-24: Freedom to organize work (4) BT-25: Freedom in farming activities (2) BT-26: reduced work stress (4) BT-27: Motivated to produce more (2)	By having a guaranteed market, the farmers have the freedom to plan for their activities.	<b>MT-6:</b> Freedom of Work
BT-28: meet regularly (14) BT-29: Close relationship between farmers (13) BT-30: Mutual understanding among farmers (12) BT-31: Share problems, skills, and information (8) BT-32: Planting in groups (2)	The project also serves as a platform for the participant to meet and discuss on the planting activities as they would be selling the chili product to the corporation together.	<b>MT-7:</b> Networking and Teamwork

### Development of agro-entrepreneur

Based on the theme of the study, the chili contract farming projects undertaken by multinational corporations in Malaysia in collaboration with the Farmers Organization has helped the communities involved develop a positive attitude (MT-1) among the farmer's community. This positive attitude has been referred to as one of the individual factors that influence the success of agro-entrepreneurs as indicated by (Alidou 2010). Apart from that, the main themes MT-4: Development of Agriculture Skills and MT-5 Mastery of planting Skills, knowledge, and techniques shows the occurrence of an entrepreneur personal development elements in the context of agro-entrepreneurs among the farmer's communities being studied as both the main theme reflects the skills of the plantation process and also skills in the production of chili. These are necessary elements that should be associated with the individual factors of agro-entrepreneurs.

The chili contract farming project has also indicated the availability agro-market for the farmers (Refer to MT- 3 Guaranteed Market). By referring to the basic themes associated with it, it is

also taken as an opportunity to increase sales by the farmers involved. Ability to take this opportunity indicated the entrepreneur traits of the farmers. Through this theme the farmers have indicated that they are aware of the business opportunities and they need sell their crops and increase their production. The opportunity to increase production has also indicated by MT-2: Increase agro-productivity. Through the theme it is understood that the contract farming project has assisted them in increasing their productivity and opportunity to plant in large quantity.

The thematic analysis has also identified the establishment of networking and teamwork among the farmers (MT-7) through the project. With the networking and teamwork, the farmers able to share skills and knowledge and also information on the chili plantation. This elements of networking among farmers has also indicated the factors that able to shape the success of an agro-entrepreneur. The networking is not only being established between fellow farmers but also with the farmers' association and the corporation. These factors have also shown as a strategic approach to this CSR projects that integrates the involvement of the relevant parties in the development efforts of agro-entrepreneur as discussed by (Alidou 2010). The involvement of farmers in this project has demonstrated the role of the community is not only as *beneficiaries* but also as one of the parties actively participated in the process of development of agribusiness. The collaboration with farmers' association has indicated other relevant parties besides the multinational cooperation that has participated in the project and assists in developing the agro-entrepreneur. This is the approach recommended by (Muthuri 2007) in the implementation of CSR for community development purposes. The guaranteed market provided by the multinational corporations has also led the community to be involved in the international market while contributing to the value chain of the corporation.

### **Conclusion**

The results of this case study have shown that CSR projects to communities that have been implemented by the corporations in collaboration with the government agencies through the Local Farmer Association. This project able to assist in developing agro-entrepreneurs among the local farmers' community. The CSR approach involving relevant stakeholders through appropriate environment has contributed to the success of the farmers in embarking on agro-entrepreneur activities. However, the themes that emerged from this studies do not reflect much on the individual strategic factors that influence the success of individual farmers. This concern is likely to influence the performance of entrepreneurs for a long time to come. Accordingly, this factor is proposed to be established for the entrepreneur to ensure that agricultural entrepreneurs that have emerged from community's participation in the contract chili farming project will continue to maintain and further improve their performance for a long time to come. An in-depth study of this factor would be able to help in understanding the effort and traits of the farmers in the process of developing an agro-entrepreneur.

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