STAKEHOLDER MANAGEMENT: CONFLICT AND INTEREST IN TIN MINING INDUSTRY INDONESIA (CASE STUDY BANGKA BELITUNG PROVINCE)

R. Rudy Irawan, MBA
Ujang Sumarwan, Prof. Dr.
Budi Suharjo, Dr.
Setiadi Djohar, DBA
Doctoral Program of Management and Business
Bogor Agricultural University, Indonesia

Abstract
The aim of our study was to assess each stakeholder mapping to the role, interest level, power and the impact of the tin mining industries in Indonesia. Specifically, this study was to find a key players which affect the tin mining industries in Bangka Belitung and analyzed the influence and impact on the industries. The problem in tin mining which the existence of interest in tin mining land domination of Bangka Belitung has been going on when the switching between powerful stakeholders (Hendra 2012). The design used in this study was structured in-depth interviews of expert stakeholders in tin mining industries in Bangka Belitung with stakeholder management approach. The results of the study showed that stakeholders not directly involved in tin mining activities but highly affects the sustainability of the tin mining industries in Bangka Belitung. There are seven major stakeholders in tin mining industry; central government, local government, local communities, small scale mining and suppliers, manufacturers and investors as well as law enforcement.

Keywords: Tin mining, stakeholder management, conflict

Introduction
Tin mining in Bangka Belitung had been conducting since 1710 which began on Bangka island afterward in 1720 the tin mining was conducted by Dutch businessman who joined the VOC whereas tin mining in Bangka Belitung began in 1851 (Sujitno 1996; Sapanli K 2009). The tin mining is still in progress undertaken by state-owned companies, private
companies and small scale miners. In general, the Bangka Belitung's economy is highly dependent on the mining sector and the multiplier effect of the tin mining. Based on data from BPS 2013 described the province's economy still supported by the mining and extraction sector in the amount of 14.58% and industrial processing of 19.02% tin. Most of the district revenue supported by export revenues in the tin mining and tin mining's derivatives.

Tin mining activities began conflicts between the interests of stakeholders were become higher when the era of regional autonomy. Then revoked tin as strategic goods from stuff based on Menperin Dag Decision No. 146/MPP/Kep/4/1999 caused illegal mining. Then the birth of Bangka local regulations No. 6 in the year of 2001 about General Mining Management and Bangka Regents Decision No. 294/MPP/Kep/10/2001 about the Granting of Mining License for the processing and selling created new companies in the tin mines.

The presence of the tin mining on the one side has pushed ahead the economic growth and employment. On the other hand the local community and government stakeholders received the negative impact of the presence of tin mines with environmental damage. Based on data from the Regional Environmental Agency (BLHD) Bangka Belitung province recorded there are 991 pieces of pits in 2006 under a total area of 4.637,85 Ha, while in 2010 about 65% of 657.510 hectares of forest in the Bangka Belitung has been categorized as critical, damaged and concerned. Forest destruction has also occurred in the conservation forest carried by the small scale mining (Sidabukke 2011). In addition, it was also reported that all existing large rivers are already polluted mainly due to the turbidity of soil particles washing tin sand from which was flowing into the rivers (Regional Environmental Agency of Bangka Belitung, 2012).

Environmental damage increased especially since the development of small scale mining stakeholders / TI (Inonu 2010). Elfida's study (2007) stated the low of small scale mining stakeholders in the applying for mining permission because there is no meaningful sanction of local government stakeholders associated with the business they did with no business license. In addition of only a few TI filing permits to local governments, as well as the lack of follow-up related to the evaluation of the implementation of local regulations for mining activities such as district regulations regarding of the public mining management and other regulations related to mining activities (Elfida 2007). Purba's research (2007) also confirmed that the law enforcement against criminal acts by stakeholders in tin mining in Bangka have not been going well.

Tin mining problems on the central and local government stakeholders because of no coordination in the regulation and licensing
(Hayati 2011). In addition, mining activities in a variety of places not only suspected not contributed to promoting local community, but also trigger a variety of socio-economic conflicts (Resosudarmo and Subiman 2010; Erman 2013). Tin mining companies were also doubtful in the role of endorsement for the local community (Aziz and Salim 2005) and the mining industry very closely with poverty, especially in areas which was contact directly with mining exploitation activities (Jatam 2005).

Many problems began from the era of tranformation from a monopoly to a free market system which has raised a lot of turmoils. The existence of conflicts of interest in monopolizing tin mining land in the Bangka Belitung has been going on when the shifting between powerful stakeholders (Hendra 2012). Conflicts between central departments, between the central and the provincial, between provinces and districts, between tin mining companies and state-owned (BUMN) used to monopolize, the mining by the arising of new companies, and small scale mining (Erman 2007). The conflicts have many layers, not only a business conflict, but as well as political conflicts and power and each of them stated legality of themselves. Looking for the arguments in legal issues and regulation for the sake of power structures and control politics (Erman 2007; Resourdarmo et al 2009). Power struggle between the stakeholders for tin resources got into major problems in the tin mining industry in Indonesia. This study aims to examine each stakeholder mapping to roles to interest level, power, and reconciliation or meeting point for tin mining industries in Indonesia.

**Literature review**

The business world today is very complex, rapidly changing and a lot of uncertainty. The complexity of the business world due to the interconnection network of customers, suppliers, communities, employees, and investors are influential for the achievements of the industry (Freeman et al. 2007). The theory describes the interaction and interconnection of the various stakeholders known as the stakeholder theory. Freeman defines stakeholders as groups or individuals who are able to affect or be affected by the achievement of organizational goals (Freeman 1984: 46). The main stakeholder theory focuses on the relationship between business and the groups and individuals who can affect or be affected by it. (Smudde and Coutright 2011).

Generally composed of stakeholder is shareholders and other investors, employees, suppliers, customers, communities and the government. According Figar and Figar (2011: 2) "stakeholders followed by two concepts, namely a) the stakeholders as individuals or groups who affect the company or depend on the company, b) the next is the concept of stakeholders to make the burden or bring benefit to the company".

77
Freeman et al. (2007: 7) divides stakeholders into two phases, namely the primary stakeholders and secondary stakeholders. Primary stakeholders are those directly related to the company such as customers, investors, employees, suppliers and communities, while secondary stakeholders who are not directly related such as media, government, competitors, consumer organizations and other related groups. As generally known stakeholders recognized as shareholders and other investors, employees, suppliers, customers, communities and the government. The partition is different from classified by Mitchell RK, Agle BA and Wood DJ (1997). They divide the stakeholders based on the attributes possessed by stakeholders. There are three types of attributes possessed by stakeholders, these three attributes are:

1. Power. Power is the ability of stakeholders to influence others to do something.

2. The legitimacy. Legitimacy refers to the acceptance behavior of stakeholders in the field of law and social ethics.

3. Urgency. Defined as the extent where stakeholders have the interest level on other stakeholders.

Based on the combination of attributes generated seven typologies of stakeholders according to Mitchell RK, Agle BA and Wood DJ (1997: 874) they are (1) dormant stakeholders who have power but no legitimacy and interests, (2) discretionary stakeholders who have legitimate but do not have the power and interests, (3) demanding stakeholders who have an interest but do not have the power and legitimacy, (4) dominant stakeholders who have the power and legitimacy but have no interest, (5) dangerous stakeholders who have the power and interests but do not have the legitimacy, (6) dependent stakeholders who have the interest and legitimacy but do not have the power, and (7) the definitive stakeholders who have the power, interests and legitimacy. The model attributes provide information to the company to identify the type of stakeholder in the company so that known the influence for the company's activities. In certain circumstances stakeholders have a positive sense and in other situations where stakeholders can be a negative for the company. Appropriate stakeholder management by the company has good implications for the sustainability of the company.

Previous studies on stakeholder management much been done by a couple of researchers. The study was adequately related to stakeholder management conceptual studies (Preston and Sapienze 1990; Polonsky 1996; Mitchell et al., 1997; Earl and Clift 1999; Post et al., 2002; McVea and Freeman 2005; Roloff, 2008; Lim et al., 2005; Preble 2006; Zakhem 2008; Hansen and Bunn 2012; Smudde and Coutright 2011; Minoja 2012; Verbeke and Tung 2013). The studies to explore the concept of stakeholder management with a variety of approaches used by researchers. In addition
there is also a conceptual review of previous empirical studies on stakeholder management in various industries.

Some previous empirical studies in the field of stakeholder management of natural resources including Jakson and Gariba (2002) management of water resources in the northern region of Ghana, Koontz and Hoga (2008) under the management of the conservation area case study of wildlife management in the south of Yellowstone, Furstenau et al (2007) examined the use of forest management in eastern Germany with the analysis of forest management utility by multi-criteria analysis method, Leach et al (2002) investigated the stakeholders collaborative partnership in forming of Watershed Management Policy in California and Washington, Mutekanga et al (2013) in DAS Uganda Ngenge by stakeholder analysis method, Borisova et al (2001) focused on the development of the maximum threshold or total maximum daily load (TMDL) and the implication there was a conflict between stakeholders, Hiwasaki (2005) under the conservation management of national parks in Japan, and Lopez (2001) for a conservation project case study of Ream national park in Cambodia with stakeholder analysis, Rastogi et al (2010) under nature safeguarding conservation areas in Corbet national park in India. From several previous studies concluded stakeholder management studies in natural resource management were pretty much done. This is due to a lot of parties involved in the natural resources. Stakeholder management can be use better in forming the policy of natural resources (Stool-Kleemann, M. Welp 2006).

Besides in natural resource, the stakeholder management study also implemented in the field of governance and the environment. Several stakeholder management studies in the field or governance and environment including the one performed by Gomez (2006) stakeholder management in local government under decision-making area case study of English Local Government case studies, Lim et al (2007) under stakeholder management in public administration. Oen et al. (2010) conducted a study in environmental remediation projects occurred in Norway.

Various studies above show examples of prior studies in stakeholder management. Summary of several studies which have conducted with stakeholder analysis methods is shown in Table 1. There are several methods used in the study of stakeholder management. A common method is stakeholder analysis by doing interviews and focus group discussion (FGD).

Table 1. Several studies related to stakeholder management

<table>
<thead>
<tr>
<th>Author</th>
<th>Title</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rastogi et al (2010)</td>
<td>Assessing the utility of stakeholder analysis to protect areas management the case of Corbett National Park, India</td>
<td>Stakeholder analysis</td>
</tr>
<tr>
<td>Lim et al.</td>
<td>Formulating strategies for</td>
<td>Stakeholder analysis, retrieval</td>
</tr>
</tbody>
</table>
Mushove dan Vogel (2004)  | Head or tails? stakeholder analysis as a tool for conversation area management | Stakeholder analysis 
Borisova et al. (2011)  | Stakeholder analysis of collaborative watershed management process a florida case study | Stakeholder analysis with qualitative data were collected by focus groups discussions (FGD) with stakeholders 
Lopez (2001)  | A stakeholder management for conversation projects: A case study of ream national park, Cambodia | Stakeholder analysis, stakeholder mapping, formulation of strategy and work plan along with implementation 
Capuot (2013)  | Systemic stakeholders’ management for real estate development projects | Identify external stakeholders, presume the needs and interests, analyzing impacts, and evaluate the implementation 

The various studies provided relevant information according to the suitable method with stakeholder management study in tin mining industry in Indonesia. Many studies related to natural resource were using management stakeholders which were possible because of many concerned parties, parties who have authority and parties who have legitimacy to control the available natural resources.

Method

This study used a descriptive and exploratory approach. Descriptive approach in the form of a literature review and eksplorative to provide the information required in accordance with the purpose of research. In this study, primary data collection is done by structured in-depth interviews with expert stakeholders in the tin mining industry in Indonesia, while the secondary data obtained from the available literature study and the data available in the various agencies.

Respondents were selected intentionally by purposive sampling to determine the first respondent experts who will be interviewed. Respondents were chosen by non-probability sampling technique with sampling convience. Table 2 is an expert respondents in the tin industry.

Table 2 Experts Stakeholders Respondents of structured in-depth interviews

<table>
<thead>
<tr>
<th>Name</th>
<th>Institution/Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. Erzaldi Rosman, SE, MM</td>
<td>Regents of Central Bangka</td>
</tr>
<tr>
<td>Petrus Chandra MBA</td>
<td>CEO of PT. Refined Bangka Tin</td>
</tr>
<tr>
<td>Ir.Sukrisno</td>
<td>Managing Director of PT. Timah Tbk</td>
</tr>
<tr>
<td>Irjen Polisi(Purn) Drs. Iskandar Hasan, SH, MH</td>
<td>Former Head of Bangka Belitung District Police</td>
</tr>
<tr>
<td>Ir. Sutriono Edi, MBA</td>
<td>Head of BAPPEBTI Ministry of Commerce</td>
</tr>
</tbody>
</table>
Ir. Wahid Usman, MBA
Former Managing Director of PT. Timah Tbk/ Chairman of SC INATIN-BKDI

Ir. Surawadi Nazar, MSc
Former Operational Director of PT. Timah Tbk/ Director of PT. Mitra Stania Prima

Ir. Suryadi Saman
Former Vice Governor of Bangka Belitung/ Commissioner of PT. Timah Tbk.

Dr. Ir. Bambang Setiawan
Former Directorate General Minerba ESDM/ Commissioner of PT. Kideco Jaya Agung dan tambang lainnya

Dr. Erwiza Erman, MA
LIPI/Tin Researcher

Drs. Hudarni Rani, SH
Former Governor of Bangka Belitung

Ir. Marwan Batubara, MSc
Director of IRESS (Indonesian Resources Studies)

Results and discussion

The results of identification obtained seven main stakeholder key stakeholders in the tin mining industry, namely; central government, local governments, communities, manufacturers and investors, suppliers & TI, traders and law enforcement. Then conducted the mapping of the stakeholders in the tin mining industry. The mapping of stakeholder based on the level of interest and the level of stakeholder power. Based on the results of the tin expert respondents questionnaire earned central government, local governments and manufacturers and investors entering the fourth quadrant, while the traders, community, small scale miners & suppliers, and law enforcement in the quadrant II. Figure 1 shows the quadrants of each stakeholder. Quadrant IV stakeholder mapping needs to be maintained intensively while the quadrant II remain the needs to be given sufficient information (PMI 2013).

Figure 1 Grid interests / power in the tin mining industry in Bangka Belitung
After found each stakeholder mapping, stakeholder analysis would be conducted. Analysis of each of the following stakeholders:

a. The central government has a high level of importance and level of strong force. The level of interest and high power in accordance with their duties, functions and authority of the central government in managing the tin mining industry. The main basic of the central government in carrying out its duties under the 1945 Constitution, especially clause 33 on the management of natural resources.

b. The local government has a strong level of power and a high level of interest as well. The high power and interests of the local government from the existence of regional autonomy laws No. 1999 which later born Bangka Belitung province by Act No.27 of 2000 provided space to local governments of the authority to regulate their own region. One of the roles of local governments in mineral mining regulated under Government Regulation No.38 of 2007. The local government felt the right to issue their own regulations, even though they may conflict with the policies of the central government. The evident were proved by the releasing of Bangka Regency Regulation No. 6 of 2001 on the General Mining and Decision of Bangka Regents No. 294/MPP/Ke/10/2001 on the Granting of Mining License for processing and selling. Bangka Belitung and the regents seem to feel that they have the right to issue a mining business license, including the processing and export (C Aspinall 2001). The existence of regional autonomy created oligarchy regime, primordial, and political clientelism (Jati 2012), a border conflict, capital conflict, debts issue and handover of district assets (Ratnawati 2010). The level of interest and the level of local government high power need to be balanced by vertical agencies in the area (DPRD) and controlled by national legislative institution (Nurcholis 2011). High level of interest also related to district revenue (PAD), which mostly relies on a tin mining and related tin mining sectors. If above things undone there will be chaos, emergence of small king who makes rules arbitrarily and the public only become suffering victim (Nurcholis 2011; Jati 2012).

c. Traders have a high interest level and mid-level of power. Tin traders generally come from countries of Singapore, Malaysia and Thailand who are directly affected by the production and export of Indonesia's tin. High level of interest due to directly nudge with the availability of tin in the international market which is almost 80% of supply come from Indonesia and the interests of traders to get a cheap tin prices. Unlike the middle-level trader’s power from capital possessed capabilities, the influence of traders in the international institutions and the ability to control the price of tin tin the world. The ability of traders affect prices can be seen when the
tin prices collapsed in 1985 due to pricing policies which do not reflect the global tin fundamental side (Hilman J 2010). Currently, Indonesia has a tin exchange INATIN (physical commodity markets) which are difficult for traders to speculate the price.

d. The results of stakeholder analysis of manufacturers and investors show a high level of interest and a high level of power as well. High level of interest from manufacturers as they related to the field of running business especially sustainability of the company in the future while the power level of the manufacturers and investors can be seen by the capital and networking of manufacturers and investors in the local government or even central government law enforcement agencies. The power of the manufacturers and investors are able to create local shadow state in tin mining in Bangka Belitung (Erman 2007). Several companies of tin mining in Bangka Belitung are the hand extension of the foreign investors and manufacturers so that they have high level of interest and power. This is supported by the data ITRI (Kettle 2013) dependence of Indonesia's tin buyer by the companies of Malaysia, Singapore and Thailand to refined and re-smelting tin which obtained in Bangka Belitung. Moreover, the capital ability of large corporations are infinite which mean of high power.

e. The results of the community stakeholder analysis show high interest the medium level of power. Interests of the community related to the dependence of Bangka Belitung tin is very high, BPS (National Statistic Agency) 2013 data shows that tin mines and processing accounted for 33.60% PDBR (Province Domestic Bruto Revenue) and will reach more than 70% with the multiplier effect. Nevertheless, the strength of the local community can not be ignored. There are various cases in the Bangka Belitung community to reject the role or support tin mining in Bangka Belitung.

f. Analysis of TI stakeholders and suppliers have high level of interest and medium level power. High interest of TI and suppliers more caused caused by factors with higher source of income than tin mining while the intermediate level of force caused by the amount of existing TI in the Bangka Belitung on the amount of 6,030 onshore TI and 3,070 offshore TI in 2009 (Erman 2013). In contrary of the suppliers which has power suppliers caused by the capital owned. Although there were a lot number of TI in Bangka Belitung, but not well organized and were working on their own. One solution to the existence of TI and supplier of tin who has existed in the Bangka Belitung are creating a clear system, making the mining laws for the public and the control of the public mines. Governments also need to regulate the small scale miners, taught them to manage mining, environmental conservation training and requirement to pay taxes. The presence of small scale miners/TI and supplier can not be
eliminated just as well as ignored them in the tin mining industry stakeholder management. Governments need to embrace and work together to manage tin mining in Bangka Belitung.

g. The results of the stakeholder analysis showed high level of law enforcement agencies interest and medium level of power. It becomes interesting because of its interest value is higher than the value of the power possessed by law enforcement agencies. High level of interest in accordance with the duties of law enforcement agencies. In contrast to the middle-level powers, suspected the power was attenuated by unscrupulous officials who did the ignorance to the law violation, even get the role to play into the tin mining. Bangka Belitung community reported to KPK (Corruption Eradication Commission) related to law enforcement agencies officials who has unfair of wealth and expert respondents have confirmed the presence of involvement by law enforcement officials. Similar with Erman's study (2010) stated there was the attempt of ignorance in current tin mining business, especially from law enforcement.

Various stakeholders have the difference level of interest and power. The one with the other stakeholders of course there is the possibility of interest opposition which could create a conflict either directly or indirectly. The interest level need to be set to match the corridors. Thus stakeholder management seeks to find an available alternative solution to accommodate all levels of interest and minimize conflicts may occur with also noticing power possessed respectively. The summary of the conflict and the interests shown in Table 3

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Interest</th>
<th>Conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central government</td>
<td>Main duties and function of related ministry; mandated by the Constitution clause 33</td>
<td>Regional authority; environmental damage</td>
</tr>
<tr>
<td>Local government</td>
<td>Main duties and function of district government; increasing local income (PAD)</td>
<td>Low income; environmental damage</td>
</tr>
<tr>
<td>Trader</td>
<td>Tin as the speculation comodity; tin with low price</td>
<td>Intervention price of tin; price speculation</td>
</tr>
<tr>
<td>Investor and manufacturer</td>
<td>Source of income; reduce the cost of production</td>
<td>Sand tin of illegal TI; damage the environment; violation of the mining regulations; smuggling</td>
</tr>
<tr>
<td>Community</td>
<td>Environment awake; economic driver</td>
<td>Mine damage the environment; source of income depends on the mine</td>
</tr>
<tr>
<td>TI and supplier</td>
<td>Easy, direct and fast income source</td>
<td>Not suitable mine according to the rules; tin ore fencing; illegal and dangerous</td>
</tr>
<tr>
<td>Law enforcement agency</td>
<td>Monitoring and regulatory enforcement of mine; in accordance with the duties and function</td>
<td>Officials became patron of TI, suppliers and private smelters</td>
</tr>
</tbody>
</table>
Opinion of expert respondents stated tin reconciliation must be built in common ground interest which are the same in tin mining. The common ground must be higher than their respective interests. One of the basic interest is national interest, community welfare and the sustainability of tin mining in Bangka Belitung. The results of indepth interviews with tin expert respondents obtained several reconciliation of stakeholders which can be applied are:

1. TI and suppliers need to make an institution which overshadow and can be either cooperative or local government (BUMD)/state-owned enterprises (BUMN) fully responsible of good mining processes.
2. Strengthen and improve the integrity of the tin regulatory system and supervisors in Bangka Belitung.
3. Dialogue between businesses along with regulators in making strategic policy.
4. The need for a roadmap / Long Term Plan of tin industry in Bangka Belitung.

**Conclusion**

Based on the results of this study obtained several conclusions as follows:

a. Stakeholders mapping based on the level of interest and the level of stakeholders power. The results of the mapping obtained central government (4 & 4), local government (4&4) and the producers & investors (4&4) included in quadrant IV, while the trader (4&3), community (4&3), small scale miners & suppliers (4&3), and law enforcement (4&3) in the second quadrant.

b. The reconciliation stakeholder management: i) TI and suppliers need to make an institution which overshadow and can be either cooperative or local government (BUMD)/ state-owned enterprises (BUMN) fully responsible of good mining processes, ii) Strengthen and improve the integrity of the tin regulatory system and supervisors in Bangka Belitung, iii) Dialogue between businesses along with regulators in making strategic policy, iv) The need for a roadmap / Long Term Plan of tin industry in Bangka Belitung.

In this study, there are some suggestions that can be given for further research. The advice given is in strakeholder analyzes obtained that the central government, local government and manufacturers and investors have high level of interest power need to be sharpened again. Requirement to analyze each sector as the central government stakeholders need to be analyzed further to the Ministry of Energy, Ministry of Commerce, and so on. Similarly, local governments such as governors and regents.
References:
2010. Mining, Women and Failure State. Inside of: Lecturer at University of Mulawarman Jatam-Kaltim; 2010 March 9; Samarinda, Indonesia


