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Strategic Risk Management Analysis PT Indo Tambangraya Megah, Tbk. (Case Study Period 2011-2014, Amid Declining Coal Price)

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Abstract: *The Management Strategy in mining business companies are unique and specific study, where modern mining was started to produce massive coal in the era of Industrial Revolution in England in 18th (eight teen) century, and throughout the rest of Europe due to Industrial booming, this situation continued to all over the world along with economic growth in which country surrounding where utilization of coal and minerals are required seeks systematically then which a called as modern mining will exploited continue till today. Decision makers need a technical strategy and systematic analysis tools to scan the latest trend situation and condition of nature environment business both external and internal, then assessed it and fixed it. Wheelen, make it Four Basic Elements of Management Strategy, starting with 1) Environmental Scanning, 2) Strategy Formulation, 3) Strategy Implementation and 4) Evaluation and Control (Monitoring) Performance. In conducting to monitoring or evaluation, measurement tools the performance of company is important, Wheelen describes a number of measuring devices such are Activity Based Costing, Traditional Financial Measures, Balance Score Card, Stake Holders and Share Holders Value and very famous thing is Enterprise Risk Management (ERM). Research proven that the ERM in its implementation, need risk management strategies to be able to do early detection, to the survival and sustainability of the company as part of Strategy Management.*
Keywords: *Decline Coal Price, Revenue of Company (EBIT) and Strategic Risk Management*

Abstrak: Manajemen Strategi di perusahaan bisnis pertambangan adalah studi yang unik dan spesifik, di mana penambangan modern mulai menghasilkan batu bara besar di era Revolusi Industri di Inggris pada abad ke-18 (delapan remaja), dan di seluruh Eropa karena booming Industri, ini Situasi berlanjut ke seluruh dunia seiring dengan pertumbuhan ekonomi di mana negara di mana pemanfaatan batu bara dan mineral diperlukan, mencari secara sistematis maka yang disebut sebagai penambangan modern akan dieksploitasi berlanjut hingga hari ini. Pengambil keputusan memerlukan strategi teknis dan alat analisis sistematis untuk memindai situasi tren terkini dan kondisi bisnis lingkungan alam baik eksternal maupun internal, kemudian menilai dan memperbaikinya. Wheelen, buatlah Empat Elemen Dasar Strategi Manajemen, dimulai dengan 1) Pemindaian Lingkungan, 2) Perumusan Strategi, 3) Implementasi Strategi dan 4) Evaluasi dan Kontrol (Pemantauan) Kinerja. Dalam melakukan pemantauan atau evaluasi, alat pengukuran kinerja perusahaan itu penting, Wheelen menjelaskan sejumlah alat pengukur seperti Penghitungan Biaya Berbasis Aktivitas, Pengukuran Keuangan Tradisional, Kartu Skor Saldo, Pemegang Saham dan Nilai Pemegang Saham dan yang sangat terkenal adalah Risiko Perusahaan. Manajemen (ERM). Penelitian membuktikan bahwa ERM dalam implementasinya, membutuhkan strategi manajemen risiko untuk dapat melakukan deteksi dini, untuk kelangsungan hidup dan keberlanjutan perusahaan sebagai bagian dari Strategi Manajemen.
Kata Kunci: Penurunan Harga Batubara, Pendapatan Perusahaan (EBIT) dan Manajemen Risiko Strategis

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PRELIMINARY

Management Strategy in mining business companies is specific, unique and deeper study, where modern mining was started to produce massive coal in the era of Industrial Revolution in England in 18th (eght teen) century, and throughout the rest of Europe due to Industrial booming, this situation continued to all over the world along with economic growth in which country surrounding where utilization of coal and minerals are required seeks systematically then which a called as modern mining would be exploited continue till today.

In context Coal Company , Based on Regulation 28 of 2009 in conjunction with Regulation 24 of 2012, issued by the Directorate General of Mineral and Coal Mining (Directorate General of Mineral and Coal) Ministry of Energy and Mineral Resources (ESDM), described in definitive sense, role and function Coal Mining Company. Based on that functions of the role of mining companies that the Law upon Mineral and Coal (Mining) point –b, at the opening pages section, as follows that the operations of mineral and coal mining business activities outside the geothermal, oil and gas and ground water has an important role in to give real added value to the national economic growth and sustainable regional development.

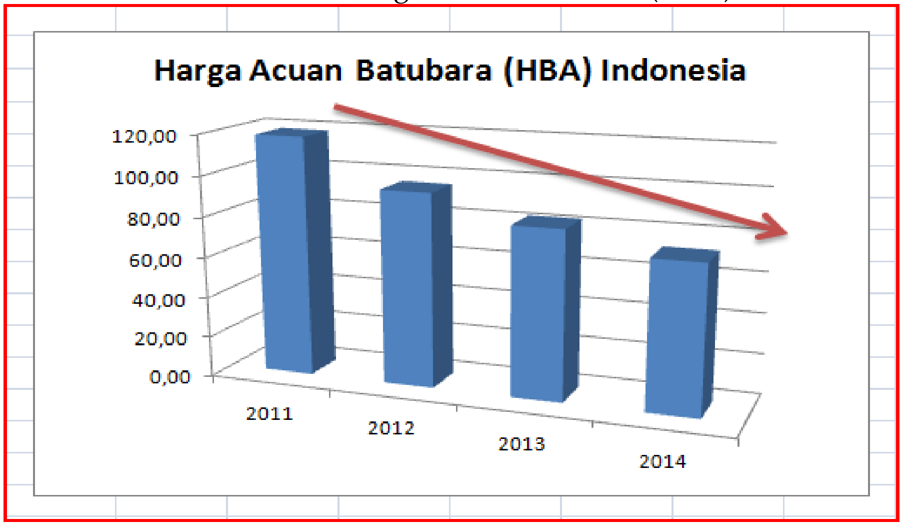
Mineral and coal's market has great appeal because the needs of mineral and coal in particular remains high, despite experiencing fluctuations, coal is used to fuel needs of Power Plant (Steam Coal/ Thermal Coal) and Steel Smelting plant (Cooking Coal), etcetera.

Domestic Coal Market

Minister of Energy and Mineral Resources has issued Decree No.2934 KI30/MEM/ 2012, on Determination of Minimum Percentage Requirement and Coal Sales for the Purposes of Domestic Market in 2013. The decision of the Minister of Energy and Mineral Resources of the mandate in 2013, coal mining enterprises are required to meet the minimum percentage of sales of coal for domestic market (DMO) which allocated 20.30%. The percentage for domestic needs is derived from estimates of coal production in 2013 amounted to 366.042.287 tonnes, which is derived from 45 (forty five) companies holding Coal Mining Agreement, 1 (one) State-owned enterprises and 28 (twenty eight) company Coal Mining Permit holders.The government estimates the demand for coal for domestic market (end user domestic) for the users of coal in 2013 amounted to 74 320 million tonnes with details of 60.49 million tons for the needs of steam power plants (steam cola) and 0.74 million tons of metallurgical and cement for pabik needs, fertilizers, textiles and pulp by 13:09 million tons (cooking coal).

The downturn trend of coal prices reflected at index of Coal Reference Price (HBA) in the following chart, this price drop reflected occur may continue for the next few years into 2015, as long as there has been no improvement of market symptoms (rebound) in commodities mining sector. Symptoms of price declines in mining sector in last period hit all commodities beyond coal mining, such as tin, nickel, copper and even gold (which during the previous year is always the ascending equal trend to oil), today showed the opposite trend with periods years-years previous (2011 previously) and continues to weaken.

Table 1, Trends Decline Coal Price Harga Batubara Acuan (HBA) Indonesia 2011-2014[1]



Exports Coal Market

Mining.com released a report, in 2013, amid the slowing down of mineral and coal prices at this time, in fact that mineral and coal business is still attractive and there is still appearing a potential increase in return (rebound). Entering 2014, the price of coal to New Castle Index Cooking Coal is still quite interesting where it has passed the tipping point of USD 90 per tonne, but the price of thermal coal is still too low below USD 80 per tonne, and continues to experience the pressure is now September 2014 were down significantly in range of USD 67.00 USD per tonne.

Determining the coal price benchmark are used is depend on an agreement established between coal buyers and sellers of coal in international markets such as the prosecutor (Japanese Price Units) issued in Japan, Platts (International Coal Market), NCCI (New Castle Coal Index) issued on Australia, ICI (International Coal Index).

The world coal market dominance of large demand (High Demand) number of countries in developing countries whilst keep growing (Emerging Countries) in Asia Pacific such as China and India, known as country with energy hunger on the supply of energy (Energy Countries Hunger). Economic Growing Index yearly of China's growth above 8% for over decade as something phenomenal, the data report by the World Bank indicated forward into 2010, the growth of China facing contraction and corrected to tend flat at 7%, followed by India 6%, Brazil and ASEAN 5%, these shown that trend of world economic growth started is slowing down. Mineral Analysts said the drop of price minerals and coal are fades, such are :

a. Economic slowdown, in Europe due to the debt crisis, the EU concerns syndrome will have default, due to the huge debt that continues to hit Southern European countries such as Greece, Portugal, Italy and Spain, have not found a bright spot way out of the crisis.

[1] Anonymous, *Harga Acuan Batubara Indonesia (HBA), 2014*, (Direktorat Jenderal Mineral dan Batubara, ESDM, Indonesia). pp.1-10.

b. Environmental Issues, pressure where coal big portion to pollution by up to 70% of pollution of the world, as a sensitive issue that regulation more tighten of Clean and Renewable Energy Policy (Green Economy).
c. Shale Gas, finding reserves of shale gas, where gas findings with using latest technology can pumpt put that gas 'trapped' in under of fossil rocks and coal in the depths of the earth without doing overburden, through the process of fracking in the earth and channeled through a pipe directly to the processing plant, then go to the process of Regasification into LNG (Liquefied Natural Gas), where the frozen gas at extreme temperatures - 125 C which are then sold and distributed through tankers and liquefied through a fluidisation, with products subsequential such as CNG (Compression Natural Gas) and LPG (Liquified Petroleum Gas) which reactif cleaner.
d. Market Speculation, which is not seen (due to Invisible Hand) mineral and coal commodity is very sensitive to rumors as well as oil commodities, rumors 'sniff' the decline of mineral and coal 'accidentally' lowered amid fears of EU and USA on economic growth BRICS (China, India, Brazil and Russia) are increasingly phenomenal, there is no way out to other than the economic growth of BRICS pressed with intent to restrain the rate of economic growth for not getting 'Overheating', and curbing demand of regional BRICS against a number of energy commodities.
e. American coal over stock, the growth of gas consumption in United States and Canada is rapidly, some sector coal-based power plants began to switch off and moves to gas because it is cleaner and cheaper, (current situation that distribution system and gas infrastructure in United States and Canada are quite well) as a result of coal mining sector US and Canada can not be sold and absorbed by the American market it self.

The ambition to export American coal production may not competitive to sale into market Asia Pacific, relatively expensive because freight costs, the market for sale to China and India due to their distance from production centers of other countries such as Australia and Indonesia, (until now China and India market up taken is the largest coal and minerals), there is no other exit way except to press the world coal prices to the same as the selling price of American coal, in order to enter the market of China and India, by asking a variety of issues one example with the findings of shale gas fracking technology all of which are unconfirmed.

The Trend Declining Profit (Ebit)

The trend of decline in profit (EBIT) facing significantly where ITMG experience that situations is eroded to profit or EBIT in period of 4 (four) years, during that period 2011 into 2014, originally in year 2011, EBIT (in thousands USD) stands at USD 706.915, then in year 2012 fell to USD 558.438, then in 2013 decreased continue at USD 337.475 and again decreased in 2014 at USD 192.697.[2]

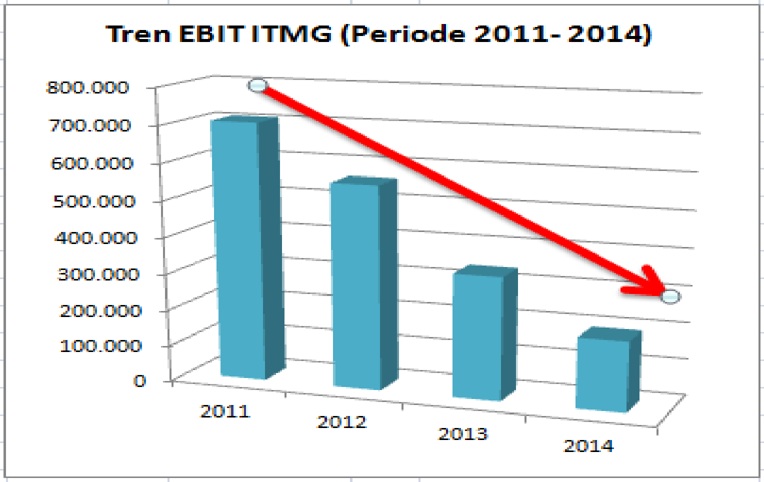
[2] Anonymous, *Financial Statement ITMG, periode 2011-2014*, PT.Indo Tambangraya Megah TBK, Jakarta.

Table 2, the trend decline in EBIT due to the decline ITMG Coal Prices

TREN EBIT

PT. INDO TAMBANGRAYA MEGAH TBK

Nos	Year	EBIT (in thousands)	
1	2011	USD	706.915
2	2012	USD	558.438
3	2013	USD	337.475
4	2014	USD	192.697



The pattern EBIT declining markedly further erodes as a result of going down trend price in the world market of coal and mineral is positively correlated with the declining trend of EBIT (profit company).

In coal mining business portion of that use of crude oil (fuel) is around 60% of the overall to mine operating cost, so that the movement up and down (fluctuating) world oil prices impact directly to the clappers company. Generally, mineral and coal commodity prices directly proportional to oil prices, in the sense that if crude oil prices rise, then price of coal and minerals are going to increase.

In fact that trend of energy consumption and connected particular up on coal and oil prices are not always parallel, in fact that 2012 showed symptoms of opposite or anomaly, where the rise in world oil prices can not lift (lift up) the price of coal and mineral world whose condition continues to decline and tend to be flat.

This condition if continues, may reduces significantly profit (EBIT) some coal mining company on the long term and ultimate may disrupt the continuity of the company.

THEORITICAL REVIEW

Risk Management

Due to the uncertainty ongoing market there is potential lost may happen, and the risks inherent in any type of business; which the risk as something needs to be managed rather than avoided is the main platform activities of the company in maintaining the continuity of business for a long time and sustained as a form of implementation of the vision and mission of the business of each company.

Integration strategy decision-makers needs some tool, devices and systematic analysis techniques to observe the current situation both internal and external environment, according Wheelen theory that says the necessary analysis enviro scanning in backing offer the formulation of business strategy or corporate enterprise.

Make a long list of vision and mission, identifying the strengths and weaknesses both external and internal to understand clearly how each component of the strengths and weaknesses could constructed and can add value, to assess which are almost relevant to the current condition wihich a lot of competitiveness by assessment in which that relevant then carried restriction some options from sharing events, then the limit with election whic h that option comes closest to the facts after weighting analysis.

Based on this information we will get the most suitable option strategies and firmed, by choosing the best weight of some options solution, which will be selected and implemented to create a competitive advantage.

By identifying the weaknesses and advantages of PT. Indo Tambangraya, TBK then the company can determine what measures will be used in business competition amid coal commodity price crisis which today continues to weaken till when as something unknown.

George E. Rejda in his book Principles of Risk Management and Insurance, the 10th edition, said that the risk has been defined as an event that could potentially create a loss (concerning of losses), because of the element of uncertainty inherent related to the incident or events.

Aswath Darmodaran, define that *probability of an accident multiply by consequence lost of money and death, only quantifiable uncertainty to be risk*)[3]

Many methods or instruments to used in management strategies for measuring Performance of the company astheory by Wheelen in stages Evaluation and Control or Performance Monitoring, to ensure some of the goals that have been achieved, by comparing the level of objectives to be achieved with the actual results and provide the feedback for input to process improvement would continue.

By selecting a measuring tool or instrument for measuring the performance of enterprise companies Wheelen describes a number of performance measurement tools such as Activity Based Costing, Traditonal Financial Measures, Balance Score Card, Stake Holders Value, Share Holders Value, Enterprise Risk Management (ERM), and so on.

Researchers, use Risk Management as a performance measurement tool because there are two (2) reasons:

1. Risk Management serves as a warning system alerts or early detection tools.
2. Serves as therapy with a number of mitigation steps are in various forms of risk management responses either by avoiding, Retention or transfer the risk (Risk Transfer by Insurance or Non Insurance like Bank and others body).

In which risk management is also explained share many risk management models used such as Value at Risk (VAR), Earnings at Risk (EAR) and ISO 31000 Risk Management.

[3] Aswath Darmodaran, *Strategic Risk Taking, a Framework for Risk Management*, (Pennsylvania-USA : Wharton School of Publishing, 2008), h.396.

Furthermore, George E. Rejda describes some parts of the Risk Management (Entreprise Risk Management) (ERM) within three (3) categories :

1. Strategic Risk, defined as the risk of loss arising corporate level management at the strategic level as unclear vision and mission of the company, the market read error, unclear formulation, implementation and review that does not run, will result in obscurity (absurd) company to be taken Where (unclear direction) and the impact on the entire corporate objectives.
   Treatment of risk at a strategic level because in the wake of the foundation of what degree of accuracy and a clear direction in level of operational risks and the risks of financial or other support organizations.
2. Financial Risk, defined as the risk of loss that may arise corporate level financial management as an example as a result of Bank Interest Rate (Interest Rate), Foreign Exchange (Foreign Exchange Rates).
   As an example of its Financial Risk treatments can be various kinds such as by making financial hedging, Derrivatives, Future Contracts, Options, Swaps and others Financial Instruments.
3. Operational Risk is defined as the risk of loss that may arise at operational management as an example of Price Fluctuation of Oil as a major component of production, would be a significant operating expense up huge dueto the the protion of Oil is 60% to operating expenses, uncertainties Availability Component Parts and Raw Materials would interference disrupt run operation, and so on.[4]

Strategic risk

On context of risk management theories with reference to George E.Rejda who said that,"*Entreprise risks ia a term that encompasses all major risks faced a business firm, such risks include pure risk, speculative risk, strategic risk, operational risk and financial risk.* ***And Strategic Risk is refers to uncertainty regarding the entire firms of goals – objectives and financial.***"[5]

So that could mean any events that could potentially threaten the company's overall business objectives and disrupt financial posture can be regarded as part of the strategic risks, both internal and external, including more specific with regard to the situation threatening drop in coal prices and led to a decrease in corporate profits.

Strategic Risk Profile

Strategic risk associated with risk at the corporate level, and air-effects with the plan, implementation and monitoring of the management strategy of the company. For example, when a risk arises as a result of mal function (incorrect) in reading the future market conditions where the company previously made strategic plans with current data and foecasting, namely by making the logical assumption when annual budgetting created .

Incorrect forecasting and market prediction impact on revenue decline, as a result of the collapse of commodity prices continue to decline, and facing under pressure against to operating cost or burned of rising operating costs.

[4] George E.Rejda, *Principles of Risk Management and Insurance*, (10th Edition, Pearson), p.7.

[5] George E. Rejda, *Principles of Risk Management and Insurance*, (10th Edition, Pearson), p.8

Example: when the price of coal FOB price at the rate of USD 70 per tonne in 2013 and continued decline to USD 69.75 per ton in 2014, at the same time oil prices are likely to rise and continue to pressure on operations, the critical point of that the operating cost is still the range of USD 60 per tonne, making revenue derived from the difference between the selling price (market value) and the price of operating (operating cost) continues to erode and this is a risk, potentially losses may happen

Strategic risks include when 1) a strategic decision having errors (wrong decision when), 2) Also read the long term performance of the company, such as considering the variable market, corporate governance and stakeholders.

Market typical, related to the character of the regional sector in certain market conditions and the movement of commodity volatility changes that amendments can be stagnant, volatile even very extreme (bullish and bearish factors).

Theoretically made of the risk mapping at the strategic level is in a work table following below, the mapping intended to map the level consistent implementation of the strategic plan on certain conditions:

1. The strategic plan is correct but the external conditions force make compromises. On the assumption that the external conditions force companies to carry out a compromise in order to withstand external pressures.
2. The strategic plan is correct but the internal condition misread the strategic plan. On this assumption the company can not control the internal situation, forcing the company to make a compromise in order to survive.
3. The strategic plan may be made to contain or there is an error in it. On this assumption from the beginning of firms carry out a strategic plan in which there is an element of fault, for example, the Vision and Mission of the company is not in line with the conditions of resources and capabilities.

Alexander Roberts and William Wallace said that *" Identifies,monitors and manage the risks profile of the organization. Major changes in this profiles can results in need to revise or changes the elements listed above and, in particular, to devise new strategic plan. Alternatively, changes maybe due to the implementation of a new strategy. Strategic risk management covers four primaries areas or levels which are 1) Strategic Risk, 2)Changes of Project risk, 3)Operational Risk and 4)Unforeseeable Risk."*

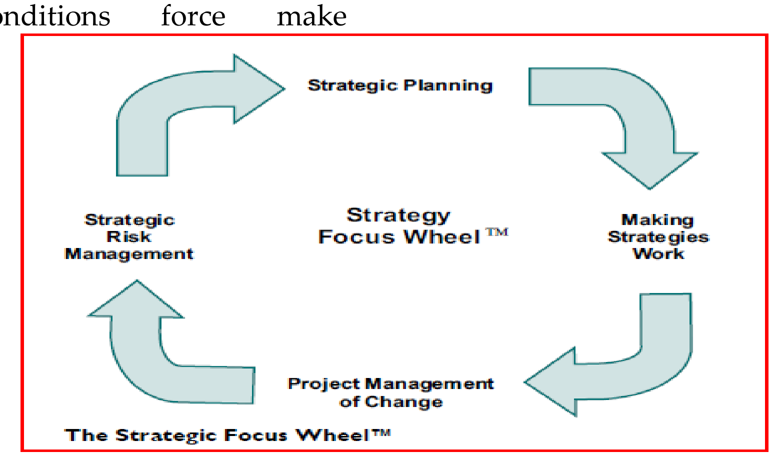


Figure 1, Cycle Process Risk Management Strategy, Focus Wheel, Edinbugh Business School

It could means that the Risk Management Strategy is a process to identifying, monitoring and managing a risk profile of an organization. Where are the majority of the risk profile could result in an impact of change, in alternation changes include several primary areas such as:

1. Strategic Risk.
2. Risk of changes in scope of projects and programs.
3. Operational Risk.
4. Risk unforeseeable.

Strategic risks need to be managed with the Risk Management Strategy, furthermore, the strategic risks need to be managed with the Risk Management Strategy (SRM), his relationship with the ERM can we draw the line encounter is that ERM has divided the risks into three (3) categories of strategic risk, financial risk and operational risk, which justifies that ERM is a strategic risk the 'high level' of an organization or company, then the risk management strategy (SRM) is talking about the risk of achieving the strategic objectives (risk strategy) is to focus on the discussion of risk management strategies.

Frigo and Anderson said that, "SRM is a crtitical a part of an organization of overall ERM process, it is not separate from the ERM but it is a critycal element of it, and one tha has been becoming more important.", SRM is become a critical element than the ERM, and not a separate, he becomes something important. (1)

Because it has been said previously that the SRM focus on the discussion of risk achieving strategic objectives, which COSO defines strategic objectives (strategic objectives) is, "high-level goals aligned with and supporting and mission," the strategic objectives into the core rather than the management strategy of a company.

Both internal and external events become embedded within a company can potentially interfere with the achievement of strategic objectives, strategic risk aspects into discussion point risk management strategy.

So that company executives and board of directors see that the increasing expectations of the shareholders, the owners of capital, the government and third parties are part of the organization's risk, the core of a risk management is namely managing financial risk and operational risk non financial), and if its not managed properly will cause disastrous (Catastrophe) for strategic risk, and this becomes the center of discussion of the Risk Management Strategy.

Based on the theory of Risk Management Strategy stated by L.Mark Frigo and Anderson J. Richard, can be derived in more detail as follows:

1. It's process identifying, assessing and managing both internal and external events and risk that could impede the achievement for strategy and strategic objectives. Is the process of identifying, asses, and manage internal and external factors, which pose a risk and affect the achievement of the strategic objectives of the strategy.
2. The ultimate goal is creating and protecting shareholder and stakeholder value.Its main goal is to create, and protect the interests of all stakeholders and more specifically are shareholders.
3. It's a primary component and Necessary fondation of the organization's overall enterprise risk management process.Its main component is a basic foundation of the organization's main connection to all process enterpise risk of management.

4. As a component of ERM, it is by definition of effected by boards of directors, management and otrhers. As a component of ERM, defined as having an effect, and it becomes important to be considered by the board of directors, management and all parties.
5. It's require a strategic view of risk and consideration of how external and internal events or scenarios will Affect the ability of the organization to Achieve its objectives. This requires a thorough view regarding the risks of internal and external sides, about any event which gives effect to the organization's ability to achieve its objectives.
6. It's a continual process that should be embedded in setting strategy, strategy execution and management strategy. It became an important stage of the process that should be inline with plan at the time of setting the strategy, execution of strategy management strategy. Organization or company can adopt that definition and principles of SRM helps in developing every business plan and strengthen the ERM focus on strategic risk management.

RESEARCH METHODOLOGY

In carrying out research interenship PT. Indo Tambangraya, TBK, using qualitative research methods is often used to look into deeper a phenomenon or event to observing a case, thus the research process, by data collection and analyis nature of cases, and is often used by practitioners and or managerial.

Because it requires things - things that are detailed in certain cases to be used into improvement of performance intensively. Important step in qualitative research is to determine what to be investigated, and where to start, qualitative research conducted based on the phenomenon that occurs, the phenomenon can be derived from the real world (practical) againts to the gap theory as research gap, where the phenomenon then used as the basis in formulating research problems and create a research question.

Qualitative findings are directed to produce improvements in the quality of work and basically could also benefit fatherly interest of academics, in certain matters of professional practitioners are closely related to the pattern of academics, while in other cases not, for the purpose of research it has become its own distinct in need of answers research requires different research methods. Qualitative research methods were characterized by case studies generally followed by improvement, therefore data collection, data analysis and actions often take place simultaneously.

Action research, or Action Research is a method that can be adopted typing handle by case study, researchers here acts as a professional practitioner. Research that used to look into deeper a phenomenon or event then becomes an issue of research, as well as the reason for the depth of a study used in stages of data analysis, Qualitative research methods are often associated with human life in a community or organization in a situation (setting) are different from the destination and perspective.

Qualitative Methods

There are a number of several methods that are often used in qualitative research are as follows:
1. Grounded Theory
2. Case Studies
3. Phenomenological
4. Entnomethodology

Grounded Theory

A qualitative research method that uses a systematic procedure to find a theory, in which the working procedures developed systematically to the criteria of the scientific method. This research method is not contrary to a theory or to test a theory, it is different with a quantitative approach, in which the method starts from a variabel or derived from a theory, but starting from a number of data to eventually formulate a theory (inductive).

The absence of a theory as the initial assessment designed. Thus assumptions:

a. All the concepts related to the phenomenon has not been identified.
b. Relations between the concept has not been arranged yet incomprehensible or conceptually.
c. With this assumption is grounded theory method has a specificity in the formulation of the problem, research objectives, research instruments, sample research and outcomes research

Research problems, researchers can not pose a problem beforehand clearly as in quantitative research methods, including the study variables and relationships between variables. The substance of the problem is general and gives freedom to explore a phenomenon more broadly and deeply.

Research instruments, which are used in data collection process is focused on the researchers themselves are generally used two main methods, namely observation and interview, grounded theory emphasizes the importance of digging the background.
Some types of research instrument used in this study are as follows:

1. Test, a list of questions or questions used to measure skills, measurement of intelligence, ability or aptitude of the individual or group.
2. The questionnaire or questionnaire, a number of written questions to use to obtain information from respondents about their personal or vote on something.
3. Interview, A number of questions asked by researchers to assess the state of a person or an individual within a group.
4. Observations, one tool direct observation, observation can be used as a test, questionnaire, record pictures, record images or sound recording, which contains guidelines for observation contains a plan of observations on some of the activities that may arise and be observed.
5. Documentation, Data stored in writing can be a file, with regard to research information, in various forms of document

The study sample, which is used is not based on population size, but on the concept representatives on diverse with technic based on proven concepts relevant to the theory that is being drawn up, the aim is to take a sample of events or phenomena that indicate the category, nature and size directly address the issue of research.

Case Study

The exploration into deeper on a bound system, could also be activities, events, processes or individuals based on extensive data collection. Tied mean the case is separated from similar cases in place, time and context to another.

The case studies are widely used by a relatively researchers with qualitative characteristics, Case Study is a study by giving limits firmly against an object or subject specific research, focusing on an intensive and detailed case.

Based on these limits can understand that characteristics of case studies covering several things:

a. The object and subject of study may be a human, events, background and documents.
b. The study was conducted in depth as a totality in accordance with the background and context of each in order to understand the various linkages.

Phenomenological

Principal foothold lies in the deepening of an object of study to try to understand an event and its relation to human life in a variety of specific situations. Anthropology generally using a phenomenological approach in their studies in some cases, and this method can be used in studying the phenomenon of social, economic, business policy, public policy and other social studies.

Etnomethodology

The ethnographic study, is a qualitative research procedure that is used to describe, analyze and interpret the patterns of behavior, beliefs and cultures to a cultural group that develops over time, focus on the study of the cultural depth. To understand the group behavior patterns in culture, researchers Culture (Ethnographers) spend a lot of time in the field and carry out interviews, observations and collect a number of documents needed to understand the behavior of the culture, traditions, beliefs and language.

Basically ethnometodology is going so far beyond more than just to collect data, but a clump separate science on the object to be studied, not limited to the study of isolated tribes but also refers to human life current (modern) in a variety of situations and problems.

Accomplished Research Review

1. Doctoral Dissertation with the topic of research, "Risk Management Strategies and Decision Support Tools for dryland Farmers in Southwest, Queensland, Australia." The University of Queensland, Gatton, Queensland, by Chao Nam Nguyen, discusses the risk management strategy as a supporting tool in decision-making process, is very useful in helping a number of companies dryland Farmers (or associations of peasant producers of agricultural commodities in the state of Queensland, Australia).

Table 3, Strategic Risk Management Research by Chao Nam Nguyen, Australia[6]

Topik	Variabel Independen	Variabel Dependen	Variabel Moderasi	Metode Penelitian	Oleh	Lokasi	University	Level	Negara
Risk Management Strategies and Decision Support Tools	Agriculture Commodity	Kinerja Dry Land Farmers	Strategi Manajemen Risiko	Desctiptive Qualitative	Nam Chao Ngu Yen	Dry Land Farmers	University of Queensland	Disertasi / Doctor	Australia

2. Thesis Master of Economics, with a research topic, "Risk Management Strategy to Maintain Corporate Reputation." The University of South Africa, South Africa, by Tasneem Suliman Joosub, discusses the risk management strategy as a supporting tool in maintaining corporate reputation. Where the company came under pressure from factors 1) Internal such as ethical (Corporate Culture), Product and Managerial Mistakes (Management missleading), is also a factor of 2) external accidents such as the condition of the market is slowing and media pressure has aggravated the corporation's reputation and led to the company's losses.
   Risk management strategy is very useful in helping a number of companies such as Johnson & Johnson, Exxon Valdez, Coca Cola and Ford Firestone South Africa, in maintaining a reputation, with the implementation of risk management strategies, as one of the Strategy Management tool.

Table 4, Strategic Risk Management Research by Tasneem Suliman Joosub, South Africa[7]

Topik	Variabel Independen	Variabel Dependen	Variabel Moderasi	Metode Penelitian	Oleh	Lokasi	Universitas	Level	Negara
Risk Management Strategy to Maintain Corporate Reputation	1) Internal such are Ethical, Product. Management. 2) External such are Physical Accident Market, Media.	Corporate Reputation	Strategi Manajemen Risiko	Desctiptive Qualitative	Tasneem Suliman Joosub	Johnson & Johnson, Exxon Valdez,Coca Cola, Peerier, Ford Firestone	University of South Africa	Thesys/ Master of Economic	South Africa

3. Thesis Master of Science, the research topic, "Risk Management in Strategic Alliances.", In college Aarhus School of Business, Denmark by Xhiao Hua Zao, research on risk management in strategic alliances, in a country that is different

[6] Nam Chao Nguyen, *Risk Management Strategies and Decision Support Tools*, (Australia, Dissertation Ph.D, University of Queensland, 2007).

[7] Tasneem Suliman Joosub, *Risk Management Strategy to Maintain Corporate Reputation*, (South Africa, Thesys of Master (Commerce) Economic, University of South Africa, 2006).

from the one in Denmark , Europe and another in China, Asia.

Where companies try to increase capital gains and penetration of the market as a destination where the independent variable is the Risk Management Strategy and Strategic Alliance dependent variable is a different company location between China and Denmark.

Risk management strategy is very useful in helping a number of different company locations and culture for the purpose of increasing capital through asset ownership strategies through alliances, with the implementation of risk management strategies, as one of the Strategy Management tool.

Table 5, Strategic Risk Management Alliance by Xhiao Hua Zao, Denmark[8]

Topik	Variabel Independen	Variabel Dependen	Metode Penelitian	Oleh	Lokasi	University	Level	Negara
Risk Management in Strategic Alliance	Risk Management terdiri dari 1)Interational Risk, risiko yang mungkin muncul saat penyatuan perusahaan yang berbeda , dan 2) Risk Performance, risiko yang mungkin tidak tercapainya tujuan strategis aliansi meski sudah dibangun komunikasi perusahaan yang berbeda dengan memuaskan.	Strategic Alliances terdiri dari Joint Venture, Minority Equity Alliances, Non Equity Alliances	Deskriptif Kualitatif & Komparatif Study	Xhiao Hua Zao	Guldman SA (Danish) & E (Anonim) China Company	Aarhus School of Business	Thesys/ Master of Science	Denmark dan China

Model of Risk Management Strategy ITMG

As a series of risk management processes influence each other, and reciprocal, and run chronological as an ecosystem as a chain link entities.

Because the each pilars have sub sequent instruments inside which is that influence to another sub sequent, as reflected that sub sequent flow process since Mandate & Commitment → Planning & Operating, → Capability & Compliance → Eveluation & Improvement which all those connected by line which all process as strategic process and at core is Operatonal Process, also built inside comprises upon steps of Risk Management

[8] Xhiao Hu Zao, *Risk Management in Strategic Alliances*, (Denmark, Thesys of Master of Science, Aarhus School of Business, 2005).

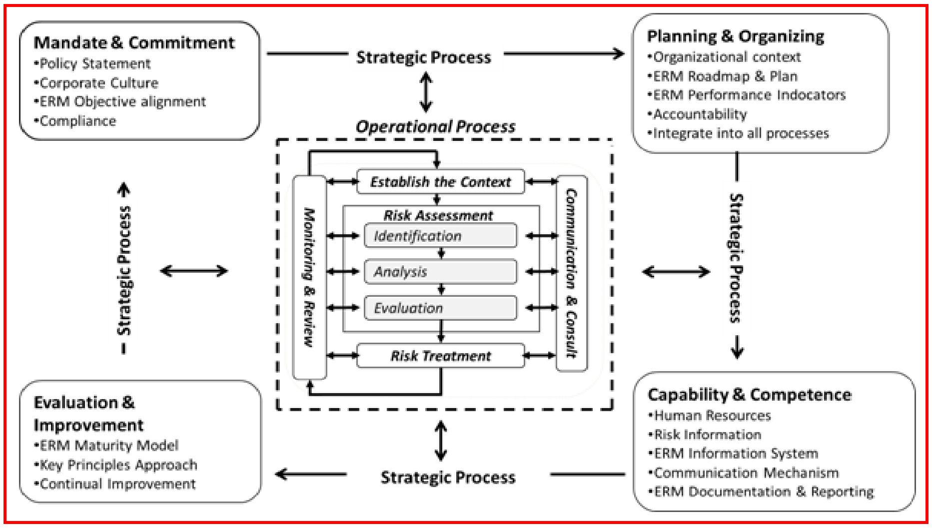


Figure 2, Model Risk Management Strategy ITMG as a chain, ERM Framework[9]

Strategic Process, as a domain consisting which connected four (4) pillars that runs as chain or linkw and interplay of which is as follows:

1. Mandate and Commitment consists of the Policy Statement, Corporate Culture, Unification ERM (ERM Objective Alignment) and Compliance affect horizontally on how.
2. Plan & Organization, which consists of Organizational Context, ERM Roadmap & Plan, ERM Performance Indicators, Accountability, Unification to the whole process (Integrate into All Process) vertical influence on how.
3. Capability and CompetenCY, which consists of Personnel (Human Resources), Risk Information, ERM Risk Information System), Mechanism Communication, ERM Documentation and Reporting, ERM Maturity Model, affecting horizontally to how.
4. Evaluation and Improvement, which consists of ERM Maturity Model, Key Principal Approaches and Continuous Improvement affects vertically on how.

All of them run chronological and simultaneously as a series of chain or cycle management of the risks of flow in Strategic Process.

Operational Process, is part of a large domain where the Operational Strategic Process The process also gave input to each pillar behind -pilar strategic cycle process, success is highly dependent on the strategic level of success in operarional level, so focus on the actual operating level automatically focus on the strategic level.

1. Operational Process comprises of two (2) Vertical pillars : of the Communications & Consultation and Monitoring & Review.
2. Four (4) horizontal pillars namely Determine Context (Establishing Context), Risk Assessment consists of Risk Identification, Risk Analysis, Risk Evaluation and Managing Risk (Risk Treatment).

[9] Torben Juul Andersen and Peter Winter Schroder, *Strategic Risk Management Practices, How to Deal with Major Coprorate Exposures*, (Cambridge, Cambridge University, UK, 2010).

Analysis of Risk Management Strategy ITMG

There are five (5) ITMG risk management process, which is described in following stages :

1. Establishing Context.
2. Risk Identification.
3. Risk Analysis.
4. Risk Evaluation.
5. Risk Treatment

Project Risk

Analysis of project risk management strategies include:

a. Project risk.
b. Risk Exploration Development.

a.1. Project risk

Including category strategies Project Management Office based in Balikpapan, East Kalimantan, handling some projects infrastructure, exploration and development.

In project management in ITMG is to determine three limit associated.

1. The budget allocated.
2. Quality and Quantity.
3. The schedule to be met.

Establishing Context	Risk Identification	Risk Analysis	Risk Evaluation	Risk Treatment
Expansion projects in coal postponed, and a focus on efficiency and increased productivity cause the current commodity market situation weakened.	Without delay the expansion project will suppress and development and operating expenditures may erode corporate profits.	During the 2011-2014 period, there were symptoms significantly delay the expansion project.	Delaying the project helped improve the company's profit to the business efficiency and increased productivity. with was degree of Risk combined between Likelihood and Impact 3:3.	Delaying expansion project spending. Recalculate the accuracy of all coal reserves and resources, and finding ways alternation other than open pit mines, like Auger Mining, which reduce degree of Risk combined between Likelihood and Impact 2:3.

Risk Operation Core (Core Function) ITMG

Analysis of the implementation of the core operations of risk management in realizing the vision and mission are ITMG covers include :

1. Risk Mine Operations.
2. Risk Operations Support.
3. Risk Sales and Logistics.

Included in category of core strategies HO based in Jakarta, handling some issuee in Site Operations, Operation Support, Sales and Logistic, such are :

Establishing Context	Risk Identification	Risk Analysis	Risk Evaluation	Risk Treatment
Operating cost efficiency and increased productivity.	Increased operating costs erode spending corporate profits.	Agreements scheme mining work contract with a contractor needs to be reviewed, and find ways of various things for efficiency measures.	Some contractors need to be improved its productivity.	SR reduced (peelings mine) and increase the volume of production output. Reviewing Base Rate which has been included for the Fuel removed and ITMG which supplies fuel to get a discount rate of Pertamina.
Lowering the cost of demurrage.	Increased demurrage costs resulting from the delay Stevedoring coal to barges and Transshipment.	With the synchronization of Mine Plan, Production, Operations and Coal Loading at the port as an integrated process.	Integration process of Mine Plan, Production, Hauling, and capabilities Coal Loading reduce the level of delays in unloading coal, which degree of Risk consis combined between Likelihood and Impact 3:3.	The integration process is better known as Shipment Demand Pull (SDP) Minimized demurrage costs USD per ton, after treatment then reduce degre of risk which combined between Likelihood and Impact 2:3.

Risk Supporting Organizations ITMG

Analysis of the implementation of the risk management support organization (Support Risk) in realizing the vision and mission ITMG is covering all Supporting Organizations, include:

1. Corporate Finance Risk.
2. Corporate Risk Services (including HR, IT, Legal, EQ).
3. Risk of Corporate Affairs (External and Government Relations).
4. Strategic and Busdev Risk.
5. Corporate Compliance Risk.

Including all the parts in category strategy Support Function with HO based in Jakarta. The 6rganizarion Risk Support ITMG, such are :

Establishing Context	Risk Identification	Risk Analysis	Risk Evaluation	Risk Treatment
Trends EBIT (Gain pr revenue Company ITMG).	EBIT declining trend, erodes corporate profits.	During the period 2011-2014, there is a phenomenon (trends) EBIT decrease significantly.	Despite a decline in EBIT due to declining coal prices, ITMG successfully manage risks to survive with a case of risk management measures listed in column four, which original degree of risk combined between Likelihood and Impact 3:4.	Doing Coal Hedging against commodity price decline trend of coal in sales aspect. Doing SWAP in purchasing aspect Solar remedy anticipate rising diesel prices, aftre treatmen then decrease degree of risk which combined Likelihood and Impact 3:3.
Pareto analysis of the operating expenditures such as Diesel.	Buying Diesel and Explosives seized 60% spending of company	During the period 2011-2014, there is a phenomenon (trends) EBIT decrease significantly.	Despite the trend of rising Diesel price in Q3 2014 and then decreased at the end of 2014, which was originally on the Likelihood and Impact combination of 3: 4	By doing Fuel Pooling purchases to Pertamina by combining demand all contractors ITMG get possibility a discount rate up to 30%, and savings of millions of USD, declining to Likelihood and Impact combination 3: 3.
Pareto analysis of the operating expenditures such as Explosives.	Buying Diesel and Explosives seized 60% spending of company	During the period 2011-2014, there is a phenomenon (trends) EBIT decrease significantly.	Despite the trend of price increases explosives in Q3 2014, which was originally in Likelihood and Impact combination of 3: 4	By doing Pooling purchases Explosives to Orica and others, so by combining demand all contractors ITMG get a discount rate up to 30%, and savings of millions of USD, declining to Likelihood and Impact combination 3: 3.

Risk mapping integration at ITMG

	HIGH PRIORITY RISK	ITM	IMM	TDM	EMB	TCM	BEK	JBG	BoCT	MO	MS&L
1	Coal price volatility cause ASP lower than budget	4 5									
											5 5
2	Unable to increase production capacity	3 5									
	Approved RKAB 2013 for TCM is 5,2 MT					3 5					
	Approved RKAB 2013 for BEK is 1 MT										
2	Non-compliance issues	4 4									
	Limitation to keep fly ash from power plant		3 4								
	Replanting in watershed/river flow		3 4								
	Construction outside of CCoW's boundaries					3 3					
	Limitation of coal load out facilities (jetty capacity)				5 3						
	Jetty for internal purpose permit (DUKS)				5 5						
3	Insufficient of main facilities capacity	3 3									
	Crusher capacity for EB product		3 3								
	barge capacity (Marine Operation)									2 3	
4	Unable to access land for mining area	3 4									
	Unable compensate land (high price)				5 4						
	Delay of land compensation (2014)						3 2				
	Lack of land compensation					3 2					
	delay of land compensation (EB)		3 2								
	Unable to access land due to unclear land owner							5 4			
5	Local community demonstration	4 4									
	Villager demonstrate disturb mine operation					4 4					
	Community problem of powerplant										
	Social impact (local community at Bunyut Port) ??										
	Blockage area along hauling road						3 4				
	Public entering mining concession area					4 4					
6	Delay of permit and license approval	3 4									
	revised AMDAL, mine closure plan					3 5					
	expansion Pinjam Pakai					3 4					
	revised AMDAL & FS		3 4	3 4	5 3						
	extension of existing Pinjam Pakai										

Figure 3, Mapping Integration Risk Management ITMG

The picture above, explains an integrated risk mapping ITMG that aspect of Coal Price Volatility, the trend fall in coal prices on the market today are in priority number 1 (one) ITMG risk and has become a serious concern because a big impact for a decrease in EBIT in period Last time had threatened the company's business continuity.

ITMG Risk Map Integration aims to map overall good every degree of risk likelihood and impact, in every subsidiary ITMG in one format display (dashboard) to describe any movement the degree of risk trend from time to time, to facilitate the mitigation measures in an integrated manner methodology to helps when taking the judgement.

CONCLUSION AND SUGGESTION

Conclusion

Based on a thorough description above it can be drawn some conclusions as follows:

1. Declining tend conditions coal price cause impaired performance of the company, proved the EBIT decline significantly in last period, a number of scenarios with the help of risk management tools out of the crisis, in order to survive and continued viability of the company to grow better in the run length (sustainablilty).
2. Risk Management can be used as one tool Management Strategy, because risk management tool to help companies with early information (Alert Warning System) on trends situation of internal and external conditions.
3. Risk Management not only helps the company with go thorugh to look at the trend of the situation of internal and external conditions, but also help the way out with some way exit scenarios

and risk mitigation in the form of risk response.

Suggestion

Based on the above, the authors propose some suggestions that might be considered as an input for decision makers ITMG corporate strategy, including the following:

1. The company need to consistent to implement Steps of Risk Management since Identification loss exposure → Analysis → Select the best technical through 1) Risk Controlling and 2) Risk Financing and monitoring Implement of Risk Management.
2. The company immediately implement a diversification strategy Wheelen, either:
   a. Concentric, expanding business related to the coal business such as Power Plant, Mine Contractor Service and Coal Trading, and this is has been done.
   b. Horizontal, horizontally expand the coal business by mastering the downstream sectors such as Barges and Shipping to suppress demurrage, and mastering the upstream sector by possilbility injection working capital investment for companies who can supply the fuel industry or official fuel trader as an example AKR.
   c. Conglomerating strategy, extending beyond the coal business in sectors such as Palm Oil Company and Gas Industry trading, to seeks new revenue opportunities
3. The strategy of diversification and expansion should acts when companies are in peak growth situations, to avoid cashflow pressures of corporate capital spending, and not when the market sector of the core business in sluggish market situation, in order to support the ease of access to new capital loans from banks and investors, which the company has a bargain power and dominant in terms of price, interest on the loan negotiation scheme.

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