



SUMMARY

CARRY E.F MUMBUNAN. Implementing corporate sustainable development in mining and mineral smelting (the case of Pongkor Gold Mining in West Java and Alumunium Smelting in North Sumatra). Supervised by ARIF SATRIA, SUMARDJO, AJI HERMAWAN.

Mineral based industrial operation in Indonesia oftentimes touches on environmental and social issues. The latter includes the use of toxic substance, environmental pollution, surface land opening, land overlapping between mining and forest areas, water use for production process, and concern about social contribution to communities living adjacent to the industrial operation. Increasing demand to comply with stringent environmental regulation and to meet the needs of community surrounding company's operation, have fostered companies to lean toward a more efficient and optimal use of natural resources as well as an effective measures of corporate social responsibility.

Processing natural resources is inseparable from the role of human resources. Accordingly, attitude that managerial level employees show as regards matters related to the environment is worthwhile to be investigated to understand the relations between attitude and the implementation of corporate sustainable development. Issues that companies encounter in times of its operation process or sustainability challenges emerging from community around its operation site as well as from its business process are likely to affect perception of employees. In this light, the research intends to analyze factors affecting the attitude of employees and managers about environmental programs, orientation of environmental sustainability, and corporate sustainable development.

The research looks at two distinct companies in minerals based industry: (1) Pongkor Gold Mining, which operates around Halimun Salak Mount National Park, in Bogor District, West Java; (2) Inalum, the first primary aluminum producer in South East Asia, in North Sumatra. The research is undertaken during May to June 2015. Primary and secondary data are employed; primary data through survey questionnaire while secondary data are derived from literature study. As for primary data collection, a non-probabilistic, purposive sampling is applied.

Employee perception about sustainable development in a 1-to-5 Likert scale is collected in response to questionnaire statements. A partial least square approach to structural equation model (SEM-PLS) is employed with the help of smartPLS version 2.0 M3. This approach considers the rule of thumb for a sample set of less than 100 observations and the number of indicators to be compared with the number of estimated coefficients for the purpose of model building. It also assumes no particular requirement for data distribution.

The evaluation on measurement model indicates that latent variable has validity and reliability, as shown by AVE and CR values which are in general above the critical value, i.e. $AVE \geq 0.5$ and $CR \geq 0.7$. Commitment, knowledge and practices of environmental program implementation all suggest a valid measurement of the construct for corporate sustainability orientation. The practices of environmental program implementation gives the highest contribution

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to the measurement of environmental orientation in the case of Pongkor Gold Mining of 0.9129 while in Inalum the highest one is contributed by commitment (0.9412). As for the construct for corporate sustainability, the highest measurement is by environmental aspect and this holds for both Pongkor and Inalum.

The analysis of causal relationship in the structural model shows a significant difference between the two observed companies. Extra behavior factor does not significantly affect employee attitude about the implementation of environmental program. The relationship between employee perception about increasingly more stringent environmental regulation to company and employee attitude about the implementation of environmental program does not affect significantly in the case of Inalum. Aspects of regulation, norms and extra behavior explain 50.98 percent (in Pongkor Model) and 73.90 percent (in Inalum Model) of the variations of attitude variable to the environment. Sustainability orientation is explained by extra-behavior (organizational citizenship behavior for environment) by 79.74 percent in Pongkor and 79.83 in Inalum, while sustainable development is explained by environmental orientation by 58.64 percent in Pongkor and by 75.70 in Inalum.

The research found in the two companies different relations between factors that affect employee attitude about implementation of environmental program. Regulation is perceived as not significant in Inalum while in Pongkor such significance is observed in the case of extra behavior. Environmental aspect turns out to be the most important aspect that describes corporate sustainable development in these two companies.

Given these findings, companies might want to consider more proactive environmental programs involving employees. Furthermore, company's management is expected to have the capacity to communicate programs related to sustainable development in an effective manner to stakeholders relevant for the company.

Key words: corporate sustainable development, environmental program, environmental sustainability orientation, extra-behavior.

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