Critical Analysis of Green Leadership in Proper

Sudharto P. Hadi¹*, Bulan Prabawani¹, Ilham Ainuddin¹, and Anis Qomariah¹

¹Department of Business Administration, Faculty of Social and Political Sciences, Universitas Diponegoro, Semarang, Indonesia

Abstract. This paper provides a critical analysis of the policy and implementation of Green Leadership in Proper, an excellence program in Indonesia that has been promoted since 1997. The companies involved in Proper have been classified as Black, Red, Blue, Green, and Gold Rank candidates, with the latter being designated as Gold Rank candidates in 2022. The CEO of the companies must present a Green Leadership on the vision and policy to transform the industrial culture from industrial to sustainable culture. The data was collected through a presentation by the CEO of Proper, an informal conversation with the CEO, as well as secondary data collected from the Proper secretariat. The data collected was analysed in both quantitative and qualitative terms. The results of the study indicated that the green leadership provided by the company (s) is reflected in the company's stance on the utilization of resources, pollution, the generation of waste, the use of water and natural sources, the working conditions, and the environment for the welfare and health of employees. For a CEO managing multiple sub-holdings across multiple companies, it is challenging to generalise these positions. If green leadership is to make a significant contribution to net zero emissions, structural and substantial changes must be implemented.

1 Introduction

Business performance rating on environmental management (In Indonesia is called Proper) is an excellence program launched by the Ministry of Environment and Forestry in 1997. The component evaluation was merely the quality of water management. In 2005 the component of the evaluation consisted of three components: water, air, and hazardous waste. Starting in 2013, innovation is utilized as a basis for Proper’s evaluation. Then a variety of innovations were introduced specifically dealing with current issues. In 2020, the participating Proper companies are obliged to report their work dealing with disasters including the pandemic Covid-19. In 2021, the proper participating companies are obliged to adopt LCA (Life cycle assessment) as an instrument to apply eco-innovation and social innovation. The objectives are to achieve environmental compliance and environmental excellence. The rating of the companies following Proper is categorized as black (not comply), red (do not fulfill the standard), blue (fulfill the standard), green (beyond compliance), and gold (beyond compliance and successfully adopting social innovation). In 2022, Proper participating

* Corresponding author: sudhartophadi@yahoo.com

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companies were determined as Gold Rank candidate, in addition to presenting their program on social innovation and SROI (social return on investment), the CEO of the company(ies) are also obliged to present a green leadership concerning the vision and the policy to transform from industrial culture leading to a sustainable culture. The objective is to accelerate the industrial sector's contribution to achieving net zero emissions. In 2022, there were 101 companies determined as Gold rank candidates represented by 16 CEOs to present their vision and policy. This paper examines the vision of the CEO, their understanding of the issues, and the prospect of adopting green leadership for achieving net zero emissions.

2 Literature Review

Green leadership is a leadership role that enables business transformation to achieve a commitment to the environment and directs resources to achieve the desired environmental performance. Hence, green leadership is acknowledged as green transformation leadership or environmental transformational leadership in previous literature [1], [2] because green leadership changes strategic elements in companies. Green leadership is a form of corporate adaptation to challenges, in this case, in facing the demands of peer pressure on ethical business and good governance, along with the various negative impacts of companies on the natural and social environments [3], [4].

Green leadership is demonstrated by the leader's ability to inspire organization members, formulate and explain green vision and green identity, encourage green cooperation, and stimulate green thinking that in turn form green organizational identity and green creativity with the support of resource commitment. Green identity is revealed by the green value that is created in all elements of the company. Managers and employees that understand the company's green traditions and culture well, would make the green principles as the basis of performance. Green leadership needs the commitment of company towards resource allocation. Green leadership in turn is able to encourage and create green creativity, in which organization members develop ideas, approaches and develop green innovations, and promote them to the public. [1].

Green leadership in particular has significantly influenced organizational members to act beyond the current work, have individual initiatives, responsible behavior, and be more active in encouraging changes towards green operations [2], [5]. Green employee responsibility acts as a mediating variable that significantly influences green practices [1], [5] based on resource conservation theory [4]. Apart from the leadership factor itself, the practice of green human resources management influences the employees' green awareness and behavior [4].

3 Method

This is descriptive qualitative research. The unit of analysis is the CEO of gold proper candidate companies, they are Pertamina represents as a holding company and Kalbe as a single business entity. The data were collected from observation during the presentation of the CEO and informal interviews with some CEOs. The data were analyzed qualitatively using pattern matching to provide depth information regarding how leadership influences the organization members also business commitment and operation toward green business.

4 Result and Discussion
There were sixteen Chief Executive Officers (CEOs) representing 101 companies designated as gold rank proper. These CEOs outlined their vision and policies for transforming industrial culture into a sustainable culture for a future-proof society. They began by outlining the company's position in terms of energy utilization (percentage of energy from fossil fuels vs. energy from renewable sources), the amount of waste generated, the amount of water used (percentage of water from ground water versus surface water), the use of natural resources, the environment, and the well-being of employees, as well as the health and wellbeing of the community. The CEO then went on to explain the vision, policies, and objectives for achieving business sustainability, as well as how to motivate and provide examples of their staff and employees. The Chief Executive Officer (CEO) also mentions the potential to enhance the current status and if the company(s) could exceed the requirement.

4.1 Comparing Green Leadership in Holding Company and Single Business Entity

It has been previously established that green leadership is based on a company's level of dedication, policies, and approach to business sustainability. Additionally, the size of the company is a factor in the development of green leadership practices. Therefore, this research aims to analyze the green leadership practices between holding companies and single business entities. In this study, the representative of the single business entity has been chosen to be PT Kalbe Farma and the representative of the holding company has been PT Pertamina.

4.1.1 Company Background

Pertamina is the leading energy provider in Indonesia, and is on a trajectory to become a world energy leader by achieving a US$100 billion annual turnover. It is a national energy provider, and is divided into six segments: upstream, downstream, upstream-to-downstream, downstream, and upstream-to-majestic. These segments include Upstream, Gas; Commercial; Trading; Power; NRE; Refining; Petrochemical; and Marine Logistics.

PT Kalbe Farma is a global healthcare company with a focus on sustainable energy. It operates through 41 companies and has established presence in ASEAN and African countries. Kalbe is the largest publicly listed pharmaceutical company in southeast Southeast Asia with a market cap of Rp 76 trillion. Its 5 pillars are science and technology for health, ecosystem and environmental preservation, hygiene and health education, access to healthcare, and total sustainable business ecosystem.

4.1.2 Green Commitment

Green commitment is defined as a set of commitments that can be made by any organisation wishing to enhance the sustainability of its operations. This is evidenced by the Chief Executive Officer's (CEO) concerns, the company's vision and purpose, the company's values, and the company's objectives. As a pioneer in sustainable energy, the CEO's concern and speech demonstrate the green commitment of Pertamina, as stated below:

"Our commitment to sustainability aligns with the global movement to promote the integration of environmental, social, and governance commitments into business strategies and the Sustainable Development Goals/SDGs”[6].

CEO of PT Kalbe Farma also shows his commitment toward sustainable issues in every occasion apart from Proper Agenda. In the sustainability section from PT Kalbe Farma website, the CEO stated that:
"Sustainability is part of our journey to step together to make the nation healthier by continuing to apply the ERAT and SEHAT Pillar guidelines in contributing to creating quality health products and services for the people of Indonesia"[7].

4.1.3 Green Initiative

Pertamina's green initiatives were divided into three stages: establishing, continuing, and defining leading practices, reinforcing processes, and improving efforts. The first stage focused on net-zero approach, abatement and NRE initiatives, biodiversity best practices, and cybersecurity technology configuration. The second stage involved establishing a Tier-II PSE process, alignment on HR policies and systems, monitoring KPIs, and an ESG and Cyber risk committee. The third stage involved strengthening ESG capabilities and developing an integrated ESG System and Dashboard.[8][6].

Kalbe has implemented a range of initiatives to address a range of energy-related issues, including energy mix, water supply, natural resource management, waste management, and emissions reduction. In terms of energy mix, Kalbe has implemented a mix of renewable energy installations in its seven power plants. As a result of these initiatives, Kalbe plans to increase its renewable energy use by 15% by 2027[7], [9], [10].

4.1.4 Green Policy

Pertamina, a globally-based energy company, is committed to incorporating ESG considerations into its sustainability strategy. To this end, the company has developed a ten-sustainability focus, which includes addressing climate change, reducing environmental footprint, protecting biodiversity, improving occupational health and safety (HSE), preventing large large-scale incidents, respecting and empowering employees, innovating and reorienting research, expanding community engagement and impact, strengthening digital security, and leveraging corporate ethics. Furthermore, the company's sustainability objectives are in line with global objectives, such as the United Nations Sustainable Development Goals[6], [8], [11].

Kalbe has a Policy on Sustainability that outlines the company's Vision, Mission, and Core Values. In November 2019, Kalbe published its sustainability plan, which is expected to meet the needs of both internal and external stakeholders. Kalbe adheres to the ERAT Pillars and has identified the following pillars as its primary sources of support for the seven SDGs.[7], [10].

4.1.5 Green Strategy

Pertamina has been recognized for its commitment to environmental protection through a variety of awards and accolades, both domestically and internationally. The company has achieved gold rank in a number of initiatives, such as Proper; CEO Green Leadership; Corporate Emission Transparency; and Corporate Social Responsibility (CSR) Award. Furthermore, Pertamina was ranked 2nd in its sector in ESG Rating; Social Energy Category; and PGE's Best Corporate Social Responsibility Initiative Award. Its Chief Executive Officer (CEO) Nike Widyawati was also featured on Forbes' list of the 100 Most Influential Women in Business,[8], [11].

Kalbe has developed a comprehensive sustainable strategy to ensure the implementation of responsible business practices, including: a) adhering to government regulations related to environmental integrity, risk assessment, corporate morality, and financial management; b) adjusting to sustainability requirements; c) implementing sustainable corporate governance; d) implementing a sustainable communication strategy; and e) incorporating all sustainable
initiatives and accomplishments into a sustainable report. As a result of green initiatives, policies, and strategies, Kalbe has already achieved a number of milestones, including an AA rating from MSCI's ESG Rating, ranking among the top 10 constituents of the SRI Kehati Index, a Platinum Award for its Corporate Social Responsibility (CSR) Program, a Green Rank on Proper, and a donation to the UN Global Fund. In addition, Kalbe also benefits financially, socially, and ecologically[9], [10].

5 Conclusion and Recommendation

Green leadership presentation provides the fact that many companies, even if they are gold-rank candidates, still rely on fossil energy and groundwater and creating pollution and waste. For the CEO representing one company such as PT Sido Muncul, Bio Farma, Kalbe Farma, it is more focused and representative. But for a CEO representing many sub-holdings with many companies, it is difficult to generalize the current position and the real commitment leading to business sustainability. It is required to change to CEO at the sub-holding level.

References


