

# SOCIAL RESPONSIBILITY AS COMPETITIVE ADVANTAGE IN GREEN BUSINESS

Proceeding 11th International Annual Symposium on Management  
Batu - East Java, Indonesia, 15th-16th March 2014

SOCIAL RESPONSIBILITY AS COMPETITIVE ADVANTAGE IN GREEN BUSINESS



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## **Proceeding**

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## **SOCIAL RESPONSIBILITIES AS A COMPETITIVE ADVANTAGE IN GREEN BUSINESS**

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## FOREWORD

INSYMA has become a tradition of its own for the management department of Universitas Surabaya. For more than a decade this event has become a forum for academics and practitioners to share knowledge. Every year management department always brings the latest theme that becomes an important issue for the development of science.

This year, INSYMA raise the theme "***SOCIAL RESPONSIBILITIES AS A COMPETITIVE ADVANTAGE IN GREEN BUSINESS***". This theme interesting, considering that at this time all the business need to be more accountable to the public and the environment. Corporate social responsibility is not only an obligation, otherwise it would be a distinct competitive advantage for the company.

Hundreds of scientific papers are sent to a conference committee, and the results of a rigorous selection of more than 100 elected. This paper is derived from a variety of authors, both within and outside the country, academics and practitioners. All the articles are then presented at the symposium and documented in these proceedings.

We hope that these proceedings can contribute to the development of science and business practices. Hopefully you can enjoy and gain valuable lessons from this article collection. We look forward to your participation in next INSYMA.

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## *Certification of Participation*

**Njo Anastasia**

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**Paper Presenter**

in the International Annual Symposium on Management

### **SOCIAL RESPONSIBILITY AS COMPETITIVE ADVANTAGE IN GREEN BUSINESS**

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## **Consumer Awareness and Buying Interest Green Residential in Surabaya**

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### **Abstract**

Energy consumption in household sector showed an average growth of 1.4 % per year in the amount of 315 million BOE in 2009. Consumption growth is related to population growth, increased purchasing power and increased access to energy (Ministry of Energy and Mineral Resources, 2010). This increase in energy demand causes global warming. It needs to increase public awareness of environment, with one way to build a green home. This study aims to determine level of awareness and buying interest on residential green developed by PT. Intiland Development Tbk and PT. Ciputra Property Tbk. and determines the factors that respondent most considered to green residential product. The research method used questionnaire with judgment sampling technique, it was obtained 145 respondents. The study showed that 70.3% of respondents concerned about green residential and 66.9% of respondents are interested in buying. The factors considered by respondents are Green Home Featured, Relationship Environment, and Green Home Visual Appearance.

Keywords: awareness, buying interest, Green Home Featured, Relationship Environment, Green Home Visual Appearance.

### **Introduction**

Investing in property is the most desirable people option besides invest in gold or stocks. Whereas the data from Bank Indonesia (BI) Survey showed that during the first three months of 2013, residential property price index in 14 major cities in Indonesia rose 4.78% over the same quarter in 2012. Even property prices in Surabaya during the first quarter of 2013 climbed by 8.02%. According to Executive Director of Department of Communication BI, Difi A. Johansyah (2013), the residential price increase is driven by the large increase in building materials price, labour costs rise, and still high cost of licensing. However, these price increases remain encourage people to transact because home is a primary need and investment. BI Survey shows third-quarter home sales in 2013 amounted to 39.80% of the total sales of property (residential, commercial, and industrial), where the proportion of sales of small type 43.68%, remaining medium and large type.

Related to increase in home sales, based on data for the last 10 years, energy consumption in household sector also grew 1.4 % per year from 272 million units of barrels of oil (BOE) in 1999 to 315 million BOE at year 2009. Consumption growth is related to population growth, increased purchasing power and increased access to energy (Ministry of Energy and Mineral Resources, 2010). However, increase in energy demand caused global warming. These conditions indicate need for increased Indonesia public awareness of environmental. The alternative way to support the construction of green home design, it is expected to have a positive impact.

The development of green building become a popular worldwide trend, because these eco friendly buildings contribute to reduce global warming. The eco friendly property is not just to be a human need, but green property can drive wheels of industrial property, and a symbol of technological progress. As the Chairman of Congress Committee 61th

International Real Estate Federation (FIABCI), Pangestu (2010), "Sooner or later, eco-friendly property will be a major need for urban consumers. The property industry has a vital role in creating environmentally friendly buildings".

The study by Elias, Abu Bakar, Bahaudin, and Husin (2013) on potential buyers in Malaysia's residential green products showed 67% of respondents were not aware of green building especially for eco friendly homes and only 23% recognize green home concept, but with understanding that vague. Another study by Anastasia (2013) in Indonesia also showed that only 27.9% of respondents who know green building topics. These conditions indicate low level of public awareness to eco-friendly homes as well as the lack of understanding of residential green products.

Based on the above description, this research is focused to find out respond from respondents to the housing built by PT. Intiland Development Tbk and PT. Ciputra Property Tbk, because both developers have been a member of GBCI and housing projects were undertaken to show concern for environment. The research problems arising from the above background are:

1. How is level of awareness and buying interest green home products in Surabaya?
2. What factors that respondents most considered to green home concept?

## **Literature Review**

### **1. Green Residential**

In broad terms, home is not just a building (structural), but also the residence that meets the requirements of a decent life, seen from various aspects of community life. Home is a refuge, to enjoy life and relax with family. Home must ensure interests of family, which is to grow, give possibility of life get along with the neighbours, and more than that, home should give peace, joy, happiness, and comfort in all the events of his life (Frick, 2006).

Associated with definition of house on widespread notion, the development trend of house that leads to the eco-friendly homes definition, which houses wise use of land, efficient and effective use of energy and water, pay attention to the material conservation of natural resources as well as healthier and safer for house occupants. Eco friendly home care is an important factor, because eco-friendly homes sustainability should come with occupant's environmental friendly behaviour. Understanding eco-friendly homes concept will be a major factor that should be prioritized to avoid misunderstanding notion that eco-friendly or green home is a home that high maintenance costs or just has a lot of green areas (GBCI, 2011).

In line with these developments, the GBCI (Green Building Council of Indonesia), as an independent organization (non-governmental) and non-profit organizations have contributed to educate public and issue certificates for buildings or homes that meet green criteria. Green building or green residential/ green home is a new building that planned and implemented or building has been built that operated with attention to environmental factors / ecosystems and meet performance including land use, water-saving, energy-saving, material saving by reducing waste, and indoor air quality. However, conditions on the ground shows that build a green residential or green home is not easy and not cheap, that also requires a certificate Leadership in Energy and Environmental Design (LEED), which causes an increase in making cost, then it give impact on selling price to consumers (Schindler & Udall, 2008). In Indonesia, the equivalent LEED certificate issued by the GBCI (Green Building Council of Indonesia) called Greenship.

Greenship Certificates issued by GBCI (2011) for buildings or homes that meet green criteria are divided into six categories: Appropriate Site Development/ASD, Energy Efficiency and Conservation/EEC, Water Conservation/WAC, and Material Resources and

Cycle/MRC, Indoor Health and Comfort/IHC, and Building and Environment Management/BEM. Explanation of each category is as follows:

- a. **Appropriate Site Development (ASD)**  
Are a green area, supporting infrastructure, community accessibility, pest control, public transportation, and handling waste rain water. However, this category is more provide added value to the green area. The goal is to improve natural plant function and improve comfort, physical and psychological health of occupants.
- b. **Energy Efficiency and Conservation (EEC)**  
The variables used are sub-metered, artificial lighting, air conditioning, heat reduction, and renewable energy sources. The main variable is a renewable energy source. The goal is to reduce unsustainable non-renewable energy.
- c. **Water Conservation (WAC)**  
The variables used are water-saving output devices, rain water usage, and water-saving irrigation. The goal is to conserve water use technology tools for water output.
- d. **Material Resources and Cycle (MRC)**  
The variables used are refrigerants not ozone-depleting, old material usage, source material from environmentally friendly, certified wood, prefabricated materials, local materials, and waste segregation. The goal is to avoid depletion of ozone layer and reduce the rest of construction activity.
- e. **Indoor Health and Comfort (IHC)**  
The variables used in this category are clean air circulation, maximizing natural lighting, and acoustic levels. However, value-added focused on clean air circulation variables. The goal is to maintain the air flow requirements of occupant's health and productivity can be maintained, as well as save energy.
- f. **Building and Environment Management (BEM)**  
The variables used are eco friendly activity, home building guide, security, sustainable design and construction, innovation, and design home grown. The main variable is the sustainable design and construction. The goal is maintaining environmental quality and carrying capacity of environment due to the houses construction.

It is expected that build buildings or homes are environmentally friendly then there are three advantages to be obtained by environmental, community, and economic, consists of:

1. **Environmental Benefits** where the greener buildings can provide benefits:
  - a. Enhance and protect ecosystems.
  - b. Improving water quality.
  - c. Reduce soil pollution.
  - d. Reduce water consumption.
  - e. Reduce storm water overflow.
  - f. Reduce solid waste.
  - g. Conserve natural resources.
  - h. Improving indoor air quality.
  - i. Improve occupant health and comfort.
  - j. Reduce heat temperatures.
2. **Community Benefits** where the greener buildings can provide benefits:
  - a. Fixing the acoustic environment.
  - b. Providing more open space.
  - c. Protecting natural habitats.
  - d. Improve the condition in public places.
  - e. Minimize strain on the infrastructure.
  - f. Reducing carbon emissions and transport.
  - g. Improving the overall quality of life.

3. Economic Benefits where the greener buildings can provide benefits:
  - a. Reduce operating costs.
  - b. Reduce maintenance costs.
  - c. Reduce reserve for replacement.
  - d. Increasing the value of the asset.
  - e. Improving people's health.
  - f. Optimizing the life cycle economic performance.

## **2. Consumer Behaviour**

The study of consumer behaviour that examines why people appreciate the components attached to the property, such as what people values these components, and why consumer preferences change over time has been done. The literature review showed that consumer behaviour attributes buyers or sellers is explicitly considered in the assessment to determine the characteristics of market and considered to have similar properties and utility facilities (Ratcliff, 1965; 1972). Attitudes, lifestyles, consumer preferences and tastes affect to property. A market analyst does not have to rely primarily on demographic and economic data to infer information about the consumer (Rabianski, 1995). Megbolugbe, Marks, and Schwartz (1991) argues that the incorporation of information about consumer attitudes, preferences, and perceptions into economic models of housing demand is very important to explain the behaviour of housing consumption.

Consumer behaviour is a study that includes a person or group in the process of select, choose, purchase, and use or dispose of product, service, idea, or experience to meet needs and desires (Solomon, 2002). In addition influenced by the stimulus, decision making (purchase) is also influenced by consumer's motivation. Consumers have a motivation ever-changing of desires, perceptions and preferences. Motivation comes from Latin, movere; the meaning is encouragement or moving. Motivation is an important aspect related to the consumer's behaviour because motivation may lead to, distribute, and support human behaviour. Motivation is something that exists in a person and not visible from the outside, but visible through a person's behaviour that can be seen or observed.

In general, all consumers have need, desire, and needs of each and how individuals respond to a given situation is based on the nature or characteristics they have. Division of consumer characteristics into nine categories based on market segmentation are demographics, geo-demography, personality traits, lifestyle (life style), socio-cultural values and beliefs. Segmentation demographics (age, sex/gender, marital status, family life cycle, income, education, and occupation) are most commonly used approach in the study of consumer behaviour (Schiffman and Kanuk, 2010).

Interest is one of psychological aspects that have considerable influence on the attitudes and interest behaviour is also a source of motivation that will lead a person to perform an activity or action (Schiffman & Kanuk, 2010). Attitude is the evaluation of belief or positive or negative feelings of someone if you have to perform the specified behaviour. Buying interest was obtained from a thought process that forms a perception. Emerging interest in the purchase creates a motivation that keeps recorded in his mind and became a very strong desire, which in the end when a consumer has to make ends meet will actualize what is in his mind. This is called Buying Process which includes:

- a. Need, originated from procurement process that needs not be met or emerging needs at the time and motivation to make a purchase.
- b. Recognition, need has not been enough to stimulate the purchase of its own because it recognizes need to be able to assign something to fill it.
- c. Search, an active part in purchase of which is to find a way to fill those needs.

- d. Evaluation, a process to learn all obtained during the search process and develops several options.
- e. Decision, last step of buying process to make decisions based on the information received.

Over a five-stage process to provide persuasive information that is specific to influence the purchasing process. Dimensions that make up buying interest by Band (1991) are:

1. Further information retrieval
2. Willingness to understand the product
3. The desire to try products
4. A visit to the location of the product

Further information retrieval is realized by consumer attempts to obtain more complete information about a particular product through read the brochure, read product information on the internet or watch advertisements on television broadcasts and visits to locations such products. Willingness to understand the product is intended as a positive attitude shown by consumer when the product was introduced at the latest. Then there is a desire arising from consumer to try the product, and ultimately try to find additional information or would like to transact with a visit to the location of the product.

### **3. Consumer Behaviour on Green Residential**

On consumer demographic characteristics (age, gender, education level, and socioeconomic status) associated with environmental concern and pro-environmental behaviour (Mainieri et.al, 1997; Straughan and Roberts, 1999; Tanner and Kast, 2003; Schelly, 2010; Paço and Varejao, 2010). Individuals with higher levels of education and income are more likely to pro-environmental behaviour (Straughan and Roberts, 1999; Paço and Varejao, 2010; Schelly 2010), and have high levels of environmental concern and pro-environmental attitudes (Mainieri et.al, 1997; Shrum et.al, 1995). However, a survey conducted Eves & Kippes (2009) in New Zealand shows buyers of higher socioeconomic least likely to buy energy-efficient homes (25%) compared to low-income buyers (35%) and remaining 40% of the intermediate socio-economic buyer. Construction of homes with green features have premium price than traditional home due to equipment installation that can save energy (water and electricity) as well as the green certificate on that house (Johnson and Kaserman, 1983; Banfi et.al, 2005; Yudelson, 2007). Related to this context, home owners more concerned with energy efficiency, and it is a major component of eco friendly housing (Purdie, 2009). However, the visual appearance is also one of home owners care option as an example of front view façade of house (Pasternack, 2009). Then, a survey in Germany showed 76% -100% of buyers concerned with environmental aspects, because 43% of real estate company that has potential buyers demonstrated the buyers have looked at several properties over the past 12 months and they are not going to buy a property with worse environmental factors (Eves & Kippes, 2009).

### **Methodology**

This study was conducted by distributing questionnaires to Surabaya people. Where the respondent sample of population using purposive sampling method with judgment sampling technique, because respondents are individuals who know property products developed by PT. Intiland Development Tbk and PT. Ciputra Property Tbk. Information data is obtained demographic data (gender, age, education level, occupation) and their responses related awareness and buying interest to green residential product. This processing data is using SPSS with descriptive analysis techniques, MANOVA analysis, and factor analysis.

The hypotheses of MANOVA test:

H0 : Buying interest did not show differences in various demographic factors (gender, age, education level, occupation) of respondents

H1 : Buying interest showed differences in various demographic factors (gender, age, education level, occupation) of respondents

**Empirical Results and Discussion**

Questionnaires were distributed to 200 respondents, only 145 questionnaires were returned. The survey results showed demographic data of respondents 69% were male respondents and 31% of women respondents who know product property PT. Intiland Development Tbk and PT. Ciputra Property Tbk. Most of respondent were living 59% in CitraRaya housing estate, while 19% in Graha Family housing estate, and remaining 22% in Graha Natura housing estate. 46.9% of respondents aged 41-50 years, with educational level Bachelor (Strata 1) as much as 41.4% as well as job background are 46.2 % entrepreneur, as listed in Table 1,

Table 1 Respondent Demographic Data

Description	CitraRaya	Graha Family	Graha Natura	Total	%
Gender					
Male	59	20	21	100	69
Female	27	7	11	45	31
Age					
<41 years	28	4	12	44	30.3
41-50 years	39	14	15	68	46.9
>50 years	19	9	5	33	22.8
Education Level					
< Diploma	34	8	8	50	34.5
Bachelor	33	11	16	60	41.4
Master	15	5	6	26	17.9
Doctoral	4	3	2	9	6.2
Occupation					
Civil Employee	8	-	3	11	7.6
Private Employee	32	11	11	54	37.2
Entrepreneur	39	13	15	67	46.2
Professional	7	3	3	13	9.0

Responses related to awareness respondents' level of global warming issues that need to understand residential green products as much as 70.3 % of respondents indicated. Then there are 66.9% of respondents were interested in purchasing the green concept property (see table 2).

Table 2. The Awareness Level and Buying Interests of Respondents

Description	Awareness		Buying Interest	
Yes	102	70.3%	97	66.9%
No	43	29.7%	48	33.1%
Mean	1.2966		1.3310	
Std. Deviation	.45832		.47222	

Meanwhile, to see the difference responses of each respondent based on the demographic background (gender, age, education level, occupation) to buying interest residential green products are listed in Table 3. The results showed there were 97 respondents (66.9%) had buying interest, while remaining 33.1% had no buying interest. Box's M value is 5,117 with a significance value of 0.896. This value is above 0.05, then H0 is accepted, the meaning is the variance covariance matrix of buying interest variables is same for demographics group (gender, age, education level, occupation).

The F-test value significance for occupation variable and shows value  $0.011 < 0.05$ , so the decision was taken, rejected H0, there are differences in respondents' buying interest by occupational factors, while the factors of gender, age, and education showed no difference in buying interest (see table 3). This result in line with study by Eves & Kippes (2009) and Gonzalez, Amario & Idoeta (2012), that social class and buying interest property have a positive relationship. Interest in an object and consumption patterns are not only driven by motives functional and utilitarian, but also social status considerations and individual perception. Individual's characteristics who want to buy a house in upscale that sold at a premium price, mostly high-income individuals, high social class, and highly educated.

Table 3. The Differences Response based on Demographics of Respondents.

Description	Mean	Std. Deviation	Levene Statistic (Sig.)		Test of Between Subjects Effects (F/ sig.)	
Age	1.92	.727	.774	.380	1.271	.262
Gender	1.31	.464	2.284	.133	.518	.473
Education Level	1.96	.881	4.691	.032	.636	.426
Occupation	2.56	.762	1.923	.168	6.563	.011
Box'M	5.117		Pillai's Trace		.026	
F	.493		Wilks' Lambda		.026	
Sig.	.896		Hotelling's Trace		.026	
			Roy's Largest Root		.026	

Before doing factor analysis, the green residential item related to questions need to be tested for validity and reliability. The results showed a positive result  $r$  and  $r$  results  $> r$  table. R value table (one-way) in 145 cases,  $df = 145 - 2 = 143$  with 5% significance level is 0.1631. Then, all nine points of statement is valid, as the first item example shows the  $r$  result  $> r$  table ( $0.370 > 0.1631$ ) as well as other statements.

To test reliability seen in Cronbach's Alpha value that shows  $r$  Alpha  $> r$  table ( $0.729 > 0.1631$ ), so item statement are reliable.

Table 4. Test Validity and Reliability

Items	Mean	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
• Housing design is using materials that can reduce the heat	3.1103	.370	.711
• Housing design has implemented equipment installation that conserve water	3.5310	.353	.714
• Housing design is using a window can circulate to outside air	3.5172	.332	.718
• The house is not always appearance eco friendly	3.5448	.267	.727

green			
• Sidewalks on open space cannot replace the green area	3.9586	.456	.695
• Facade of eco friendly home looks more beautiful	3.7793	.414	.703
• Eco friendly home can reduce environmental negative effects	3.9172	.427	.701
• Caring the environment by supporting eco-friendly home	3.6276	.491	.688
• Getting more benefits with care to green environment	3.7655	.523	.682

In factor analysis, the first step results shown in table components of matrix, the result shows there are three factors that formed, but nine items of the statement there is not yet clear entry to factors 1, 2 or 3, so that the analysis followed by rotation. The analysis results after rotation are shown in Table 5, which is statement 1, 2 and 3 merged into Factor 1 and was named Green Home Feature (HF). Point statement number 7,8,9 is merged to Factor 2 and was named Environment Relationship (ER). Then statement number 4,5,6 is merged to Factor 3 and was named Green Home Visual Appearance (HVA). Some results of this study along with study of potential condominium buyers sky rise greenery in Singapore by Yu, Liao, and Chai (2013) which shows high demand of potential buyers associated with environmental factors is very important because the buyer felt over the environmental benefits even willing buyers pay more expensive than conventional apartments. Purdue Research (2009) actually found that energy efficiency factor is main factor that is obtained through materials devoted to green building, such as glass, paint, wall, etc. The aim is to enable material utilization usage of natural lighting and energy savings with machinery usage and support equipment attached to that building (Yudelson, 2007).

Table 5. Rotated Component Matrix

Items	Component		
	1	2	3
• (HF1) Housing design is using materials that can reduce the heat	<b>.855</b>	.073	.015
• (HF2) Housing design has implemented equipment installation that conserve water	<b>.826</b>	.023	.076
• (HF3) Housing design is using a window can circulate to outside air	<b>.746</b>	.139	-.031
• (HVA1) The house is not always appearance eco friendly green	-.048	.071	<b>.809</b>
• (HVA2) Sidewalks on open space cannot replace the green area	.154	.234	<b>.767</b>
• (HVA3) Facade of eco friendly home looks more beautiful	-.069	.526	<b>.531</b>
• (ER1) Eco friendly home can reduce environmental negative effects	-.027	<b>.717</b>	.220
• (ER2) Caring the environment by supporting eco-friendly home	.114	<b>.820</b>	.072
• (ER3) Getting more benefits with care to green environment	.240	<b>.718</b>	.121



### Conclusions and Recommendations

The further development of previous studies, the respondents in this research has been more concerned and familiar with residential green products (70.3% of respondents), and 66.9% of respondents are interested in purchasing property green concept. However, the respondent has buying interest distinction due to occupation background. Where respondents who have jobs with higher incomes have possibility to purchase product concept of home green because green residential prices are generally more expensive than a conventional house prices.

Associated with respondents' concern for environment by determining the most important considerations in the residential green products offered by two developers in Surabaya, namely PT. Intiland Development Tbk and PT. Ciputra Property Tbk. The results show that respondents consider three factors related to green concept were Green Home Featured, Relationship Environment, and Green Home Visual Appearance.

Future research can proceed about willingness to pay consumers to green residential product offers and research related to green property resale value. Research about green residential development in Indonesia is still limited so it needs to be developed to assist the various parties involved in Go Green program in Indonesia.

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