

Dynamics of Change in Partnership Governance between PT Freeport Indonesia and Customary Institutions LEMASA–LEMASKO

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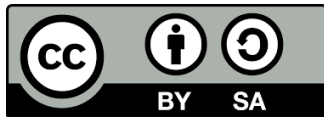
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Abstract

Sustainable mining operations depend on stakeholder trust, institutional legitimacy, and effective partnership governance. At PT Freeport Indonesia (PTFI), these factors are closely associated with transparency and accountability in partnerships with LEMASA and LEMASKO, customary institutions representing the Amungme and Kamoro Indigenous communities, respectively. This study aimed to examine changes in partnership governance involving these institutions and propose strategies to improve partnership effectiveness. A qualitative case study design was employed to investigate governance dynamics within the PTFI–LEMASA–LEMASKO partnership. Data were collected through semi-structured interviews with representatives of PTFI, LEMASA, LEMASKO, and the Mimika Regency Government, supplemented by document analysis and field observations. The data were analyzed thematically across three dimensions: institutional capacity, knowledge management, and stakeholder misalignment. The findings revealed that inconsistencies in partnership implementation were associated with institutional capacity constraints, weak accountability mechanisms, unclear organizational roles and responsibilities, and inadequate knowledge management practices. Furthermore, disparities in transparency and accountability expectations between PTFI and the customary institutions contributed to governance challenges. Based on these findings, the study proposed an Integrated Governance and Management Improvement Model to strengthen institutional capacity, clarify stakeholder responsibilities, improve knowledge-sharing mechanisms, and promote more transparent and accountable partnership governance.



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INTRODUCTION

In the mining industry, operational continuity depends not only on legal compliance and profitability but also on establishing trust and gaining acceptance from communities affected by mining activities. This perspective integrates economic, social, and environmental responsibilities (Elkington, 1997) and is reflected in the concept of the social license to operate (SLO), which emphasizes legitimacy, fairness, and stakeholder engagement as essential conditions for sustainable business operations (Prno & Slocombe, 2012). The social license to operate has increasingly been recognized by the global mining industry as a major business risk rather than merely a philanthropic concern. Consequently, community acceptance represents a strategic risk-management consideration rather than a peripheral social expectation. This perspective shifts the analytical focus from philanthropic expenditure toward governance effectiveness, emphasizing that institutions facilitating company–community relationships constitute an integral component of corporate risk management rather than simply serving as recipients of social investment benefits (Nations, 2011, 2015; Sokoy, 2026; Suchman, 1995; Welker, 2009).

This issue is particularly relevant to PT Freeport Indonesia (PTFI), whose mining operations in Papua are closely connected to Indigenous communities. The company's relationships with Lembaga Musyawarah Adat Suku Amungme (LEMASA) and Lembaga Musyawarah Adat Suku Kamoro (LEMASKO), customary institutions representing the Amungme and Kamoro Indigenous communities, respectively, therefore have both social and strategic significance (Aliberti et al., 2021). The recognition of Indigenous communities and their traditional rights is established under Article 18B(2) of the 1945 Constitution of the Republic of Indonesia (Undang-Undang Dasar Negara Republik Indonesia Tahun 1945, 1945). Community development and empowerment in the mineral and coal mining sector are addressed through Minister of Energy and Mineral Resources Decree No. 1824 K/30/MEM/2018 (Keputusan Menteri Energi Dan Sumber Daya Mineral Republik Indonesia Nomor 1824 K/30/MEM/2018 Tentang Pedoman Pelaksanaan Pengembangan Dan Pemberdayaan Masyarakat, 2018), while Presidential Regulation No. 111 of 2022 provides a framework for implementing the Sustainable Development Goals (SDGs) (R. Indonesia, 2022). Collectively, these regulatory and policy frameworks underscore the importance of extending social investment beyond conventional corporate social responsibility (CSR) initiatives toward governance mechanisms that prioritize community empowerment, meaningful participation, social risk mitigation, and sustainable development (IFC, 2012; Nations, 2011; Pera et al., 2024; Radyati, 2024). Such an approach is particularly relevant to SDG 11, which promotes sustainable cities and communities, and SDG 17, which emphasizes partnerships for achieving sustainable development objectives (Nations, 2015).

PTFI is a major mining company engaged in copper, gold, and silver production in Mimika, Central Papua, Indonesia. Following the 2018 divestment process, the Indonesian state-owned mining holding company MIND ID became the majority shareholder, while PTFI's Contract of Work was replaced by a Special Mining Business License (Izin Usaha Pertambangan Khusus, IUPK) for production operations, establishing a regulatory framework for mining activities through 2041 (P. T. F. Indonesia, 2024).

Although PTFI generates substantial employment opportunities, Papuan workforce participation remains concentrated at its Papua operations and represents a relatively limited proportion of the company's overall workforce. PTFI's macroeconomic contributions are presented in Table 2. During 2017–2022, the company contributed an average of approximately 0.42% annually to Indonesia's gross domestic product (GDP), increasing to 0.61% in 2023, with an estimated average contribution of approximately 0.51% projected for 2024–2041. Following Papua's administrative reorganization in 2022, PTFI's economic contribution became particularly significant in Central Papua Province and Mimika Regency, accounting for more than 70% of regional gross domestic product (GRDP). This concentration indicated substantial regional economic dependence on mining activities (LPKM, 2024).

PTFI's total revenue in 2025 was approximately US\$8.6 billion, declining from approximately US\$11.4 billion in 2024, reportedly due in part to operational disruptions at the Grasberg underground mining complex. The company reported contributions of approximately IDR 75 trillion to the Indonesian government in 2025 through taxes, non-tax state revenue (Penerimaan Negara Bukan Pajak, PNBP), and dividends. In April 2026, PTFI distributed an additional IDR 4.8 trillion in dividends derived from its 2025 net income, as presented in Table 3 (PT Freeport Indonesia, 2026).

Within PTFI's organizational structure, the Community Affairs Division integrates stakeholder engagement, social investment, and social risk management, positioning social investment as an instrument for maintaining the company's social license to operate rather than merely as a philanthropic activity (Affairs, 2020; Prno & Slocombe, 2012). The company's social investment framework encompasses seven Indigenous communities, with the Amungme and Kamoro classified as directly affected communities and five other Indigenous groups categorized as communities within the company's broader area of influence (PTFI Community Affairs, 2019). Engagement with the Amungme and Kamoro communities is facilitated through LEMASA and LEMASKO, with partnership coordination supported by the Institutional Agreement and Capacity Building (IACB) unit. This arrangement reflects a hybrid governance structure in which customary institutional practices interact with corporate governance principles (Emerson et al., 2011; Huang & Liu, 2024). Cumulative social investment during 1992–2025 was estimated at approximately US\$2 billion, with annual allocations reaching approximately IDR 2 trillion. Furthermore, under the 2021 Implementation Agreement, PTFI committed IDR 15 billion annually to each of LEMASA and LEMASKO. However, without effective accountability mechanisms, standardized reporting systems, and clearly defined institutional responsibilities, substantial financial allocations may increase the risks of resource inefficiency, unequal benefit distribution, and elite capture (Community Affairs, 2021; PT Freeport Indonesia, 2026).

The institutional reclassification undertaken in 2022 contributed to clarifying governance structures and organizational membership. Nevertheless, limitations in institutional capacity, overlapping leadership responsibilities, and inconsistent implementation continued to undermine partnership credibility and operational effectiveness (Community Affairs, 2021; LEMASA, 2025; LEMASKO, 2025). Another challenge emerged within PTFI's internal stakeholder engagement processes, which relied heavily on employees' tacit knowledge, interpersonal relationships, and negotiation capabilities when interacting with Indigenous leaders. Knowledge concerning sociocultural dynamics, historical agreements, and conflict resolution practices was not consistently documented or systematically transferred across organizational units (Nonaka & Takeuchi, 1995). Although the Enablon platform was used to support stakeholder engagement management, its effectiveness was reportedly constrained by usability challenges and differences in employees' digital competencies across generations. Furthermore, as illustrated in Figure 2, social investment was implemented through multiple institutional channels, including PTFI Community Development, YPMAC, Yu Amako, and Waartsing. Because these organizations served overlapping beneficiary communities, fragmented implementation arrangements increased the potential for inconsistent stakeholder engagement, duplicated activities, and unclear accountability structures (Community Affairs, 2021; Emerson et al., 2011).

PTFI's governance framework incorporates good corporate governance principles and international sustainability standards, including the Freeport-McMoRan (FCX) Sustainability Framework and the Copper Mark assurance framework (PT Freeport Indonesia, 2024; (Battilana & Dorado, 2010; Bebbington et al., 2008; Mark, 2024) . However, approximately 70% of partnership funding was managed through YPMAC, while LEMASA and LEMASKO operated as customary institutions representing community interests. This institutional configuration highlighted differences in organizational mandates, financial responsibilities,

and governance capacities among partnership stakeholders. The central governance challenge therefore concerned inconsistencies between formal partnership arrangements and their practical implementation, particularly in relation to institutional capacity, accountability mechanisms, stakeholder coordination, and internal knowledge management. Accordingly, this study addressed four research questions: (1) How were the governance structures of LEMASA and LEMASKO organized and implemented within their partnerships with PTFI? (2) What institutional and governance challenges affected their capacity to represent Indigenous community interests and maintain stakeholder trust? (3) How did transparency, accountability, and knowledge management practices influence the effectiveness of social investment governance? (4) What governance improvements were necessary to strengthen partnership effectiveness, institutional legitimacy, and PTFI's social license to operate? The study focused geographically on Mimika Regency and analytically on institutional governance arrangements rather than the financial performance of individual social investment programs.

METHOD

This study employed a qualitative embedded single-case study design, following the business case-based research approach adopted by the School of Business and Management at Institut Teknologi Bandung (Anggraini, 2024; Rorimpandey, 2024). The primary case focused on the governance of the partnership among PT Freeport Indonesia (PTFI), LEMASA, and LEMASKO. The four research questions served as embedded units of analysis, encompassing descriptive, interpretive, evaluative, and integrative analyses. Three diagnostic dimensions—institutional capacity gaps, knowledge management gaps, and stakeholder misalignment—guided data collection, thematic coding, and interpretation, as illustrated in Figure 5.

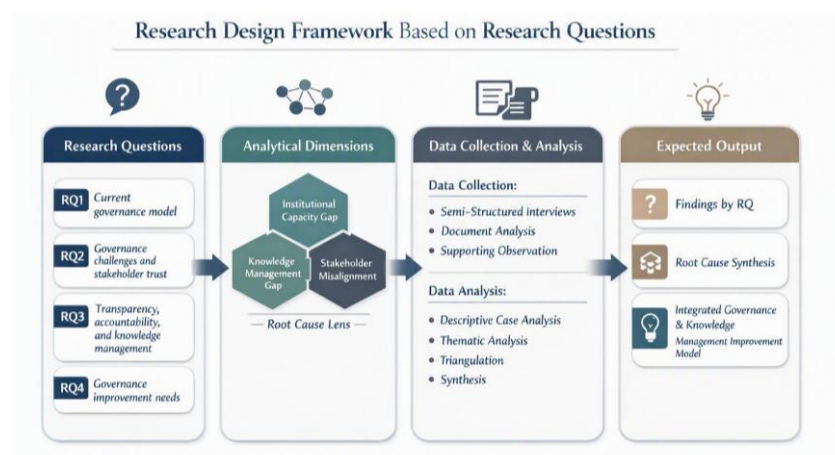


Figure 1. Research Design Framework Based on Research Questions

Primary data were collected through semi-structured interviews guided by the four research questions. Twelve interviews were conducted between May 11 and August 12, 2026, comprising eight in-person interviews and four conducted via Microsoft Teams. All interviews were conducted in Indonesian (Bahasa Indonesia), and relevant excerpts were translated into English for analysis and reporting. Participants were selected through purposive sampling based on their institutional roles, direct involvement in partnership governance processes, firsthand knowledge of the issues examined, and representation of diverse stakeholder

perspectives. Preliminary thematic saturation was observed after approximately the ninth interview. The participants' profiles are presented in Table 1.

Table 1. Profile of Interview Respondents

Code	Role / Position	Institution	Interview Date	Mode
PTFI-01	Director & EVP Sustainable Development	PTFI	19 June 2026	Face-to-face
PTFI-02	VP Community Relations	PTFI	22 May 2026	Face-to-face
PTFI-03	Manager, Institutional Agreement & Capacity Building (IACB)	PTFI	12 August 2026	Online
PTFI-04	Manager, Partnership Fund Compliance (PFC)	PTFI	22 May 2026	Face-to-face
PTFI-05	Manager, Community Relations	PTFI	11 May 2026	Online
PTFI-06	Head of Community Finance	PTFI	24 July 2026	Face-to-face
PTFI-07	Officer, Enablon / Data Management for IACB	PTFI	8 July 2026	Online
LMA-01	General Secretary	LEMASA	21 May 2026	Face-to-face
LMA-02	Treasurer / Finance	LEMASA	21 May 2026	Face-to-face
LMK-01	Treasurer / Finance	LEMASKO	21 May 2026	Face-to-face
LMK-02	Bureau, Household Affairs	LEMASKO	21 May 2026	Face-to-face
EXT-01	Secretary of Kesbangpol, Mimika Regency Government	Local Government	20 June 2026	Online

Seven participants represented PT Freeport Indonesia (PTFI; 58.3%), two represented LEMASA (16.7%), two represented LEMASKO (16.7%), and one represented the local government (8.3%). To mitigate institutional bias, greater analytical attention was given to perspectives from LEMASA, LEMASKO, and the local government, and findings were corroborated using at least two independent sources. Secondary data included PTFI sustainability and Community Affairs reports, LEMASA and LEMASKO organizational profiles, the Implementation Agreement, the 2000 Memorandum of Understanding (MoU), relevant regulations, and social investment records. These documents were accessed in accordance with corporate confidentiality policies, and confidential financial information was excluded from reporting. Nonparticipant observations of coordination meetings provided supplementary contextual evidence. Ethical considerations included informed consent, voluntary participation, participant anonymization through institutional codes, secure data storage, and cultural sensitivity. The researcher's professional affiliation with PTFI was explicitly acknowledged, and potential researcher bias was addressed through neutral interviewing techniques and data triangulation.

Data were analyzed using thematic analysis involving data familiarization, manual coding, and the organization of codes into broader themes. The coding process combined deductive categories derived from the literature with inductively identified themes, including overlapping leadership roles as barriers to external funding and asymmetrical expectations regarding transparency. The final coding framework is presented in Table 6. Methodological and source triangulation were employed to strengthen the credibility and confirmability of the

findings, while systematic documentation of analytical procedures and contextual descriptions supported dependability and transferability.

Table 2. Coding Framework Used in the Thematic Analysis

Main Theme (Root Cause)	Sub-Codes	Origin	Linked RQ
Institutional Capacity Gap	Administrative capacity; financial reporting capacity; leadership and organizational direction; job definitions; separation of advisor, supervisor, manager, and beneficiary roles; conflict of interest	Deductive, with inductive additions on workload concentration and cost composition limits	RQ1, RQ2, RQ4
Knowledge Management Gap	Documentation practice; usability and completeness of Enablon; person-specific information; internal information exchange; institutional memory and succession; experience-based learning and cadre exposure	Deductive, derived from the SECI perspective	RQ3, RQ4
Stakeholder Misalignment	Direction of transparency expectations; perceived equity; community perception of benefits; leadership overlap and institutional duality; engagement with individuals rather than institutions; multi-party coordination	Deductive, with inductive additions on transparency asymmetry and dualism as a barrier to grant disbursement	RQ2, RQ3, RQ4
Supporting Governance Codes	Governance structure and agreements; accountability process; participation and representation; institutional legitimacy; stakeholder trust; partnership success and SLO	Deductive, derived from the conceptual framework	RQ1–RQ4

RESULTS AND DISCUSSION

Structure and Implementation of the Current Governance Model (RQ1)

The governance of the partnership operates at four inter-related levels: historical recognition, contract, representation, and relationship. At the recognition level, PTFI-01 argued that the partnership cannot be understood without the historical, social, and political background of the company's presence in Papua, within which LEMASA and LEMASKO became the recognized representatives of the Amungme and Kamoro peoples. At the contractual level, the Implementation Agreement forms the basis of the partnership, with IACB acting as liaison (PTFI-03). LMK-01 considered the sixth Implementation Agreement an adequate basis for cooperation, and LMA-01 noted LEMASA's participation in environmental impact assessment and agreement discussions. Funds are disbursed directly from PTFI to the customary institutions, with IACB as the first screening stage, Community Finance as reviewer, and Accounting as the final stage (PTFI-06). At the representation level, both institutions sit within the supervisory and advisory organs of YPMak following the 2018–2019 transition from LPMak (PTFI-05), although their participation is not yet optimal (PTFI-04). At the relational level, PTFI-02 stressed the importance of regular meetings, while EXT-01 described the government's role in registering and guiding more than a hundred community and customary organizations in Mimika (Owen & Kemp, 2013; Pache & Santos, 2013; Radyati, 2024; Rorimpandey, 2024).

Nevertheless, an implementation gap persists between structure and practice. PTFI-07 described the relationship as still unilateral, and both customary institutions reported unclear task distribution, the absence of an office and routine programs, and administrative difficulties in preparing accountability reports (LMK-02; LMA-02). As PTFI-07 put it:

“LEMASA dan LEMASKO belum memiliki ART (Anggaran Rumah Tangga) yang benar-benar operasional. Akibatnya, pembagian tugas, uraian pekerjaan, mekanisme kerja, dan alur pengambilan keputusan belum berjalan secara tegas, meskipun kemitraan telah dituangkan dalam perjanjian formal” (“LEMASA and LEMASKO do not yet have truly operational bylaws. As a result, the division of duties, job descriptions, working mechanisms, and decision-making flow have not been firmly implemented even though the partnership has been established through a formal agreement”). (PTFI-07)

The current governance is thus formally institutionalized but not yet operational, reflecting the organizational decoupling described by Pache and Santos (2013).

Governance Challenges Affecting Representation and Trust (RQ2)

Three challenges emerged. The first and most common is limited institutional capacity. PTFI-01 identified it as the key constraint and emphasized the continued support of Community Affairs, while PTFI-03 linked it to human resource quality, and PTFI-06 and PTFI-07 to the timeliness of accountability reports and weak internal control. The institutions confirmed this: LMA-01 noted the absence of direction, goals, coordination, and responsibility distribution, and LMA-02 observed that “the number of officers and customary councils is relatively large, but only a few people really take care of administration such as LPJ and correspondence.” Capacity therefore depends not on the number of office holders but on how duties and workload are distributed.

The second challenge is role ambiguity and conflict of interest. Customary roles are transposed into forums that require managerial principles (PTFI-02), and within YPMak the functions of advising, supervising, managing, and benefiting lack clear boundaries, diluting oversight (PTFI-04). PTFI-01 and PTFI-05 also pointed to overlapping leadership roles and office holders who simultaneously act as local entrepreneurs. PTFI-04 stated:

“Utama tantangan terletak pada tidak jelasnya fungsi LEMASA dan LEMASKO di YPMak, apakah sebagai pembina, pengawas, pengelola, atau penerima manfaat. Ketika fungsi-fungsi ini bercampur, maka akan sulit untuk menghindarkan diri dari konflik kepentingan” (“The main challenge lies in the ambiguous function of LEMASA and LEMASKO in YPMak, whether as advisors, supervisors, managers, or beneficiaries. When these functions mix, it is hard to avoid conflicts of interest”). (PTFI-04)

When supervision, management, and benefit roles intersect, an independent accountability forum becomes difficult to maintain, weakening both answerability and moral legitimacy (Bovens, 2007; Suchman, 1995). Dependency is further intensified because the company still tends to engage with certain individuals rather than with the institutions as such (PTFI-05).

The third challenge is internal fragmentation and institutional dualism. EXT-01 reported that in fiscal year 2025 the Mimika Regency Government allocated an IDR 2 billion grant from Special Autonomy Funds, IDR 1 billion each for LEMASA and LEMASKO, but the funds could not be disbursed:

“Dana hibah dari Pemerintah belum dapat disalurkan karena masih terdapat dualisme dan konflik internal di kedua lembaga adat. Akibatnya, dana tersebut menjadi SILPA atau Sisa Lebih Pembiayaan Anggaran” (“The grant funds from the Government could not be disbursed because leadership dualism and internal conflict still exist within both customary institutions. As a result, the funds became SILPA, or unspent budget surplus”). (EXT-01)

This is consistent with PTFI-06, who noted that competing groups make it difficult for the company to deal with a single counterpart, and with PTFI-02 on the presence of elite interests. LMK-01 added that LEMASKO’s operational and payroll expenses exceed the cost composition limits of the Implementation Agreement, while LMK-02 indicated that community aspirations are inadequately considered. These findings are also echoed by PTFI’s corporate reputation study, which identified governance as a significant issue in relations with Indigenous communities and local stakeholders (Kantar, 2025). The problem is therefore not the absence of a formal partnership but the inability to convert it into representational legitimacy.

Transparency, Accountability, and Knowledge Management Practices (RQ3)

From the company’s viewpoint, transparency and accountability are non-negotiable. PTFI-01 stated that “every form of support or assistance to the customary institutions must be accountable, and the information needs to be accessible to the Indigenous community,” and that PTFI cannot lower its corporate governance standards—compliance, anti-bribery rules, tiered approvals, financial reporting, and SOPs—so the capacity of LEMASA and LEMASKO must be increased through education and mentoring. In practice, however, reporting capacity limits accountability. PTFI-06 highlighted manual accounting, person-dependent data, and limited accounting skills, and LMA-02 explained the consequence:

“Dengan demikian, kesulitan dalam menyusun LPJ berdampak pada berkurangnya nominal anggaran kemitraan yang diterima” (“Thus, the difficulties in preparing accountability reports have resulted in a decrease in the partnership funds received”). (LMA-02)

Reporting ability is therefore not merely administrative but directly affects fund flows and partnership performance. Knowledge management is only partially institutionalized. PTFI-03 described Enablon as essential for documentation and evidence of engagement but stressed that it must be complemented by experiential learning. PTFI-07 was more critical, noting that not all information is documented and that “the system is already there, but the data quality depends very much on the discipline of those who input and add data periodically.” PTFI-02 warned that “if knowledge is not recorded and communicated, the next generation will start all over again in learning.” These accounts confirm that knowledge transfer is most vulnerable when it relies on individuals (Argote & Ingram, 2000; Nonaka & von Krogh, 2009).

A notable divergence concerns the direction of transparency. Most PTFI respondents framed transparency as an obligation of the customary institutions towards the company, whereas customary respondents framed it as reciprocal. LMA-01 acknowledged that PTFI had become more transparent over the last five to six years, but LMA-02 stated that “from the perspective of the customary institution, transparency from PTFI is also considered not yet fully adequate,” and LMK-01 specifically requested more transparency on the recruitment of Kamoro youth. Transparency is thus largely understood as upward accountability of the customary institutions, whereas LEMASA and LEMASKO demand openness from PTFI on issues relevant to their communities. The gap is not only about the extent of disclosure but

about who must be open to whom and about what (Ebrahim, 2003). This reciprocal expectation is captured in Figure 6.

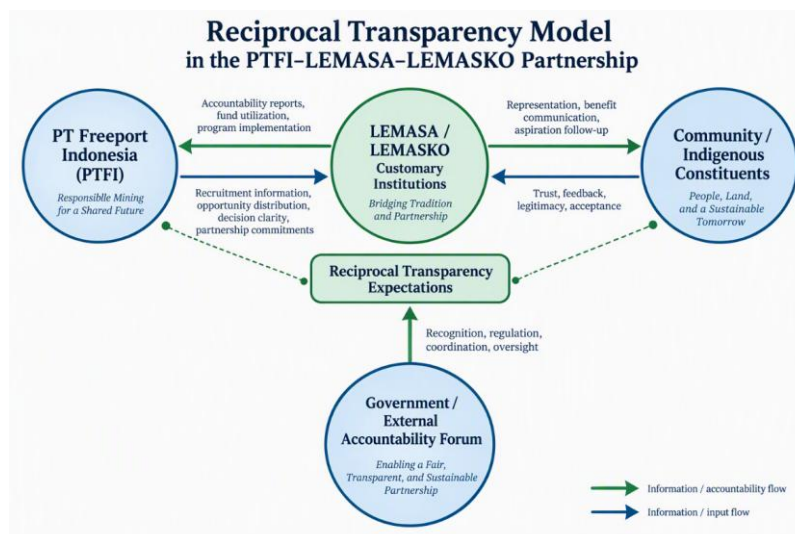


Figure 1. Reciprocal Transparency Model in the PTFI–LEMASA–LEMASKO Partnership

Governance Improvements Needed (RQ4)

Respondents' priorities converged into five themes. First, institutional capacity building through continuous mentoring in leadership, organization, and financial skills (PTFI-03), finance for non-finance professionals and youth empowerment (PTFI-06), more administrative staff, appointment letters, and reporting mentoring (LMA-02), and a permanent office and work program (LMK-02). Second, role clarity and conflict-of-interest management so that customary institutions serve advisory and supervisory rather than managerial and beneficiary functions (PTFI-04; PTFI-05). Third, institutionalized knowledge management through documentation of lessons learned, exposure of younger staff, clear SOPs (PTFI-01; PTFI-07), and integration of Enablon and the Early Warning System through an API-based approach. Fourth, two-way accountability with clear consequences and disbursement timelines (PTFI-07; PTFI-06) and better reporting of outcomes to the community (LMA-01; LMA-02). Fifth, legitimacy and multi-party alignment through customary consultation, cadre development, internal unity, and tripartite coordination between government, PTFI, and the customary institutions (PTFI-01; PTFI-02; EXT-01). Respondents also emphasized that institutional strengthening must not become corporate interference in customary leadership: "the main principle is to strengthen the institution, not to determine who should lead or how customary decisions should be made" (PTFI-05). The findings for all research questions are summarized in Table 3.

Table 3. Summary of Findings Based on Research Questions

Research Question	Key Findings	Link to Root Cause
RQ1: Current governance model	Governance is realized through recognition of customary structures, the Implementation Agreement, participation in YPMAK organs, and a disbursement chain (IACB–Community Finance–Accounting); bylaws, job descriptions, work plans, and operational procedures remain incomplete, so the relationship is viewed as one-way.	Institutional Capacity Gap
RQ2: Governance challenges and stakeholder trust	Limited administrative, financial, and leadership capacity; mixing of advisory, supervisory, managerial, and beneficiary functions; overlapping leadership and conflicts of interest; internal duality that prevented disbursement of an IDR 2 billion government grant in 2025.	Institutional Capacity Gap and Stakeholder Misalignment
RQ3: Transparency, accountability, and knowledge management	Corporate accountability standards are clear, but institutional reporting capacity is inadequate due to manual and person-specific records; Enablon is under-utilized and incompletely populated; transparency expectations are asymmetric, particularly on local recruitment.	Knowledge Management Gap and Institutional Capacity Gap
RQ4: Governance improvement needs	Capacity building; role clarification and conflict-of-interest management; institutionalized documentation and learning; two-way accountability with deadlines and sanctions; legitimacy through customary consultation, cadre development, internal consolidation, and tripartite coordination.	Integration of all root causes

Root Cause Synthesis and Discussion

The findings confirm the three root causes identified in the conceptual framework, each substantiated by more than one respondent group, as shown in Table 4. The root causes reinforce one another: weak capacity delays accountability reports and thereby limits funding continuity; poor knowledge management prevents lessons from becoming standard practice so that engagement remains tied to individuals; and misalignment arises because PTFI emphasizes compliance and risk while customary institutions prioritize recognition, benefit distribution, and visibility to their communities.

Table 4. Root Cause Synthesis Based on Field Findings

Root Cause	Field Evidence	Supporting Respondents	Governance Implication
Institutional Capacity Gap	Low administrative and financial capacity; reports compiled by few individuals; no operational bylaws, work plan, or office; ambiguous adviser–supervisor–manager–beneficiary roles; operating costs exceed agreed composition	PTFI-01, 03, 04, 06, 07; LMA-01, 02; LMK-01, 02	Reduced accountability, weaker legitimacy, funding continuity risk, lower confidence in customary institutions as equal partners
Knowledge Management Gap	Inconsistent use of Enablon; manual, person-based data; poor internal information exchange; undocumented engagement experience; limited exposure of young cadres	PTFI-01, 02, 03, 06, 07; LMA-01; LMK-02	Inconsistent engagement practice, loss of institutional memory during leadership change, continuity risk

Root Cause	Field Evidence	Supporting Respondents	Governance Implication
Stakeholder Misalignment	Asymmetric transparency expectations; engagement seen as unidirectional; benefits not fully perceived by community; leadership dualism blocking the 2025 IDR 2 billion grant; individual-oriented engagement	PTFI-01, 02, 05, 06, 07; LMA-01, 02; LMK-01, 02; EXT-01	Weakened trust, delayed benefit delivery, repeated negotiation cycles, increased risk to the SLO

These results are congruent with the literature asserting that corporate–community relationships in mining depend not only on agreements but also on capacity, trust, legitimacy, participation, and knowledge management. Collaborative arrangements suffer from asymmetric resources, low organizational capability, and unclear institutional design (Ansell & Gash, 2008; Emerson et al., 2011), and community institutions become arenas of contestation rather than neutral vehicles of service delivery (Ballard & Banks, 2003; Welker, 2009). The findings also corroborate the view that legitimacy derives from procedural fairness and the quality of engagement rather than from material benefits alone (Moffat & Zhang, 2014; Prno & Slocombe, 2012; Suchman, 1995). At the same time, the study extends the literature in three ways, summarized in Table 5. First, transparency appears as a reciprocal duty rather than one-way disclosure or upward accountability. Second, governance weaknesses arise not only from the power imbalance between the corporation and the community but also from imbalances within customary institutions—leadership duality, elite interests, and unseparated functions—so facilitative leadership by the stronger party is not sufficient. Third, formalization through association status, Implementation Agreements, and YPMAC membership is necessary but insufficient, revealing a gap between formal and operational institutionalization.

Table 5. Comparison of Findings with Previous Literature

Analytical Theme	Consistent with Literature	Extends the Literature	Implication
Collaborative governance and institutional capacity	Capacity disparities, unclear roles, and weak institutionalization hinder collaboration	Weak governance also stems from fragmentation and overlapping roles within customary institutions	Improvement requires both external facilitation and internal reform of LEMASA and LEMASKO
SLO and legitimacy	Legitimacy relies on trust, procedural fairness, participation, and credibility	SLO depends on the internal legitimacy and accountability of intermediary customary institutions	PTFI's social license depends on the governance quality of LEMASA and LEMASKO
Transparency and accountability	Information symmetry and accountability increase trust	Customary institutions also demand reciprocity from PTFI	The question is who must be transparent, to whom, and about what
Knowledge management	Engagement expertise requires documentation and institutionalization	Enablon alone is inadequate without disciplined inputs and cross-functional learning	Knowledge management is a governance capacity, not only a database

Analytical Theme	Consistent with Literature	Extends the Literature	Implication
Formalization and operational effectiveness	Formal arrangements are an important foundation for governance	Formalization is insufficient without bylaws, job descriptions, work programs, reporting, and oversight	Governance must move from legal recognition to performance

Recommended Business Solution and Implementation Roadmap

Because the root causes are interconnected, a single-track intervention is unlikely to produce lasting change. This study therefore recommends the Integrated Governance and Knowledge Management Improvement Model, which combines three components as presented in Table 6. Given the qualitative approach and the confidentiality of internal financial data, the cost–benefit justification is descriptive: capacity strengthening and knowledge management require relatively low investment in training, mentoring, and system upgrades, while the alignment mechanism requires moderately higher coordination costs. These costs are outweighed by the risks of inaction, evidenced by the undisbursed 2025 grant and the reduction of partnership funds due to incomplete accountability reports, which expose PTFI to governance inconsistency, eroding trust, and reputational risk.

Table 6. Integrated Governance and Knowledge Management Improvement Model

Solution Component	Key Actions Derived from Findings	Expected Contribution
Institutional Capacity Strengthening	Leadership and organizational training; finance for non-finance professionals and reporting mentoring; support for bylaws, appointment letters, job descriptions, and annual work plans; administrative staffing; conflict-of-interest policy separating advisory, supervisory, managerial, and beneficiary positions	Builds trust, reduces misunderstanding and repeated negotiation, improves partnership performance
Knowledge Management Institutionalization	Improved Enablon functionality and documentation completeness; shared knowledge base and lessons learned; stakeholder engagement playbook on customary practice, past agreements, and negotiations; mentoring and exposure of young employees and community representatives	Ensures consistency of partnership practice and reduces dependence on individuals
Stakeholder Alignment Mechanism	Periodic joint governance forum with common work plan and disbursement schedule; two-way transparency including recruitment; communication and escalation protocol; tripartite coordination with the regency government; support for legitimate customary consultation to resolve leadership duality	Improves legitimacy, accountability, and representation of community interests

Implementation is planned in stages: a joint governance diagnostic and alignment (0–3 months); preparation of bylaws, role separation policies, capacity modules, documentation guidelines, and a communication protocol (3–6 months); piloting of the governance forum, mentoring, Enablon enhancement, and monitoring (6–12 months); and institutionalization through evaluation and annual planning (beyond 12 months). PTFI acts as facilitator and capacity provider, while customary decisions remain with LEMASA and LEMASKO and the Mimika Regency Government, through Kesbangpol, facilitates tripartite coordination. Because

the IUPK runs until 2041, these measures form the first step of a long-term roadmap, shown in Table 7, through which PTFI moves gradually from managing partner to facilitator and finally to exiting partner.

Table 7. Long-Term Governance Roadmap toward the 2041 Licensing Horizon

Phase and Period	Governance Focus	Key Milestones	Role of PTFI
Phase 1: Institutional Consolidation (2026–2028)	Basic governance framework and two-way accountability	Bylaws, appointments, job descriptions, and work programs completed; conflict-of-interest policy adopted; standing joint governance forum with agreed disbursement schedule; leadership dualism settled through customary deliberation	Primary facilitator and capacity provider
Phase 2: Shared Leadership (2029–2032)	Expanded governance leadership and role segregation in YPMAK	Tripartite governance structure with the regency government; advisory and supervisory duties separated from managerial and beneficiary duties; institutions prepare and report their own programs; second generation of leaders developed	Co-leader moving towards partner
Phase 3: Institutional Independence (2033–2037)	Reduced operational reliance and financial sustainability	Income diversification beyond the Implementation Agreement; gradual capitalization of a legacy or endowment fund; audited accounts without outside help; outcomes reported directly to the community	Partner providing technical and assurance support
Phase 4: Transition Readiness (2038–2041)	Governance continuity beyond the current license	Long-term arrangement among PTFI, customary institutions, and government; legacy fund under independent governance; formal transfer of knowledge and engagement records; joint evaluation of the partnership	Exiting partner ensuring proper transfer of accountability

The roadmap is intentionally front-loaded, because every subsequent phase depends on credible and coherent institutional capacity; delaying action would push critical reforms toward the final phase, when the company's influence and resources are declining. In this sense, institutional capacity determines whether customary institutions can sustain community representation beyond the license, knowledge management determines whether decades of engagement history survive the transition, and stakeholder alignment determines whether the shift to local governance is seen as legitimate rather than as abandonment.

CONCLUSION

This study concluded that the partnership among PT Freeport Indonesia (PTFI), LEMASA, and LEMASKO was formally institutionalized through historical recognition, implementation agreements, representation within YPMAK, and structured funding disbursement mechanisms. However, incomplete organizational bylaws, job descriptions, annual work programs, and standard operating procedures indicated that formal institutional arrangements had not been fully translated into consistent governance practices (RQ1).

Institutional representation and stakeholder trust were constrained by limited administrative and financial management capacities, unclear organizational responsibilities, potential conflicts of interest, and overlapping leadership claims. These challenges reportedly contributed to the suspension of a government grant disbursement in 2025 (RQ2). Furthermore, PTFI's corporate accountability requirements exceeded the reporting capacities of the customary institutions, while stakeholder engagement knowledge remained dependent on individual employees despite the availability of the Enablon platform. Transparency expectations were also asymmetrical, as PTFI emphasized accountability among customary institutions, whereas LEMASA and LEMASKO expected greater transparency from the company (RQ3). These findings indicated that sustainable partnership governance required an integrated approach combining institutional capacity development, systematic knowledge management, and stakeholder alignment (RQ4).

Based on these findings, PTFI should move beyond compliance-oriented monitoring toward collaborative partnership governance by establishing a joint governance forum, promoting reciprocal transparency, strengthening institution-based stakeholder engagement, and consistently utilizing the Enablon platform and a standardized stakeholder engagement playbook. LEMASA and LEMASKO should strengthen their institutional governance through formal organizational bylaws, appointment letters, clearly defined job descriptions, annual work programs, conflict-of-interest management procedures, and transparent community reporting mechanisms. Overlapping leadership claims should be resolved through legitimate customary deliberation processes to restore institutional credibility and strengthen stakeholder representation. The Mimika Regency Government should also facilitate tripartite coordination through the Regional National Unity and Political Agency (Badan Kesatuan Bangsa dan Politik, Kesbangpol). These recommendations should be implemented through a phased governance improvement roadmap aligned with PTFI's mining licensing horizon through 2041.

The study had several limitations, including the predominance of PTFI-affiliated participants, its institutional rather than community-level unit of analysis, a relatively short fieldwork period of approximately four months, and the researcher's professional affiliation with PTFI. These factors may have influenced the diversity of perspectives represented and the interpretation of partnership governance dynamics. Future research should incorporate broader participation from Indigenous community members, employ longitudinal designs to examine governance changes over time, and conduct comparative studies involving other extractive industry partnerships in Indonesia. Additionally, future studies should develop and validate quantitative indicators linking institutional capacity, transparency, accountability, stakeholder trust, and partnership effectiveness to the social license to operate (SLO).

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CONFLICT OF INTEREST

The authors declare that there is no conflict of interest in the conduct of the research, writing, or publication of this article.

AUTHOR CONTRIBUTIONS

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STATEMENT ON THE USE OF GENERATIVE ARTIFICIAL INTELLIGENCE

The authors declare that generative artificial intelligence was not used in the preparation of this article.

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