

CHAPTER 1

INTRODUCTION

1.1 Research Background

In the era of accelerated globalization, strategic communication has emerged as a critical driver of organizational success, particularly for foreign investment businesses (hereinafter referred to as “**PMA Company**”). It enables purposeful message alignment across diverse cultural landscapes and a multidimensional stakeholders’ network. Hamad (2024) states that an organization creates strategic communication as the main guidance in communication management (*pengelolaan komunikasi*) and information circulation (*perputaran informasi*) of the organization for various interests, both intraorganizational and interorganizational. Thus, every organization needs to possess its strategic communication strategy to make sure it runs well.

An organization consists of people that engage within a structure, relation, and communication pattern. It shapes behavior, decision-making, and overall organizational outcomes. Littlejohn (2021) explained that it is important to understand that an organization is a force of influence within the system, where certain individuals influence others, certain groups influence other groups, and certain systems control or manage other systems. Moreover, organization is made through a continuous process of communication and understanding about how a system works. It goes through a series of behavioral cycles of daily operations.

The success of a company's operation is no longer judged solely by financial performance, but also by how the company communicates, engages, and aligns with the society in which it operates. Holtzhausen & Zerfass (2015) explains that the purpose of communication by an organization is to fulfill its mission. It functioned as a dynamic process through which company or organization construct meanings, manage relationships, and respond to complex stakeholder ecosystem.

Communication requires structure to define roles and responsibilities, also requires a system to ensure that information flows across all levels. Anthony Giddens, as adapted by Robert McPhee and Pamela Zaig (2021) explains structuration theory that consists of the two key aspects namely (i) systems i.e. observable patterns of behavior and relationships and (ii) structures i.e. rules and resources that individuals rely on to do their work. In this case, the process of communication, namely the interaction from the communication activity and the structure are closely related and interdependent.

Organizations such as PMA Company are constructed in diverse ways depending on corporate principles, values, goals, cultures, and common practices, goals, size of capital, and so on. Hofstede (2011) stated that culture is the shared beliefs and values held by members of a society and can also be considered as an institutional force because individuals' behaviors, ways of thinking, and preferences for policies are culturally constrained. Thus, practices developed in one country may not be effective in another country. It also leads to an idea of how important it

is to understand how communication works in a specific environment or country, prior to establishing a strategic communication of such organization.

Due to the complex of multidimensional stakeholders' network of PMA Company, the uncertainty of information is remarkably high. According to Weick as cited in Robin et. al. (2021), the process of communication reduces such uncertainty of information, or he called as 'equivocality'. The term equivocality used to describe uncertainty, complexity, ambiguity, and lack of predictability information that will vary from situation to situation. Strategic communication will help to make sense of the situation and reduce equivocality. It will bring major implications for how an organization functions.

PMA Company engages in a sensitive activity that is closely related to extractive and heavy industry must adopt more humanized, transparent, and participatory forms of communication to rebuild trust and legitimacy. Ruiz-Mora et. al. (2019) argues that organizational communication in today's environment cannot be detached from the broader societal discourses that surround sustainability, governance, and public interest. Therefore, integrating local perspectives with the PMA Company's ideas and vision can bridge the gaps in understanding and demonstrate a genuine commitment that is useful for the business.

In the context of foreign investors in Indonesia, communication plays a crucial role in shaping how their presence is constructed in public discourse. Berger and Luckmann theory of the social construction of reality, as cited by Knoblauch (2019) explains that it becomes clear that meaning is not inherent but created via interaction and interpretation. Therefore, how PMA Company communicates e.g.

what narratives they promote, which stakeholders they engage, and how they respond to criticism, can significantly influence how they are perceived by the public.

Foreign direct investment or PMA Company in Indonesia has become a significant force in the country's economic landscape. It operates across various sectors, contributing to national development while also triggering complex dynamics with stakeholders. Based on Ministry of Investment and Downstream's data (hereinafter referred to as BKPM), foreign investment realization in Indonesia for quarter one of 2025 reaches IDR465,2 trillion (BKPM Data, 2025). As one of the largest economies in Southeast Asia, Indonesia holds a significant position globally. Organization for Economic Co-operation and Development or OECD (2024) said that Indonesia's consumer spending has been growing steadily, by 2025 is projected to reach approximately USD804.69 billion, reflecting the country's rising consumer purchasing power i.e. as the 10th largest in the world.

Indonesia offers a promising market for businesses looking to expand their operations globally. According to Indonesia Statistics Center data, Indonesia blessed with vast population of over 270 million people, strategic geographical location, and abundant natural resources particularly nickel (<https://bps.go.id>). It makes Indonesia standing out as a crucial player in global supply chain. According to the World Bank (2024), Indonesia's nickel reserves are concentrated in the island of Sulawesi, Maluku, and some part of Papua, where large mining operations are underway. The country's abundant nickel reserves have attracted major investments from international companies, primarily from People's Republic

of China. This is because People's Republic of China holds one of the advance technologies in the nickel processing or called smelter.

Investors operate complex adaptive systems, where human capital, cultural norms, and organization must interact dynamically. Foreign investor enters Indonesia and operates PMA Company, must reconcile competing pressures from home-country headquarters, host-country stakeholders, and transnational regulations. This is a balancing act that frequently manifests in operational tensions and reputational risks of PMA Company.

Chinese origin investors have significantly expanded their presence in Indonesia's nickel smelter industry. According to BKPM (BKPM Data, 2025), main investor of foreign direct investment in Indonesia is coming from Singapore, Hong Kong, and People's Republic of China. The fact is Singapore and Hong Kong are used by Chinese investors to manage their money-flow, and it is resulting People's Republic of China as main investors in Indonesia and bring so much capital and opportunity in Indonesia (BKPM Data, 2025). Despite the positive outcomes, it sparks contentious public discourse, particularly how public sees Chinese-owned smelters.

A recurring critique centers on perceived racial exclusivity, with allegations that Chinese-owned smelters prioritize Chinese workers over local or Indonesian workers. For instance, projects spreading in Southeast Sulawesi and Central Sulawesi faced backlash for employing a high ratio of Chinese technicians, fueling narratives of economic colonialism. These perceptions are worsened by

cultural and linguistic barriers, which unintentionally deepen mistrust among Indonesian communities.

Safety concerns further add negative sentiment. Fatal accidents at smelter facilities of projects Central Sulawesi back to 2023, linked to alleged negligence in safety protocols. Media often frame these incidents as systemic failures, portraying Chinese-owned smelters as prioritizing profit over worker welfare. Simultaneously, environmental criticism persists. Nickel smelters, which involve high-energy furnaces and waste disposal, have been accused of accelerating deforestation and polluting coastal ecosystems. These narratives underscore why strategic communication is imperative.

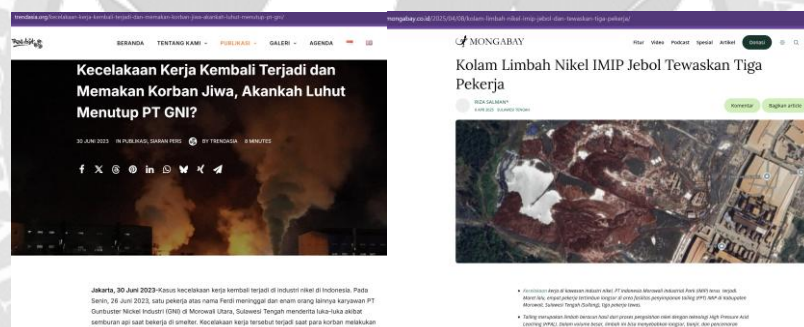


Figure 1.1 Mongabay and Trend Asia News (Source: Google Search)

Misunderstandings about racial issues, labor practices, safety, and environmental impact often twig from information asymmetry and cultural misalignment. Hamad (2024) defines strategic communication as the systematic orchestration of communication processes to achieve strategic objectives. The sustainability of an organization depends on its communication because it will affect the achievement of the organization's goals and ensure long-term operational viability.

PMA Company operates across international markets. Thus, strategic communication serves as both a connective tissue and competitive differentiator. It enables organizations to harmonize their cultural point of view, with global and host-country narratives or local sensibilities. Hamad (2024) explains that the integration of digital analytics has further transformed communication strategies, allowing real-time measurement of message resonance across geographies and demographic segments. This approach supports the development of strategic communication that responds to shifting market dynamics and stakeholders' expectations.

As an essential pillar for organization in navigating complex operational landscapes, mitigating crises, and maintaining public trust or opinion across industries, strategic communication has proved its role in several big cases around the world, both about success and failure. First, a success rebound story of Vale, a Brazilian-owned company that has long history in Indonesia. Vale in Indonesia is known as PT Vale Indonesia Tbk. (formerly known as PT International Nickel Indonesia or INCO), now is controlled by MIND ID and Vale Canada Limited. Vale, as a leading player in mining and smelter, has experienced major events related to its strategic management.

In 2019, Vale experienced Brumadinho dam disaster in Brazil. This collapse killed 270 people, wiped out \$4.5 billion in market value, and led to extensive reputational and legal consequences. Reuters (2023) reported that internal communications revealed executives had ignored warnings, leading to a surge in liabilities amounting to \$7 billion by 2023. An IBASE (2021) study noted that after

a post-disaster, 78% of local communities distrusted Vale's operations, showcasing the long-lasting social damage stemming from communication failures. However, in 2022, Vale demonstrated a strategic (management and communication) recovery through related to 'Green Mining' campaign.

By repositioning its nickel operations as essential for electric vehicle (EV) battery supply chains and forming high-profile partnerships (e.g., with Tesla), the company shifted its narrative from environmental violator to sustainability leader. Notably, Vale published real-time sustainability dashboards that demonstrated a 33% emission reduction since 2017, offering transparency and credibility. As a result, it secured \$1.2 billion in green financing and boosted nickel sales by 40% in 2023 (Vale, 2023). This example underscores how aligning strategic communication with global sustainability discourses and making performance data publicly available can significantly restore reputation and unlock economic opportunities.

Moving on to Eastern side of the world, Tencent Holdings Ltd., a China leading internet, technology, and game company that considered as one of the biggest in the world, experienced gaming crackdown in 2021. It reflects the vulnerabilities of reactive and dismissive communication of the organization. Tencent initially labeled Beijing's restrictions on youth gaming as 'non-material' which proved disastrous. The company's stock plummeted by 23%, erasing nearly \$200 billion in market value. Public trust in Tencent's corporate governance dropped from 89% in 2020 to 58% in 2022, indicating serious reputational consequences (Bloomberg, 2022). This shows that underestimating regulatory

concerns and failing to communicate empathy and action in response to social issues, such as gaming addiction particularly for youth/teenagers, can erode stakeholder confidence and market value.

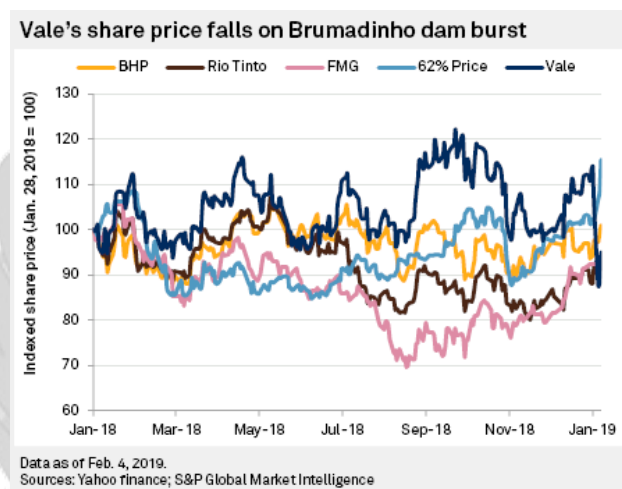


Figure 1.2 S&P Vale's Price Chart (Source: Google Search)

Conversely, Tencent's strategic communication and management rebound centered on AI-driven localized communication through platforms like WeChat Pay (i.e. WeChat also owned by Tencent). From 2019 to 2023, the company focused on rural digital inclusion and e-commerce integration, resulting in a 300% increase in cross-border payment users and \$500 million in digital literacy investments (Tencent Holdings Limited, 2023). These initiatives improved the company's favorability by 35% in rural China. Tencent's case highlights the importance of localized, audience-specific communication tailored to regulatory and social expectations. It proves that strategic communication, values-driven communication can rebuild trust even after significant reputational setbacks.

The above explanation illustrates a core insight of how strategic communication is indispensable across sectors, whether in oil and gas, mining, or technology or gaming. The common thread among companies that successfully managed reputation crises or brand repositioning is their ability to implement strategic communication in transparency, accountability, and responsiveness. Also, important to pay attention on these three crucial phases: (1) planning, where communication scenarios are forecasted, stakeholder maps are developed, and message alignment is prepared; (2) execution, which requires timely, empathetic, and multi-channel message delivery tailored to specific audiences; and (3) evaluation, in which feedback mechanisms, sentiment analysis, and reputation metrics are employed to refine ongoing efforts.

1.2. Identification of Problem

The growing involvement of Chinese-origin investors in Indonesia's strategic sectors, like manufacturing, mining, and smelter industry, has triggered complex discourses and issues around labor or employment justice and fairness, economic sovereignty, human safety (i.e. *Kesehatan dan Keselamatan Kerja*), and environmental issues. For example, according to Trend Asia and Tempo Group media (Asia, 2023), at least 104 work-related accidents have been recorded in various plants and causing more than 57 deaths or fatalities within the past eight years.

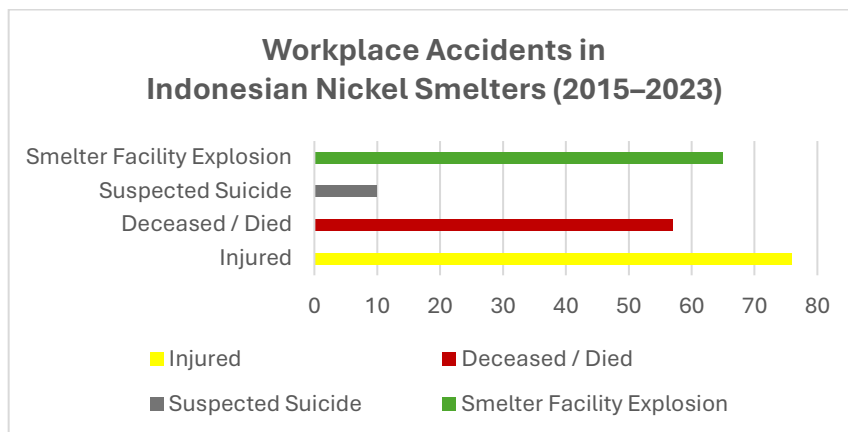


Figure 1.3 (Source: Author's Data Processing)

A significant factor contributing to these typical accidents is caused by miscommunication i.e. language barriers. A study published in the International Journal of Occupational Safety and Health found that various types of language barriers significantly correlate with ineffective occupational safety and health communication. Rojak & Handayani (2023) explains that this issue can lead to misunderstandings of safety protocols, improper equipment uses, and inadequate hazard responses, thereby increasing accident risks. Misfortunate events like this usually rapidly spread across media and receive public attention, which may lead to some social judgment and damage the organization's reputation.

As explained earlier on this research, data shows that majority players in smelter industry come from foreign capital i.e. China. The high accident rate and those repeatedly misfortunate events will lead to public judgement and bad stigma against Chinese-origin organization. These socio-political sensitivities pose significant challenges for the organization to establish the most proper ways of internal and external communication to build public trust or opinion.

Several studies have addressed some aspects in terms of foreign investments or PMA Company operation in a country, such as intercultural communication, corporate social responsibility, crisis management, public sentiment, social governance, geopolitical positioning, and participatory engagement, that offers integrated dimensions of strategic communications tailored for such foreign investments.

One major pattern that emerges is the consistent emphasis on cultural issues and miscommunication. Trianita Lestari & Ako (2023) explains that micro-level interactions between Chinese and Indonesian workers at PMA company consist of everyday miscommunications and cultural incompatibilities. It hinders operational harmony and shapes external messaging. This emphasis is significant because it captures the foundational communication breakdowns that escalate into public mistrust. However, study tends to be localized and descriptive, lacking broader analytical models that connect workplace communication to larger socio-political narratives.

Another pattern is the role of public sentiment and historically rooted mistrust, particularly directed toward Chinese-origin investors. Siregar et al. (2024) and Zulkarnain Hamson (2020) explain that repeated incidents and missteps involving Chinese-origin investors or PMA Company often reignite negative sentiment in the country where the business is conducted. These studies enhanced strategic communication through positive content dissemination such as Environmental Social Governance reports and Corporate Social Responsibility campaigns. Their approach is mostly prescriptive, offering normative solutions

without adequately touching with the deep-seated historical, ethnic, and economic problems that fuel such mistrust.

Goldberg & Gustafson (2023) and McGinty et al. (2018) explains that, at the macro level, the need to evaluate communication not only based on message clarity but also its political context, reach, and durability. These scholars introduce the idea of communication as a form of ‘intangible capital’ suggesting that public sentiment is a strategic resource that must be cultivated. However, while these theories provide high-level conceptual tools, they do not offer operational guidance for firms in politically sensitive environments. The disconnection between macro-level narrative control and micro-level interactional miscommunication remains unresolved.

From the standpoint of communication studies, conceptualizing a message as part of strategic communication practice may influence publics, build legitimacy, and construct favorable narratives about a national identity. Mattingly & Sundquist (2023) explains that Chinese-origin investors communication strategies emphasize governance and economic development as persuasive tools. Yet, this approach often falls flat in local Indonesian contexts due to historical grievances. The limitation here lies in their framing, while insightful on China’s global narrative projection, they lack attention to the specific challenges faced by Chinese investors operating in Indonesia.

Complementing this, Wang et al. (2020) offers a behavioral perspective, showing how positive sentiment can enhance collective outcomes in risk-laden investment scenarios. Their experimental findings align with the broader belief that

communication fosters cooperation. Still, these insights are based on controlled settings with little applicability to contested, politicized sectors like nickel smelter in Indonesia. They overlook the role of historical tensions and media framing that reshape the public's risk perception into a nationalist issue rather than economic or profit concern.

Participatory communication is another concept frequently discussed but inconsistently applied. Gennadyevna (2022) and McGinty et al. (2018) explains that the need for collaborative message-making and community-authored narratives. These approaches are normatively attractive that legitimacy emerges from inclusivity and mutual respect between the one that has money and power and society. However, they are operationally vague. The study does not sufficiently address how participatory ideals translate into real-world communication strategies within high-risk investment sectors like smelter nickel. Questions about which stakeholders to engage, what platforms or mediums to use, and how to ensure communication is going well remain unanswered.

Taking together, these studies demonstrate important facets of the strategic communication puzzle. The gap lies in the absence of a model that connects the narrative strategy, sentiment, and participatory engagement into a unified communication approach.

This study proposes to bridge these gaps by developing a strategic communication model specifically for Chinese-origin investors of PMA company in Indonesia's nickel smelter industry. This model will be multi-dimensional and adaptive, capable of integrating digital and face-to-face communication channels,

responding to real-time sentiment shifts, and aligned with geopolitical and local narratives. It will also explore the role of local intermediaries in facilitating trust and legitimacy. Furthermore, it will investigate which narratives resonate across different platforms and how participatory strategies can be operationalized without escalating risk. By offering a context-sensitive, empirically grounded communication framework, this study aims to contribute not only to academic debates but also to practical improvements in business operational in one of Indonesia's most important industrial sectors.

1.3 Research Question

The main question of this research is as follows:

How do Chinese-origin investors in Indonesia that engages in the smelter industry construct the strategic communication to respond and to reshape its public sentiment?

Sub-questions:

1. How is negative public sentiment toward Chinese-origin investors socially constructed in Indonesia?
2. What communication strategies and participatory mechanisms are carried out by PMA Company to ensure the smoothness of its operations in Indonesia?

1.4 Research Purpose

The primary purpose of this research is to having understanding about how to develop strategic communication framework tailored to foreign investors, especially Chinese-origin investors, operating in Indonesia, that engages in business of strategic industry like smelter industry. The aim is to mitigate and reduce negative public sentiment on such PMA company. This research will seek how foreign corporate actors, particularly those perceived as politically and culturally sensitive, can more effectively engage with Indonesian public discourse through deliberate, adaptive, and locally resonant communication strategies.

More specifically, this research intends to: (1) understand how public narratives of Chinese-origin investors are formed, sustained, and amplified in Indonesian society; (2) examine the role of various communication tools such as corporate social responsibility (CSR), ESG disclosures, digital engagement, and narrative framing in influencing public opinion; (3) identify gaps between corporate messaging and public perception; and (4) propose a context-sensitive, multi-level communication model that bridges these divides.

This research goes beyond the surface-level examination of media portrayal or consumer response. It treats communication not as peripheral activity, but as central strategic function that intersects with culture, politics, and power. The focus on Chinese-origin investors, who often face a mix of economic appreciation and political suspicion, allows for a nuanced exploration of how communication must navigate nationalistic tensions, labor issues, and community mistrust. This research will draw from interdisciplinary insights, ranging from

intercultural communication and crisis management to public diplomacy and digital media studies, to craft a comprehensive understanding of effective strategic communication.

1.5 Research Significance

1.5.1 Theoretical Significance

This research offers valuable contributions to the field of communication studies, particularly within the subdomains of strategic communication, intercultural communication, and political communication. First, it addresses a significant gap in current literature, namely the lack of integrated frameworks that consider how cultural, historical, and political factors affect corporate communication in emerging economies and industry sectors. While individual studies have explored sentiment analysis, CSR, or branding, this research aims to synthesize those dimensions into a unified model tailored to politically volatile contexts. In doing so, it expands the theoretical boundaries of strategic communication by incorporating geopolitical sensitivity, stakeholders' heterogeneity, and participatory ethics, all these elements often overlooked in corporate-centric.

Next, this research contributes to the growing discourse on localization in communication strategy. By focusing on Indonesia, as a nation with a rich history of anti-colonial sentiment, pluralism, and grassroots activism, this research provides a culturally specific case study that challenges global assumptions about communication effectiveness. It tests whether Western-derived models of brand

management or crisis communication hold up in environments shaped by identity politics, postcolonial memory, and nationalist economic discourse or against Eastern-derived models' issue. Thus, the research encourages scholars to rethink the universality of strategic communication tools and to explore more nuanced, place-based or origin-based theories.

1.5.2 Practical Significance

This research has significant implications for corporate leaders, policymakers, communication practitioners, and civil society who are involved in the management of foreign direct investment, particularly in strategic sectors like manufacture, mining, technologies, and processing or smelter industries. For corporate actors, the findings will provide actionable insights on how to craft, deliver, and adapt messages in environments where public trust is fragile and socio-political sensitivities are high. It will guide communication professionals in designing campaigns that are not only persuasive but also empathetic and grounded in local realities. It will range from selecting credible messengers and crafting resonant narratives, to engaging communities through participatory channels.

For Chinese-origin investors investing in Indonesia or PMA company, this research will offer a roadmap for mitigating backlash and building legitimacy, not just through formal disclosures or on-off CSR programs, but through sustained, dialogic engagement. It will emphasize the importance of cultural adaptation, political awareness, and long-term relationship building, which are often underemphasized in traditional investor-relations strategies.

At the policy-maker level, this research may support national efforts to balance the economic benefits of foreign investment with the political need for sovereignty and social cohesion. Communication strategies derived from this research could be incorporated into investment guidelines or industrial policies to ensure that foreign companies do not merely comply with regulations, but also actively contribute to public legitimacy and social integration.

