Public relations functions in the Indonesian mining industry in the post-Suharto era

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Abstract

This article seeks to better understand public relations functions in Indonesia during the post-Suharto era by examining public relations functions in a privately-owned Indonesian mining company. The study found that the socio-political changes in the post-Suharto era have resulted in the need for the mining company studied to implement a new management approach when dealing with stakeholders. Factors which encouraged the company to establish an independent division designed to perform public relations functions include a multicultural environment, increasing number of social conflicts between management and communities, decentralised government policy, transparency, and freedom of the press. The existing public relations function, however, focuses more on relationships with communities, which include local governments, local media, and local ethnic groups. Because of the multicultural environment, management predominantly uses the cultural interpreter model of public relations. In this model the company assigns field officers with an understanding of the cultural differences to approach and communicate with its members. The personal influence model is also found. Field officers build personal communications and relationships with key actors in the community to seek favours when the company needs them. In spite of this, the existing public relations function is a supporting tool rather than an integrated communication function, as it is integrated into the division responsible for corporate social responsibility functions. The company claims that this division has a section which carries out public relations functions formally. However, this section’s main function is limited to media relations, guest relations and publications only. This section mainly performs the press agentry and publicity model and the public information model of public relations. Finally, this paper asserts that the public relations functions operating in this company aim to secure business and promote a good corporate image, for the purpose of attracting more investors.
Introduction

During the Suharto era, public opinion in Indonesia was suppressed. As a consequence, public relations functions were limited to one-way communication from organisations to the public (Ananto, 2004a). Public relations practitioners were mainly assigned to providing the media with favourable publicity while ensuring that unfavourable publicity was kept out. (Ananto, 2004a; 2004b; Putra, 1996). The social and political changes after Suharto’s resignation in May 1998, however, have had an influence on the way companies manage their relationships with the public. These conditions have resulted in opportunities and challenges for public relations functions. This article seeks to better understand the function of public relations in Indonesia today. Using the Indonesian mining industry as an example provides a ‘window’ into public relations functions in the post-Suharto era.

During the Suharto era, the government provided security around mining areas through the use of the military. The mining industry enjoyed a privileged position, being able to communicate directly with the government through official reports (Wiriosudarmo, 2001). This system meant that the mining industry could avoid communicating with the public and was able to ignore the public’s demand for information about its operations (Wiriosudarmo, 2001).

In the post-Suharto era, however, Indonesia has moved towards a more democratic system. There have been more public demands on mining companies and the number of conflicts with the community has increased (Wiriosudarmo, 2001). In responding to these conflicts, the mining industry is no longer able to use a military, repressive approach. In addition, the government has been pressured to decentralise its authority to regional governments. In 1999, as a result of Law no. 22 which regulates regional autonomy, the government decentralised its authority, making the district level responsible for major needs, including the environment, health, land management, public works, and education. This decentralisation also affects the mining industry, as most aspects of this industry are under the jurisdiction of local government (Wahju, 2002; Wiriosudarmo, 2001). Furthermore, since freedom of expression became legal in 1999, the number of mass media outlets has increased. There have been more public movements demanding transparency.

Against this background, this article seeks to do three things:
to understand how changes in the external environment have contributed to the implementation of public relations functions within one mining company,

2 to better understand how senior management and public relations practitioners within the company perceive these public relations functions, and

3 to identify how these perceived public relations functions relate to the model of public relations.

Conceptualisation
As pointed out by public relations scholars (Cutlip, Center, & Broom, 2006; Grunig & Hunt, 1984), public relations is a relationship and communication management function between an organisation and its public. Its function is to support management to adapt and adjust to the public’s needs. This is not only about the communication process, but also includes environmental scanning, issues management, programme monitoring and evaluation, the aim of which is to achieve goals which relate to the concern of organisations and their public (Dozier & Broom, 1995).

Additionally, The Excellence Study (Grunig, Grunig, & Dozier, 2002) outlines the general principles of public relations excellence that contribute to organisational effectiveness. Firstly, the public relations manager should be part of the dominant coalition, manage communication programmes strategically, and have a direct reporting relationship with top management. Secondly, a public relations unit should be chaired by a manager who understands the managerial role of public relations. Next, public relations functions should be organised as integrated functions and be separated from other functions. And finally, a public relations unit should be based on a two-way symmetrical model.

As well as the two-way symmetrical model, Grunig and Grunig (1992) have identified three other models in The Excellence Study. The first of these is the press agentry and publicity model which aims to get favourable publicity into the media and to keep unfavourable publicity out. The second model is the public information model, which assigns public relations practitioners ‘as journalists in residence’ who report information about the organisation to the public. Finally, the third model is a two-way asymmetrical model, in which practitioners conduct scientific research to determine how to influence the public for the company’s benefit.
Among these models, The Excellence Study considered a two-way symmetrical model as the ideal model of excellence in public relations. A symmetrical model allows public relations functions to balance the organisation’s interests with the public’s interest (Grunig, 2000). This model is based on compromise and negotiation processes rather than on a struggle for power (Grunig & White, 1992). However, it has been criticised as overly idealistic (Cheney & Christensen, 2001; L'Etang, 2006; Pieczka, 2006). It is rare that an organisation performs this ideal model of public relations only, and Leichty & Springston (1993) argue that most organisations practise a combination of the four models.

Organisational, environmental, and personal variables influence the practice of public relations. Some scholars (Grunig, Grunig, Sriramesh, Huang, & Lyra, 1995; Vercic, Grunig, & Grunig, 1996) have proposed the concept of generic principles and specific applications of public relations. Generic principles refer to standardised world-wide principles, while specific applications mean that the generic principles are applied differently in different settings (Grunig, Grunig, & Dozier, 2006). Grunig et al. (2006) refer to the principles proposed by The Excellence Study as the generic principles. In addition, as pointed out by several scholars (Grunig et al., 2002; Sriramesh & Vercic, 2003), internal and external environments also have an effect on the application of public relations. Internal environmental influences include organisational culture, structure, and communication. External environmental factors include the political and economic system, the media system, the degree of activism, and the level of economic development.

Research has confirmed that variation in public relations models has been found in many cultures and political systems, illustrating the use of the personal influence model and the cultural interpreter model (Grunig et al., 1995; Huang, 2000; Jo & Kim, 2004; Park, 2002; Rhee, 2002; Sriramesh, 1992). In the personal influence model, practitioners try to establish personal relationships with key individuals among the stakeholders (Toth, 2000). The cultural interpreter model is found in an organisation that uses local professionals to add cultural sensitivity to their communication efforts (Grunig et al., 1995). In this model the organisation assigns public relations practitioners as consultants and interpreters whose role is to deal with
the community’s daily issues. This model is suitable for an organisation that conducts business in another country as well as in local multicultural organisations (Grunig et al., 1995).

Method
Data was collected through semi-structured interviews. The interviews were conducted to explore how the company defines public relations and how it engages with the public. There were two groups or participants for this study: those who were members of top level management and those who were members of a public relations unit. Interviews with members of top level management aimed to explore how they view public relations functions. Meanwhile, interviews with public relations practitioners sought to find out the pattern of public relations practices.

The research was conducted in one Indonesian privately-owned mining company. Previously this company was owned by foreign investors, but since 2001, the company has sold all of its shares to an Indonesian Public Company. This company started its operation in 1991 and is planning to close down mining by 2021. According to data from the National Statistics Bureau, in 2004 to 2006, 85 percent of the Regional Gross Domestic Product of the area where this company resides is from the mining industry, which is the core business of this company (Badan Pusat Statistik Kabupaten Kutai Timur, 2007). In addition, this company operates in a multicultural environment. Apart from the original ethnic groups1, there are migrants from different islands2 who come and settle in around this area voluntarily or due to the transmigration3 programme (Evers & Gerke, 1992). This environment has challenged the company’s ability to manage good relationships with the community, and has accordingly, given appropriate importance to the examination of multicultural issues.

Seventeen participants were interviewed, including the CEO and 16 members of the External Affairs and Sustainable Development (ESD) Division, who are claimed to be

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1 There are two major ethnic groups, each group also consisting of different ethnic group categories.
2 There are at least three prominent migrant ethnic groups.
3 The transmigration programme was initiated by the Indonesian government to move landless people from densely populated areas of Indonesia to less populous areas of the country, which include the island, where this company operates. This programme aims to reduce poverty and over-population in
responsible for public relations functions. The interviews were conducted in Indonesian and tape-recorded. They were then transcribed and translated into English. The data gathered was analysed to construct a picture of public relations functions in this company. Using the NVIVO program, the patterns were identified and compared with what public relations theorists suggest about the generic principles of public relations functions. Additionally, secondary data were collected from relevant documents, such as organisational structure and job descriptions, annual reports containing the history and performance of the company, articles in the media about the company with regard to stakeholder relationships, mining industry regulations, and other research related to this topic. Document analysis was carried out to study the history and context of relevant public relations functions in the post-Suharto era.

**Findings**

During the Suharto era, mining investments were regulated through Contracts of Work (CoW). This was an exclusive contract between the government and mining investors. This transaction did not involve local government. Local government became the instrument of the central government in implementing the agreements. In the CoW system, the investor worked as contractor for the government to explore mineral resources, and was relieved of any social obligation. This exclusive position enabled mining companies to solve any investment problems, including social problems with local communities, since the government protected the mining operation by arranging settlement with local government and through the use of military force (Wiriosudarmo, 2001).

This is in line with what the General Manager of External Affairs and Sustainable Development (ESD) stated:

> In the New Order\(^4\) the role of the military is very dominant. Mining, oil and gas explorations involve a huge investment. Therefore, investors who come to this always require security in densely populated areas, to provide opportunities for hard-working poor people, and to provide a workforce to better utilise the natural resources of the outer islands.\(^4\) (Adhiati & Bobsien, 2001)

\(^4\) The new order era refers to the Suharto years: 1966-1998). This term was invented by Suharto to characterise his regime and to contrast it with his predecessor’s era (the Sukarno era), which was called the old order.
assurance. And during the New Order, this security assurance is usually gained through a repressive military approach.

This condition, somehow, makes the company feel secure. To quote the Local Business Development Superintendent, “for us, we feel secure during the New Order era, because the government provides security”.

After Suharto’s resignation in 1998, however, there have been social and political changes affecting the mining industry. The CEO of this company pointed out that:

in the early 1980s, foreign companies assumed that… as long as they have fulfilled the agreement with the government… that is enough for them… However, in the reformation era, the mining area was raided by the illegal miners… communities were not interested in the corporate social responsibility (CSR) programmes of the company.

Regional autonomy in the reformation era has resulted in the loss of the absolute authority of the central government to control the use of natural resources. Law 22/1999, article 10, on regional administration, states that “regional government has full authority to promote and develop the national resources available in its region” (Wahju 2002, p.17). Accordingly, there is a need for the company to establish new relationships with local government. This relationship, however, is feared to have a similar pattern of operation to that practised in the past by the central government (Wiriosudarmo, 2001). The Local Government Relations Supervisor described some of the difficulties encountered in the new system:

In our daily activities, we accept many proposals that according to our procedures are not appropriate. For instance, if the MUSPIDA\(^5\) needs to go to Jakarta\(^6\), they will ask for airfares, if there is an event they will ask for accommodation, catering, transportation… We cannot easily refuse their proposals… We need their authorisation for our mining operations.

\(^5\) MUSPIDA (Musyawarah Pimpinan Daerah) is a group of local leaders which consists of leaders of the local government, police and military.

\(^6\) Sometimes local leaders must attend at national meeting in Jakarta, the capital of Indonesia.
The Local Government Relations Supervisor added: “The reformation era led the company to transparently share their activities with the public… due to the public demand, since in the past (the Suharto era) the company limited its communication to key actors only.” The CEO observed that “the local spirit has become stronger… The local people have become brave enough to express their feelings”. In 2006, a survey which involved 2000 participants from the community was carried out by this company. This survey revealed that most participants thought that instead of the local government, the company should be responsible for infrastructure development, employment, education, health and regional development (Hifni, 2007). Moreover, the Superintendent of Local Business Development stated that “in the last five years, the most frequent problem that arose was not technical problems but social problems… relationships between the company and communities”.

To handle these problems, the military approach is no longer appropriate. The government has been monitored by the public. If the government employs a repressive approach to support the company, the public is likely to increase their protests against the government. This condition led the company to build a strategy to handle any uncontrollable social pressures and conflicts. Accordingly, as asserted by the Local Government Relations Supervisor: “The president director of this company at that time realised the need to have a specialised independent division to handle external affairs relating to the community, the community’s leaders, and the government.”

In line with this, the ESD General Manager explained that in 2003 the company established an independent division called the External Affairs and Sustainable Development (ESD) Division. The main responsibility of the ESD division is handling external issues and corporate social responsibility (CSR) programmes. This division is claimed to perform public relations functions. As the ESD General Manager commented: “It is impossible to assign public relations functions to all employees. Accordingly, these functions must be institutionalised into one division, which is the External Affairs and Sustainable Development Division.”
Most participants from this division also agreed that they perform public relations functions:

In my opinion, we are also responsible for public relations in the community… if the company has a problem (with the community), or if the company has a programme, for instance a CSR programme, sometimes we take on a public relations role. (The Field Officer B)

We are part of community relations… I can be a public relations person, but the emphasis of this public relations job must focus on agriculture, farming… (The Field Officer A)

In spite of this, some of those interviewed argued that there is a section within this division that is specifically responsible for formal public relations functions. This section is the Public Communication Section. As asserted by the Community Support Superintendent, who is also a former Public Communication staff member: “In a practical context, we also perform public relations. However, in a formal context, Public Communication (section) plays this role.”

Public relations functions in this company are perceived as relationship functions. The ESD General Manager pointed out that public relations is like an interface, which aims to manage relationships between the company and stakeholders. The Field Officer A added: “Public relations is about how they work together with society, interact directly with society, build relationships with society.” This is also about the communication function, as remarked by the CEO: “Public relations is a function needed by the company to give accurate information about the company to the public and to avoid inaccurate information spreading out from the company.” This is supported by the Public Infrastructure Supervisor: “It is about how to inform the public about our programmes… so they get clear and balanced information about our programmes.”

These public relations functions mainly focus on relationships with the community. As the CEO commented: “Since this company is owned by a corporate group, only

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7 This division, which is run by a general manager, consists of five departments, i.e. Community Empowerment, Land Management, External Relations, Project Management and Evaluation, and
top officers from this corporation can give statements about the company to the public.” In spite of this, the CEO stated that in relation to community issues, public relations functions are performed by the ESD Division. He stated that: “We realise that our friends in External Affairs and Sustainable Development are the public relations arm of the company… They respond to the external public… [and] give suggestions or input to management.” The ESD General Manager added: “When we do CSR (corporate social responsibility), at the same time actually we carry out public relations functions… CSR is a tool to make an interaction.”

The Community Support Superintendent commented that this function aims “…to get a good and positive image from society”. The CEO remarked:

As a public company, there is a need for the corporate group which owns this company to announce that this company has implemented good corporate governance principles. This is also an effort to promote its shares… A business entity is never free from this interest.

In line with this, the Local Business Development Superintendent added:

Image building is important for shareholders. Before signing the contract, buyers always visit the mining site, not to examine product quality or technical aspects, but to get to know the company’s concern for the environment, including community welfare.

As pointed out by the General Manager, CSR programmes are the result of dialogue between community, local government and the company. The company analyses the input from the community and, together with local government, decides on the programme in the Musyawarah Rencana Pembangunan Desa (Village Development Plan Meeting). The company also builds dialogue with the community through an informal meeting, such as “buka puasa bersama” meeting. Field officers always attend this informal meeting, and sometimes members of the company management also attend in order to maintain relationships and share their programmes.
Furthermore, participants pointed out that the company tries to understand the community’s point of view through its field officers. As stated by the Community Support Superintendent: “We have field officers who live in the community. They become front doors who absorb the aspirations of communities.” Field officers are staff under Agriculture Section and mainly assist the community to perform CSR programmes. They are also liaison officers who bridge relationships and facilitate communication between the company and the community by identifying key actors and developing informal and personal relationships with them. As commented by The Field Officer A:

> We preferably develop a personal communication… not positioning ourselves as a representative of the company. This is a community. We mix with them… With this kind of communication pattern, they seem to accept us more easily and perceive us as their family.

Most participants emphasise the importance of the cultural approach in maintaining relationships and solving problems. As asserted by some participants:

> I am a Bugis⁹, they are also Bugis. We mostly communicate in Bugis language. We can communicate easily and closely. They treat me as their family. (The Field Officer A)

> I can speak several languages to communicate with several ethnic groups… These languages enable me to approach them closer. When Bugis people complain, I will slowly approach them using Bugis language. If the complain comes from Kutai¹⁰ people, I will use Kutai language… By using this cultural language approach, we will explore what their problems are. Then we analyse the problems and take actions. (The Conflict Management Supervisor)

The company understands the need to inform internal and external stakeholders of their activities, as shown by their regular distribution of company publications. However, in practice the publications only partly inform the public as they omit bad

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⁸ “Buka puasa bersama” is a community gathering held by the Moslem community to pray and break their fast during the fasting month. The fasting month is celebrated by Moslems, but this meeting has become traditional.

⁹ Bugis is the name of an ethnic group from Sulawesi.

¹⁰ Kutai is the prominent ethnic group in the area where the company operates.
publicity and act in a privileged propaganda role. As pointed out by the Media Relations Supervisor:

We cannot expose employees’ demonstrations, since the orientation of company publications is to get good public relations on its CSR programmes… We cannot expose controversial issues.

Discussion and conclusion

Based on the responses from the participants, it can be identified that social and political changes in the post-Suharto era, which include the transformation toward democracy, the decentralised authority, and the freedom of speech and expression, have resulted in the need for this company to establish an independent division for managing relationships with stakeholders. Sriramesh and Vercic (2003) asserted that “in societies whose political systems do not value public opinion, the nature of public relations is not sophisticated” (p.3). However, as pointed out by Sharpe (1992), the freedom of the press, the transformation toward democracy, global economic growth, and cultural diversity have influenced public relations practices on a global scale.

Public relations functions in this mining company mainly focus on building relationships with the community in order to secure business and attract more buyers for company shares. The increasing number of social conflicts has forced the company to value the community as its main constituency. The company believes that relationships with communities are able to save money, since they prevent costly issues or bad publicity. The company’s concern for community welfare aims to improve its image in order to attract more investors. Moreover, the community’s approval is also needed for mining operations. This is in line with what The Excellence Study called the “strategic constituencies approach” (Grunig et al., 2002). This approach asserts that the company must identify key elements of the environment whose opposition or support can influence the company’s goals. Furthermore, Post, Preston, and Sachs (2002) point out that a company’s wealth and its licence to operate are influenced by its relationship with stakeholders. In this case, it is influenced by the company’s relationship with communities.
A two-way symmetrical model of public relations is not found in this company. Nevertheless, a cultural interpreter model is predominantly adhered to due to the multicultural environment of the workplace. The company assigns field officers, who mostly have the same cultural background as members of the multicultural community, or who have a good understanding of their culture, to facilitate communication and problem-solving processes when there is conflict.

The personal influence model of public relations is also followed by this company. The field officers establish good personal relationships with key actors in the community. These relationships can be used to seek favours when the company needs them. However, this relationship is considered as an asymmetrical one, since interpersonal communication is used to dominate key actors and to persuade them to accept the company’s position (Toth, 2000). There is a high dependency of the community on the company, which has led to this asymmetrical relationship. As shown by the National Statistics Bureau, this company has contributed significantly to the region’s income. This is in line with the assertion made by scholars (Grunig et.al., 2006; Sriramesh and Vercic, 2003) that the level of economic development can influence public relations practices.

Despite the fact that this company claims to perform public relations functions, these functions are perceived as supporting tools for other areas, rather than as integrated communications functions. Public relations functions are a part of a division which is responsible for corporate social responsibility functions. This is in line with what Banks (2000) stated, that in the 1990s and beyond companies have started to employ public relations to perform corporate social responsibility. However, as asserted by The Excellence Study, public relations functions should not be integrated into another department whose primary responsibility is not a communications management function. Furthermore, Grunig et.al. (2006) pointed out that the integration of the public relations function into other areas means that this function “cannot be managed strategically, because it cannot move communication resources from one strategic public to another - as an integrated public relations function can” (p.45).

In spite of this, the company claims that they have a section which carries out public relations functions formally. This section, however, is assigned to handle media
relations, guest relations and publications only, where it mainly performs the press agentry and publicity model and the public information model of public relations. This can be inferred from the fact that this section mainly publishes corporate social responsibility programmes to the community and is forbidden to expose controversial issues which lead to conflicts.

These findings are in line with a power-control theory (Grunig et al., 2006), which discusses “the way organisations behave in general, and practice public relations in particular, as they do because the dominant coalition chooses to organise and manage in that way” (p.53). Cutlip et.al. (2006) remark that the public relations function will be useful only if the management wants it. If the management perceives this function as not something crucial for the company, then this function will not have a strategic position in the company and its contribution will be small.

Finally, this article asserts that the findings in this case study cannot be generalised to give a definitive insight into public relations functions in the post-Suharto era, due to two reasons. Firstly, this case study only researched one mining company, which is a major contributor to the economy of the nation. This article recommends further research into a variety of industries with differing characteristics. This will enable us to gain a broader insight into the practice of public relations in Indonesia today. Secondly, this case study is based on interviews with participants from the company and did not involve stakeholders. Therefore, this article asserts the need for further research involving the participation of stakeholders and the practical ramifications of actual public relations practice.

References


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