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INSTITUTIONALISING PR AND CORPORATE COMMUNICATION

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Milan Congress

Volume 1

PEARSON

Emanuele Invernizzi
Toni Muzi Falconi
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PR AND CORPORATE
COMMUNICATION**

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Volume 2

PEARSON

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Personal Influence Model of Public Relations: a Case Study in Indonesia's Mining Industry

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Abstract

This article seeks to better understand public relations functions in Indonesia during the post-Suharto era by examining these functions in Indonesia's mining industry. This study found that the socio-political changes in the post Suharto era have resulted in the need for the mining companies 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. The personal influence model is predominantly carried out to approach communities. The companies assign field officers to build personal communications and relationships with key actors in the community in order to seek favours when the company needs them. This interpersonal relationship aims to build trust between companies and communities, and is based on a cultural variable of power distance. Indonesia has a high power distance index which has resulted in a low level of trust. The personal relationships with key actors are also undertaken due to the strong collectivism values of ethnic groups who live around mining companies.

Collective culture stresses group goals over personal goals, and the fact that individuals are more likely to be attached to their leaders. A cultural interpreter model is used to understand this cultural value. The companies assign field officers with an understanding of cultural differences. When

establishing community development programs, personal relationships with key persons in local government are also preferred. This avoids difficulty in managing legal issues and builds a spirit of mutual cooperation. In addition, companies extend personal networks with media professionals thus minimising unfavourable media coverage. In spite of this, the existing public relations function is a supporting tool rather than an integrated communication function, as it is part of the division responsible for corporate social responsibility functions. Finally, this paper asserts that the companies practice public relations as they do because the dominant coalition chooses to organise and manage in that way, in order to secure business.

Introduction

Public relations practices vary across the world. Some scholars (Grunig et al., 1995, Vercic et al., 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 et al., 2006). Grunig et.al (2006) refer to the principles proposed by The Excellence Study as the generic principles. Meanwhile, the culture, political and economic system, the media system, the degree of activism, and the level of economic development have characterised specific applications of public relations (Sriramesh and Vercic, 2003).

Several international studies have confirmed that variation in public relations models has been found in many cultures and political systems, illustrating the use of the personal influence model as an additional dimension of Grunig's four models of public relations (Grunig et al., 1995, Huang, 2000, Jo and Kim, 2004, Park, 2002, Rhee, 2002, Sriramesh, 1992). In spite of this, it is still unclear why certain public relation practices are more common in certain countries (Jo and Kim, 2004). In relation to this, this article seeks to better understand public relations practices in Indonesia today. The premise of this article is that the economic, social, and political changes after Suharto's resignation have resulted in opportunities and challenges for public relations practices.

In Indonesia, public relations was first introduced in the 1950s when a number of multinational companies commenced business in Indonesia and needed to build a good relationship with the government and the public (Ananto, 2004a, Putra, 1996). Public relations practice in government agencies began to develop, when in 1962 the government decided that all government agencies should have public relations departments to facilitate dialogue between government and the public and support decision making process (Ananto, 2004a). The foreign and domestic capital investment law, passed in 1967, resulted in an increase in the number of foreign and domestic investors (Putra, 1996). Accordingly, the number of public relations agencies as well as the number of public relations practitioners working within organisations also increased (Ananto, 2004a).

The Suharto government, that ruled Indonesia for 32 years, had suppressed public opinion. As a consequence, public relations was limited to a one way communication process (Ananto, 2004a). Public relations practitioners were mainly assigned to providing the media with favourable publicity while ensuring that unfavourable publicity was kept out. They were merely communication technicians who executed policy assigned by others in companies and were not involved in the decision making process (Ananto, 2004a, Ananto, 2004b, Putra, 1996).

Suharto's resignation in May 1998 however, gave new hope for the growth of the public relations profession. Since 1999, when freedom of speech and expression became legal, the number of mass media outlets increased. People became more concerned about the democratic system, protection of the law, and human rights. Today there are more public movements that are demanding transparency, accountability, reliability, responsibility and fairness. This democratic atmosphere (Thompson, 2008) has had an influence on the way companies manage their relationships with the public.

This article focuses on the public relations practices in the Indonesia's mining industry. This provides us with a "window" into public relations in the post Suharto era. This industry has contributed significantly to the economic sectors in Indonesia (Pricewaterhouse Coopers, 2005).

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 addition, the government has been pressured to decentralise its authority to regional governments. In 1999, as a result of Law n°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 (Wiriosudarmo, 2001, Wahju, 2002). This background accordingly provides an important site for exploring the way companies manage their relationships with their stakeholders.

Against this background, this article seeks to better understand the practices of public relations in the post Suharto era. In more detail, this article aims :

1. to understand how changes in the external environment have contributed to the implementation of public relations functions;
2. to better understand how senior management and public relations practitioners within the company perceive these public relations functions;
3. to identify how these perceived public relations functions relate to the model of public relations.

Methods

This article is based on a research in three mining companies, which operate in three different environmental areas. 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.

Thirty seven participants were interviewed, including three members of top management and thirty four members of departments, which are claimed to be 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.

Background of the Companies Studied

Company A

The first company is an Indonesian privately owned mining company⁸. 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. The mine operates in a remote area isolated from the district government. Due to the mining activities, population in the area increased. Apart from the original ethnic groups⁹, there are migrants from different islands¹⁰ who come and settle in around this area voluntarily or due to the transmigration¹¹ program (Evers and Gerke, 1992).

During the Suharto era, public relations of this company was conducted by officers in the headquarter office in Jakarta, close to the central government. After Suharto's resignation in 1998, however, this company established an independent division, which is responsible for handling external issues and corporate social responsibility (CSR) programs. This division is also claimed to be responsible for handling the public relations functions of this company

8. According to Law no.19/2003, domestic private companies are companies which at least 51% of their shares owned by non state and non foreign investors.

9. There are two major ethnic groups, each group also consisting of different ethnic group categories.

10. There are at least three prominent migrant ethnic groups.

11. The transmigration program 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 (Adhiati and Bobsien, 2001).

Company B

The second company is an Indonesian limited state mining corporation which was established as a merger from several single state owned companies in 1968. This company was first listed on the stock exchange when the government sold 35% of the company to the public in 1997. The majority of this 35% is held by foreign institutions. Currently this company runs nine mining areas spread across Indonesia. This study is undertaken in the one mining area which is located only two-hours drive from the capital city of Jakarta.

This mining area was isolated and less developed. This area is not surrounded by a multicultural community. There is only one majority ethnic group and one major religion. As soon as the company provided road access and started production in 1994, however, many migrants came to the area seeking a better living. Predominantly, they are unemployed with hopes of making money from the ore deposit (Irawan et al., 2005).

They want to get instant cash as illegal miners. This condition leads to conflicts between the company and the community, since most illegal miners are organised by local figures and claim that they also have the right to benefit from the mining industry (Sufa, 2004). The company documented that in the post Suharto era, the number of conflicts with these illegal miners has increased (Irawan et al., 2005).

Company C

The third company is a multinational company which operates in one island of Indonesia. This company started its construction in 1997 and commenced commercial production in 2000. It is surrounded by a relatively homogenous community for whom mining industry is something new, since no other mining company has operated in this island before. This company has become the main income resource of the province (Sumbawa Regency, 2002), where it employs 7200 employees, 60% of whom are from the local community.

Findings

Indonesia's Mining Industry in the Suharto Era and the Post Suharto Era

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).

To quote a superintendent, who mostly handles community development programs, «For us, we felt secure during the New Order era, because the government provided security». A public relations officer added: «We had a conducive situation because the military and police handled the security around mining area». The mining industry also 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.

In the post Suharto era, however, Indonesia has moved towards a more democratic system. Public has pressured the government 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. Article 10 of this law, states that «regional government has full authority to promote and develop the national resources available in its region...» (Wahju, 2002, p.17). Local government is now responsible for issuing mining licenses, replacing the previous "contract of work" system. Local

governments have authorisations to decide, rule and administer resources development in their regions.

There have been also more public demands on mining companies and the number of conflicts with the community has increased (Wiriosudarmo, 2001). As commented by a superintendent from company A, who is responsible for community development programs: «In the last five years, the most frequent problems that arose were not technical problems but social problems...relationships between the company and communities».

Communities are brave enough to share their opinion and make their demands. Company C was attacked by its communities which led this company to close its camp's exploration. The attack was sparked by the refusal of the company to pay compensation to residents (Nugraha, 2006).

Company B also experiences problems with illegal miners who are organised by local figures (Sufa, 2004). The economic hardship during the reformation era has led the community around this company to change their livelihoods from farming to gold digging, in the hope of making a quick fortune (Irawan et al., 2005). In responding to these conflicts, the use of military force has been criticised by human rights organisations and shareholders, since these guards are often involved in serious human rights abuses against the local population (Down To Earth, 2004). This condition led the company to build a strategy to handle social pressure and social conflicts which have tended to become uncontrollable.

The Establishment of Public Relations Unit

Company A

During the Suharto era, company A focused its relationship with central government by employing its public relations officers at its Jakarta office.

However, in the post Suharto era, this company realised the need to manage a better relationships with communities. As asserted by a supervisor, who handles relationship with local government: «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».

Accordingly, in 2003, this company established an independent division, which is responsible for handling external affairs and corporate social responsibility programs. 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 Government Relations.

This division is claimed to perform public relations functions. As the general manager of this division commented: “It is impossible to assign public relations functions to all employees. Accordingly, these functions must be institutionalised into this division”. 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 called the Public Communication Section. As asserted by a superintendent of community support: «In a practical context, we also perform public relations. However, in a formal context, Public Communication (section) plays this role». This section is primarily responsible for handling media relations, guest relations, and publications.

Company B

In the Company B, public relations and community development unit was established in 2000. During the Suharto era, this company had a public relations unit situated at its head office in Jakarta. Relationships with communities during the Suharto era were carried out through community development programs, which were treated as ad hoc programs and handled by the general affairs unit. However, as public demands to the company increased the company realised the need to establish an independent unit to manage relationships with them. As commented by an assistant public relations manager: «The company finally established an independent unit to handle conflicts with communities, explore communities’ needs and opinion, and to socialise the community development programs». This unit, which is chaired by a manager, consists of three sub units, i.e. community development, public relations, and mining security.

Company C

Company C started its construction in 1997, one year before Suharto's resignation. During its construction periods between 1997 to 1999, relationships with communities were handled by the government relations and public relations unit. However, in 2000 this company has expanded this unit into a division called the External Relations division. The public relations unit was separated from the government relations unit and became an independent unit, which is chaired by a manager. Besides government relations and public relations units, there are also some other units within this division which are responsible for handling community relations, NGO relations, and community development programs. This company claimed that this external relations division carried out public relations functions.

Public Relations Functions in Mining Companies

Public relations functions are perceived as relationship functions by the mining companies. According to their understanding, public relations is about how they work together with society, interact directly with society, and build relationships with society. This is also about the communication function, as remarked by the CEO of company A: «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». The External Relations Senior Manager of company C added: «It is not only about how we share information to public, but it is about a process of communication».

Public relation functions within these mining companies mainly focus on relationships with the community. This public relations function is integrated with the unit which is also responsible for corporate social responsibility programs. As claimed by the general manager of external affairs of company A: «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». Public relations function is also carried out to communicate their community development programs. As asserted by a superintendent of company A, who is responsible for community

development programs: «It is about how to inform the public about our programs...so they get clear and balanced information about our programs». These companies understand the need to inform internal and external stakeholders of their activities. However, in practice the publications only partly inform the public as they omit bad publicity and act in a privileged propaganda role. As pointed out by several participants:

«We cannot expose employees' demonstrations, since the orientation of company publications is to get good public relations on its CSR programs...We cannot expose controversial issues» (the media relations supervisor of company A).

«Public relations should have good relationships with media...try to build a good image and avoid a bad publicity. This is the role of our public relations. This is also a one way communication to publish our community development programs. Thus, the communities know about these programs» (the External Relations Senior Manager of Company C).

This public relations function aims to promote a good company image for the sake of business purposes. The CEO of company A stated that

«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, some participants claimed that image building is important for shareholders. Before signing the contract, buyers will not only examine the product quality, but also get to know the company's concern for the environment, including community welfare.

Good community relations are also important to get a social licence to operate from the community. As stated by a staff who handles infrastructure programs in Company A: «Even though we have legal approval from the government, if the community does not approve it, we cannot start our programs. If we break it, there will be a “war” ». The senior manager of external relations in Company C added:

“No matter how much fund we spend for the community, if we do not have good communication and relationships with them, they will close our mine. If their cultural and religious values clash with the company’s interests, this big organisation is meaningless”.

Personal Influence Approach

In building relationships with communities, Company A assigns field officers who live in the community. These field officers are staff employed under the agriculture section and mainly assist the community to perform CSR programs. 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 a field officer:

”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”.

To identify key actors within communities, this company also utilises social mapping

As stated by a superintendent of community support,

“We make a social mapping...identify who are the cultural leaders, the religious leaders, and the community leaders. We also identify their positions, whether they are willing to cooperate or not, and whether they are actively involved. We update this map every three months. So when there is a problem, we can ask their help”.

Besides identifying these key actors, the company also identifies other opinion leaders. Among them are community leaders, those who have better economic status or education level, and those who have succeeded in running the programs offered by the company.

Company A operates within a multi cultural environment. The communities come from different cultural backgrounds, some of them are migrants from other islands and some of them are local people. Most of the field officers have similar cultural backgrounds as the community in which they live. An understanding of their cultures and their languages enables the company to make informed choices about what they should or should not do, as well as to develop trust from the community.

As asserted by some participants,

«I am a Bugis¹², they are also Bugis. We can communicate easily and closely. They treat me as their family..... They trust me, since they know I will not lie to my own people» (The Field Officer A).

«I can speak several languages to communicate with several ethnic groups, i.e. Java¹³, Bugis, Kutai¹⁴, and Banjar¹⁵. 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 Kutai people, I will use Kutai language. Similarly, I will do this to the people from Java and Banjar. 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).

Field officers of this company emphasised the importance of forming relationships with ethnic group leaders and *adat*¹⁶ leaders. As commented by a field officer: «When there are conflicts involving members from different ethnic groups, *kepala desa*¹⁷ will not be able to do anything. The communities will only listen to their ethnic groups or *adat* leaders».

12. Bugis is the name of an ethnic group from South Sulawesi of Indonesia.

13. Javanese is an ethnic language from Java.

14. Kutai basically is a local ethnic group where the company is (East Kalimantan)

15. Banjar is the name of an ethnic group who mainly lives in South Kalimantan.

16. *Adat* leaders are those who are responsible to maintain a set of local and traditional laws in many parts of Indonesia. They are usually the elders of the ethnic group.

17. *Kepala desa* is an administrative leader who is in charge to lead a village. *Kepala desa* or “village head” owns the highest authority in the village, and is responsible for the welfare

Accordingly, the company routinely organises meetings with religious leaders, *adat* leaders, ethnic group leaders, and local leaders.

Similar to the Company A, Company C also assigns field officers who live in the community to manage relationships with them. These field officers are coordinated under a community relations unit. This unit is responsible for establishing and maintaining mutual relationships with communities, assuring communication between the company and the community, defusing issues before they become problems, identifying impacts of mine operation on the community and helping to minimise or solve them, and informing management of community issues. This company has established a community relations office in almost each village making it easy for the community to get access to the company. At each community relations office, there are some books, magazines, newspapers, or other documents about the company that can be accessed by the community. If there is a problem within the community that relates to the company, field officers are front liners who should solve it. As commented by the Senior Manager External Relations: «All problems in the community which relate to the company must be fixed. The community relations officers must fix it...since one day their problems will be our problems as well».

This company does not operate in the multicultural environment. Most of the community also have the same religion. The field officers claimed that personal relationship with local leaders and religious leaders are important, since they are key actors who influence the relationships with the company. These field officers are assigned to maintain good relationships with local leaders of villages to *kecamatan*¹⁸. Meanwhile, relationships with leaders of district and central government are handled by the government relations unit.

In the company B, community relations are handled by a public relations unit which is chaired by an assistant manager. There are only four

of residents, the maintenance of law and order, and representing the interests of the Indonesian Government. Generally, the appointment of a *kepalad Desa* is made by the subdistrict administrator (*Camat*) based upon recommendations received from village residents.

18. Kecamatan or subdistrict is a subdivision of regency or a city in Indonesia. A subdistrict is divided into several administrative villages.

staff members, including the assistant manager, who manage relationships with communities, including local government, local media, and informal leaders. This company operates in a relatively urban area. There is only one primary ethnic group and religion. The public relations staff stated that besides village leaders, the religious leaders are key actors who are mostly respected by communities. Close to the mining area, there is an Islamic boarding school which is chaired by a *kyai*¹⁹. The company involves *kyai* in the company's activities, such as by inviting the *kyai* to lead an employee prayer during a fasting month or by inviting the *kyai* to attend special company occasions, e.g. the company's anniversary celebration. The company also gives financial support to the Islamic boarding school.

The personal relations approach is also applied in building relationships with the government's employees. In the reformation era, as a result of the local expansion program²⁰, the areas where the companies A and C operate have become capitals of new districts. There are new key actors within this new government. Among these key actors are members of MUSPIDA (*Musyawarah Pimpinan Daerah* or Regional Security Council), which consists of local government, police and military. Accordingly, as mentioned by the staff who manage relationships with the government, the company needs to build and maintain good relationships with them to avoid difficulty in managing legal issues and to build good cooperation instead of being exploited in doing community development programs. The company needs their authorisation for running the mining operation, such as authorisation for using dynamite in their mine site or shipping the product overseas. In the company B, the public relations staff stated that despite the fact that the company is a state owned it still needs to build good relationships with local government leaders due to the decentralised authority. The companies support local government with some facilities, such as facilitating key persons to use companies buildings or transportation for certain events, or providing opportunities to use the companies' airport for business travel. The staff who manage government relationships in these three companies, mentioned that they build good

19. *Kyai* is an expert in the religion of Islam. A *kyai* has his position and authority because people will listen to what he says.

20. The decentralisation reform allows for the creation of new regions by dividing or merging existing administrative units. This process is known as local expansion program.

relationships with key actors, through social interaction such as by playing tennis or other sports together, giving gifts for their special occasions, hosting lunches or dinners with them, and attending their family celebrations such as marriages. They also stated that they regularly visit the village leaders just for a chat. As commented by the assistant manager public relations of Company B:

«Sometimes when there is a village leader who is not happy because his demand has not been approved by the company, we come and visit him. We bring coffee, biscuits, and cigarette for him. We approach him and try to make him understand of the company's condition».

Despite the fact that the companies try to approach the government key actors personally, the local government officers still want to show their authority over the mining companies, as implied by this statement:

«In our daily activities, we accept many proposals that according to our procedures are not appropriate. For instance, if the MUSPIDA²¹ needs to go to Jakarta²², 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» (a superintendent who responsible for government relationships).

In building relationships with the media, the public relations staff claim that they enter into friendships with key individuals in the media. They also open a 24 hours personal phone line for journalists to contact them. This personal relationship plays a critical role in obtaining good media coverage and minimising unfavourable media coverage. To quote a media relations staff of Company C: «We entertain the journalists. We ask them for

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

22. Sometimes local leaders must attend at national meeting in Jakarta, the capital of Indonesia.

*dugem*²³. This entertainment approach is so effective...They always ask our confirmation before publishing any news about our company». This media relations officer added that he was fully supported financially by the company to entertain the media professionals.

Discussion and Conclusion

In the Post Suharto era, the mining companies realise the need to establish an independent unit to manage relationships with their public. The transformation toward democracy, the decentralised authority, and the freedom of speech and expression after Suharto's resignation force the companies to undertake public relations function in order to build good relationships with them. As asserted by Sriramesh and Vercic (2003, p.3): «in societies whose political systems do not value public opinion, the nature of public relations is not sophisticated». 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 practises on a global scale.

Public relations function in the mining companies mainly focuses on building relationships with the community. Decentralised reform has resulted in moving power from the central government to the local people where their approval is needed for mining companies to operate effectively.

The increasing number of conflicts with communities has also forced the company to value the community as its main constituency. This public relations function, however, mainly aims to secure business and attract more buyers for company shares. The companies believe that relationships with communities are able to save money, since they prevent costly issues or bad publicity. The companies' concerns for community welfare aim to improve their image in order to attract more investors.

23. *Dugem* is an Indonesian acronym of *dunia gemerlap* which textually means a glamorous world. This refers to a night, entertained activities. People go *dugem* in pub, discotheque, or other well-known places.

This condition 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 these mining companies. Nevertheless, personal influence model is predominantly carried out to approach communities. The companies assign field officers who live and get along with the community in almost each mining circle area. Members of the community can easily access information from the field officers and are able to share their problems or hopes with these officers. There is an interpersonal relationship between members of communities and field officers. The personal relationships with key actors and opinion leaders have also become the main concern of field officers.

This finding shows the importance of interpersonal relations as part of the relationship building process. The repressive approach during the Suharto era has created a low level of trust between companies and communities. Accordingly, interpersonal relations between management and communities including the key actors and field officers, aims to build trust and reduce conflict. As asserted by Huang (2001), trust is a crucial factor which influences relationships between publics and organisations.

This is a foundation of relationship building. Without trust, management and public will not be able to communicate and cooperate well (Taylor, 2003).

This personal relations approach is also based on a cultural variable of power distance. Power distance refers to the extent of power, prestige, and wealth inequality among people of different social strata or classes (Hofstede, 2001). Hofstede's study (2001) shows that Indonesia has a high power distance index. During Suharto era, the mining industry paid the royalty to the central government. This became the national income which

should be distributed to the local governments. However, it has been criticised that only the central government benefited from this royalty (Wiriosudarmo, 2001). This inequality has contributed to a low level of trust between local people with mining companies, which are associated to the central government. This is in line with what Tayeb (1988) claimed that there is a relationship between power distance and interpersonal trust.

Tayeb (1988) found that the class struggle has led to the opposition and mistrust between managers and their employees.

Personal relationships with key actors in the communities are important due to the collectivism values which characterise ethnic groups around mining areas. Hofstede (2001) classified Indonesia as a high collectivistic country. Collective culture stresses the group goals over the personal goals, and that individuals are more likely to be attached to their leaders. Among the Bugis, for instance, *siri* is the most basic element in the life of the Bugis (Said, 2004). In the communal context, *siri* implies the obligation of supporting group solidarity among members of the community. *Dayak* ethnic groups also have strong solidarity and loyalty among themselves and a strong sense of communalism (Sukamdi et al., 2002). A cultural interpreter model reflects this cultural value. 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.

Personal relationships with members of local government are addressed to secure business. This decentralised reform has placed the legal aspects of mining operations under local government jurisdiction. However, the alienation of local government from mining operations which occurred during the Suharto era, still affects the understanding of local government staff regarding mining operations regulations (Wahju, 2002, Wiriosudarmo, 2001). Mining executives complain that even minor matters, such as who issues explosives permits, are unclear (American Embassy Information Resource Center, 2007). Accordingly, the companies approach local government people to avoid problems regarding legal issues and more importantly to get legal certainty for the benefit of future investors.

Relationships with media professionals can be categorised into three relational types. The first one is formal relationships, in which companies send releases or conduct press conferences to disseminate information. The

second one is informal personal relationships in which the companies extend their professional relationships with the media into friendships outside of the work place, such as by playing sport together, or entertaining them. The third one is maintaining complementary relationships, such as by giving gifts. Extending personal networks among media professionals brings benefit to the companies, especially in minimising unfavourable media coverage (Jo and Kim, 2004). This approach, however, has been criticised as discrediting the quality of the media coverage, since the news can be influenced by personal relationship factors rather than news values (Taylor, 2003). The relationships with media in these companies also predominantly reflect the practice of the press agency and publicity model and the public information model of public relations. Media relations mainly aim to publish corporate social responsibility programs and are forbidden to expose controversial issues which lead to conflicts.

Despite the fact that these mining companies claim to perform public relations functions, these functions are perceived as supporting tools for other areas, rather than as integrated communication 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 communication management function. Furthermore, Grunig et.al. (2006, p.45) 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».

This finding is in line with a power-control theory (Grunig et al., 2006, p.53), 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». 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.

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