

CHAPTER I

INTRODUCTION

1.1 Research Background

During this Covid 19 pandemic, many businesses are experiencing difficulties, experiencing losses, even many businesses, companies that have gone out of business. It happens because this pandemic is very unpredictable. No one thinks that there will be a pandemic while they live, but suddenly there is this pandemic which is very detrimental to many people. The initial goal of their business is to make profit, to expand the market so that it can be known by many people, and eventually become a multinational company. Because of this pandemic, many businesses are affected. At the end of July 2020, the Ministry of Manpower (Kemnaker) noted that more than 3.5 million workers had been laid off. Then based on the data from the Social Security Administering Body (BPJS) up to July, there were around 1.1 million people who had been sent home, 380,000 people were affected by layoffs (PHK), and around 630,000 informal sector workers were affected by Covid-19 (Ruspindi, 2021). So because of that, companies have to think about what they have to do to maintain the sustainability of the company.

The main purpose of establishing a company is to make profit. However, in achieving these goals, companies often ignore the social and environmental impacts

generated by the company. For example, the case of PT. Newmont Nusa Tenggara (NNT), which disposed of waste into Senunu Bay, polluted the Sekongkang River and Tongo Sejong River which resulted in a decrease in environmental quality in these waters. (*PT. Newmont Nusa Tenggara, 2013*). This illustrates how the company only cares about increasing profits without paying attention to the state of the surrounding environment. Thus, the existence of the company does not contribute to the prosperity of the community and the surrounding environment, but instead experiences a decline in social conditions.

Because times have changed, many trends have changed as well. In today's era, many companies whose business goal is no longer to get as much profit as possible. According to Elkington in Nugroho (2009), the purpose of business today is not only to seek as much profit as possible (profit), but also to be responsible to society (people) and the earth (planet). These three things are known as the Triple-P Bottom Line concept. The meaning of this concept is that the company does not only aim to gain profit for the company, but the company can also improve the welfare of the community and can also contribute by protecting the environment by giving social and environmental responsibility information. After what PT. Newmont Nusa Tenggara did, they formulated a strategy for the sustainability of the program placing economic, social, and environmental factors as three important things that must be aligned in the life cycle of the mine. Realizing that there are serious impacts on the environment that arise as a result of operating activities, sustainable programs and environmental standards are designed to protect the environment, take preventive

steps or at least minimize the possible impacts that occur. In general, the Environment Sustainability program formulated by Newmont Mining Corp as the holding company concentrates on managing water quality, air, climate, biodiversity, waste management, and forest reclamation. PT. NNT implements environmental management and monitoring programs that are in accordance with the conditions at the mine site, to reduce risks or hazards that have the potential to damage the environment that may be caused by mining operations. Some of the main management priorities identified during project activities are the placement of waste rock or tailings, maintaining water quality and ensuring that land surface changes incorporate a vision of post-mining appropriate land use (Seftyana, 2017).

The Corporate Social Responsibility (CSR) concept shows that nowadays, profit does not solve social and environmental problems. Many people change their company values, from the aim to get profit as much as possible, to be more responsible socially and environmentally. In this transition, companies are called to contribute in a more sustainable development, causing an extensive acceptance of sustainability by the companies. Sustainability is more explicit than Corporate Social Responsibility (CSR), It includes the consideration and reporting of the three bottom lines, which are social, environmental, and economic aspects that are affected by the company while chasing their goals. The main difference between sustainability and Corporate Social Responsibility (CSR) is when a market focused on sustainability it might be a strategic resource that gives the company a competitive advantage. This effort involves the organization and enters into its cultural structure. By using

sustainability for new product development (NPD), we can acquire additional products that are tailored to the needs of our customers. Companies utilizing a sustainable orientation are more inclined to pay attention to what clients desire, and what customers need for the new product development, because in terms of long-term viability, customers place a higher value on it. (Luo & Bhattacharya, 2006).

Even though there are some similarities between customer and sustainability orientations, it can positively influence the development of the new product (Crittenden et al., 2011). But organizational learning can help to strengthen sustainability orientation. Sustainability that was initiated by the developers of the new product has also been influenced by factors of interpersonal leadership of a firm (Bettiga et al., 2018). Due to the rapidly growing importance of sustainability in the development of new products, this study broadens the line of research to look at the drivers of sustainability orientation, specifically are the factors that are involved in coordinating market information and customer orientation toward the imminent new product development outcomes (Du et al., 2016; Nidumolu et al., 2009).

The strategy of a company determines its market alignment towards sustainability and the factors in organizational development (Wei & Morgan, 2004). Companies adopt strategies to address the requirement to minimize risk and strengthen competitiveness as a result of the three pillars of sustainability. To incorporate sustainability orientation, strategies would

focus on making great use of resources by aligning resources across the value chain and developing new products, which would result in a firm wide shift in thinking and learning. The ‘social cohesiveness’ that supports the integration of sustainability orientation to market enlargement through new product development is dependent on organizational leadership traits and a culture of innovation. Employee solidarity around long-term themes, such as sustainability orientation, can be facilitated by leadership attributes such as a global view mixed with an innovation culture. Sustainability orientation, from a resource-based perspective, makes use of and adapts firm resources to perform internal transformations, moving from rather static resource configurations to a strong focus on action orientation. (Berger et al., 2007; Dunphy et al., 2003).

Organizational culture (i.e., innovation culture) and leadership (i.e., leadership practices, employee incentives, and an emphasis on patents) lead to sustainability orientation, which results in the translation of business resources into improved new product development outcomes. Focusing on organizational leadership through project leadership practices, provide incentives to the new product development team, and a focus on obtaining patents, as well as organizational culture, through innovation culture, while influencing sustainability orientation in new product development to measure the impact of sustainability orientation on new product development, resulting in the conclusion that internal organizational leadership and culture lead to better sustainability orientation and positively affects the market performance of new products (Obal et al., 2020).

Based on the description above, research will be conducted on “INTEGRATING SUSTAINABILITY INTO NEW PRODUCT DEVELOPMENT: THE ROLE OF ORGANIZATIONAL LEADERSHIP AND CULTURE IN INDONESIA”

1.2 Research Question

Based on the background problem, below are the research questions this paper would like to answer:

1. Do the project leadership practices positively impact the firm’s sustainability orientation?
2. Do the incentives for new product development (NPD) teams positively impact the firm’s sustainability orientation?
3. Does an innovative culture positively impact the firm’s sustainability orientation?
4. Does a firm’s focus on patents positively impact the firm’s sustainability orientation?
5. Does sustainability orientation positively impact the market performance?

1.3 Research Objectives

Based on the research problem, which is further elaborated in the research question, the purpose of this research is formulated as follows.

1. To determine whether the project leadership practices positively impact the firm’s sustainability orientation.

2. To determine whether the incentives for new product development (NPD) teams positively impact the firm's sustainability orientation.
3. To determine whether an innovative culture positively impacts the firm's sustainability orientation.
4. To determine whether a firm's focus on patents positively impacts the firm's sustainability orientation.
5. To determine whether sustainability orientation positively impacts the market performance.

1.4 Research Contribution

The purpose of this study is to make theoretical and managerial contributions.

1. Theoretical Contributions

The research makes a theoretical contribution by providing knowledge and awareness on the role of leadership and culture within integrating sustainability into new product development. Another goal of this work is to serve as a resource for future research on the subject of the role of organizational leadership and culture. This is planned to serve as a resource for future researchers who want to learn more about integrating sustainability into new product development.

2. Managerial Contribution

The goal of this study is to assist businesses in better identifying the factors that influence integrating sustainability into new product development through the role of organizational leadership and culture.

1.5 Research Limitation

The extent of the research is limited due to a lack of finances, manpower, resources, and time.

1. The survey only accepts participants who live in Indonesia and are between the ages of 18 and 55. Because the majority of people who already have a business, are running a business, or are working are between the ages of 18 and 55, this particular group of people was chosen and to cover more than one generation of consumers.
2. The questionnaire will be distributed to 350 responders over the internet.

1.6 Research Outline

This final research paper will be divided into five chapters, the details of which are as follows.

Chapter 1 INTRODUCTION

The research background, problem statement, research questions, research objectives, research limits, as well as theoretical and managerial issues will be discussed in this chapter.

Chapter 2 LITERATURE REVIEW

The second chapter includes all of the theories, concepts, and past findings from the study area that will be used as a guide and theoretical foundation during the field procedure and analysis of the data.

Chapter 3 RESEARCH METHODOLOGY

The third chapter will go through the specifics of how researchers collect and process data in a systematic manner. The information covers the research paradigm, research type, research object, sample and population conceptual and operational definitions, research design, and data collection.

Chapter 4 RESULTS AND DISCUSSIONS

The fourth chapter covered the research findings, respondent profiles, research problem outcomes, discussion and analysis of ideas and variables, and research findings correlations and interconnections.

Chapter 5 CONCLUSION AND RECOMMENDATION

The study's conclusions, theoretical and managerial implications, limits, and ideas for further research are all included in the final chapter.