Ethical climate as foundation for internal corporate social responsibility and employee performance in Indonesian context during COVID-19 pandemic

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Abstract
The research objective was to analyze the role of ethical climate as a foundation for internal Corporate Social Responsibility (CSR) and employee performance. The methodology used is a causal study to test the effect by using a survey of 400 employees Holding of state-owned defense, industry randomly selected nonmanagers. The results showed that ethical climate directs internal CSR activities as a realization of ethical awareness in the environment. Employees have an ethical responsibility to restore the goodness of the company to employees in real terms according to the company's demands in the form of optimal performance. The values, beliefs, and ethical atmosphere felt by employees are the reasons for implementing CSR. Internal CSR raises employees' awareness of the company's care and attention, which in turn increases the moral obligation to work optimally for the common good. Ethical climate is guidance for companies and individuals to be involved in collective efforts that can ensure sustainability. In conclusion, ethical climate has an influence on employee performance through CSR. The practical implication is to develop an ethical climate in the company to strengthen the company's internal CSR orientation. Its value contribution can explain the ethical climate function as a foundation for internal CSR concerning employee's performance.

Keywords: ethical climate; internal corporate social responsibility; employee performance; COVID-19.

JEL Classification: M14, M12

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INTRODUCTION

Awareness of environmental ethics grows along with the humanitarian disaster due to COVID-19 which has brought changes to the level of community welfare, including employees. Carnevale & Hatak (2020) argue that COVID-19 has encouraged organizations to focus on the implications of COVID-19 for HR governance and find solutions to challenges that arise. Evanoff et al (2021) added that the response to the SARS-CoV-2 pandemic had created an unprecedented disruption in working conditions. COVID-19 will exacerbate inequality and sustainability in employment (Kniffin et al., 2020). Efforts to minimize the impact of COVID-19 on work in companies include optimizing the CSR function. Bae et al (2021) stated the importance of CSR during a pandemic. Crane & Matten (2020) shows the importance of CSR in dealing with risks and uncertainties such as during a pandemic.

There are two choices in CSR, namely internal and external. CSR is directly related to employees and guarantees the sustainability of the company, namely internal CSR. Bolton (2020) adds that the difference between internal CSR and external CSR is based on the constituents most directly affected by CSR initiatives (Jamali et al., 2019). Deng et al (2019) explain the strategic position of internal CSR in sustainability organizations. Furthermore, internal CSR is based on objectives, namely to achieve change in the organization, while external CSR is aimed at obtaining organizational support by external constituents that are more focused on the long term (Jamali et al., 2019).

However, the initiation of CSR implementation requires a foundation based on ethical values. The realization of internal CSR depends on the foundation of ethical values that develop in the company. These ethical values become the climate that directs the orientation of the company. The ethical climate that is formed in the company is the basis for operationalizing CSR as an instrument to reduce the impact of a pandemic.

Ethics functions as guidance for individual and company actions in carrying out their responsibilities on sustainability issues. Tomaszewski (2021) argues that collective efforts are influenced by various conditions. Humans must answer the question of whether to be guided by themselves, namely the interests (selfish) or the good of the community. Individual egoism is a signal of rejection of CSR unless related to higher profits. Jones (2019) suggests that the ethical climate will affect CSR performance.

It is necessary to study the position of the ethical climate in relation to CSR and performance. The ethical climate is a compass that directs internal CSR to ensure sustainability, but on the other hand, there is a climate of egoism which is counterproductive to collective social responsibility which is a shared orientation. The results of this research can be used as a basis for minimizing the occurrence of ethical dilemmas on the implementation of internal CSR in the company. Al Halbusi et al (2020) argue that although the ethical climate is considered to be the main driver of individual and corporate ethical behavior. Unfortunately, research on ethical climate has not been integrated into CSR research. The purpose of this study was to analyze the effect of ethical climate on internal CSR and employee performance in defense Holding State-Owned Enterprises.

The concept of ethical climate has an ethical and social substance. Victor & Cullen (1987, sparked the concept of ethical climate through the perspectives of psychology, morals, structural functional theory, and social roles. Wimbush & Shepard (1994) explain
Ethical climate is a shared perception that is stable, psychologically meaningful, procedures and ethical policies that exist in the organization. Martin & Cullen (2006) consider ethical climate as a type of organizational climate that reflects employees' perceptions of ethical policies, organizational practices, and procedures. Duane et al (2016) argues that ethical climate is a member perception that has a psychological meaning regarding ethical procedures and organizational policies and organizational sub-units where procedures are based on ethical values about right and wrong. Gan et al (2019) defines an ethical climate based on the concept of Victor & Cullen (1987) regarding authentic employee justice. Recognition and understanding among workers or individuals based on respect for the organization for standards, quality and behavior (Malisetty et al., 2018). Values, norms, beliefs, and habits in the work environment are related to work decisions (Vryonisides & Papastavrou, 2019). Ethical climate is the atmosphere perceived by employees about right and wrong related to moral action.

Internal CSR is the company's responsibility towards internal organizations such as employees and business owners. Internal CSR as policies and practices of an organization related to the psychological and physiological well-being of its employees (Hameed et al., 2016). Perceptions of responsible corporate behavior towards employees, such as the care shown in their careers, their needs and education (Bouraoui et al., 2018). Jamali et al (2019) and Deng et al (2019) explain it as an action to build company HR and expand opportunities strength for employees in order to improve skills and capabilities. Internal CSR as an initiative to improve psychological and physiological well-being based on awareness of the position of employees in the organization.

Performance is not a consequence of behavior, but behavior as job performance. Alghamdi (2018) suggests the concept of job performance that is oriented towards innovation. Zhang et al (2015) define that job performance has innovation characteristics. Manzoor et al (2019) explain job performance as actions and behaviors that are relevant to organizational goals that are under employee control. Borman & Motowidlo (1993) distinguish job performance into three dimensions, namely: task performance, contextual performance and adaptive performance (Meyers et al., 2020).

The ethical climate function develops in the social and CSR environment. An ethical climate as foundation in CSR activities. Tomaszewski (2021) argues that individual egoism is limited by social pressure for a new, more modern civilization. Companies are required to protect the interests of employees and convince employees that the company looks after employees, trying to put employees as priority. The climate of individual ego is a sign that the company needs to observe the interests of employees and make them happen while ensuring a balance between the interests of the company and the conditions that exist in the workplace. These efforts are formulated in the form of programs and are structured like internal CSR. Structured and systemic ethical behavior is the involvement of employees to support CSR, including internal CSR. Brodback et al (2018) added that the existence of a relationship between personal values has an impact on socially responsible decisions. According to belief norm theory, proenvironmental behavior is explained by a chain of cause and effect starting from personal values. Kettner et al (2019) suggest an awareness of individual egoism that encourages ethical responsibility to the environment. Brodback (2018) suggests that being selfish has a negative effect on responsibility, unless there is a
higher profit. Internal CSR directly identifies employees as a priority for the company. Hypothesis alternative 1 is "Ethical climate has an influence on Internal CSR"

In the context of the world of work, an ethical climate such as the individual ego determines performance. Ethical climate as an important precursor for organizational performance (Farouk & Jabeen, 2018). Egoism directs employees to work totally with the hope of having career development or fulfilling their expectations. Yen (2018) explains the influence of individual ego climate on performance. Employees are more likely to have ideas or help suggestions for the organization with the aim of realizing its interests. All activities of employees are for the benefit of the company. Tomaszewski (2021) adds to the role of egoism and cooperation in economic development throughout history. Liu & Chiu (2018) explained that climate benevolence positively affects performance. Otaye-Ebede et al (2019) added that the ethical climate that exists in the company is significantly related to helping behavior and service performance. Hypothesis alternative 2 is "Ethical climate has an influence on job performance”.

The Ethical Climate is an important organizational component and the incorporation of an effective code of conduct and CSR initiatives. Employee perceptions are influenced by the ethical climate of the organization and CSR activities which in turn affect individual performance. CSR as a company policy to involve business practices that improve economic and socio-cultural welfare based on ethical considerations. Story & Neves (2014) show that employee performance increases when employees link intrinsic and extrinsic motives to CSR. Trivellas et al (2019) specifically suggest the influence of CSR on the performance dimension. Hur et al (2019) explained the influence of CSR on job performance. Asante et al (2020) explain based on the means-end chain theory that the concept of value in CSR affects employee behavior. Deng et al (2019) explain the impact of external CSR on employee negative responses. Internal CSR will moderate the relationship between external CSR and labor productivity so that companies affiliated with high internal CSR tend to perform better in terms of workforce. Hypothesis alternative 3 is "Internal CSR mediates the effect of an ethical climate to Internal CSR”.

The thought frame is described as follows:

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Ethical Climate  --  Internal CSR  --  Job Performance
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**Figure 1**  
Research framework

**METHOD**

The causality study approach used a survey strategy of 400 non-manager employees in the defense holding State-Owned Enterprises environment which was selected by simple random. The ethical climate measurement was developed based on Victor & Cullen (1987), Shafer (2015) which explained the dimensions of individual ego, local ego, benevolent, principled. The dimensions put forward are formulated based on an understanding of human nature, namely selfishness in self-indulgence (psychological...
egoism) which has a tendency to ignore or harm others and for one’s own interests but it
does not mean detrimental to the interests of others. Internal CSR measurement refers to
Manzoor et al (2019) adjusted to current conditions. As an example: (1) education; (b) the
balance of the employee’s personal life and work; and (c) skills / skills training in their
work. Respondents’ answers used a ratting differentiation scale from 1 to 5, starting from
never to being frequent. From very low to very high.

Data analysis used the Structural Equation Model (SEM) technique and the AMOS
SPSS version 2.3 software program. SEM can test the relationship between relatively
complex variables on an ongoing basis and can identify the dimensions of a concept
including measuring the effect of the relationship between a factor simultaneously. The test
results are shown in Figure 2.

![Figure 2](image)

**Figure 2**

Hypothesis test results based on standardized regression weight

The results of data analysis and testing using SEM Covariant show an indicator of
an ethical climate. CSR, and Jop performance have a standardized loading factor value of
more than 0.50 and a CR value> than 2.004 meaning that the indicator is accepted to explain
the latent variable. The result of the standardized Composite Reliability test is greater than
0.7, which means that the instrument used to measure each variable has a high degree of
consistency. CR value for Ethical climate 0.987, CSR 0.995 and Job performance 0.994.

The result of the causality test shows that there is a significant positive relationship
between the variables with the CR value> the CR table value. Cannot find a message on the
computer monitor indicating problem identification. The results of the model test are as
follows:

| Goodness | Before repair | After repair | Cut-off Value | Conclusion |
|----------|---------------|--------------|---------------|------------|
| Significance of Probability | 0.000 | 0.000 | ≥ 0.05 | It is recommended to look at other fit Indices |
The results show that the RMSEA (index to compensate for Chi-Square in a large sample) is 0.080 in the good fit category. PNFI 0.74 is in the good fit category. The GFI value of 0.818 is better than before. AGFI increased for the better or in the marginal category of 0.762 from the previous 0.496. The CMIN / DF value is fit from the previous 4.191 and is in the marginal category. TLI value 0.923 good fit is better than the previous 0.724. CFI value increased 0.938 or good fit, better than before. The IFI value is better, namely 0.938 (good fit) than the previous 0.739. Model improvement by multiplying relationships is considered successful. This means that empirically there is a conformity between the data with the variable construction and the hypothesized variable relationship.

**Table 2**

**Regression weights**

| Estimate | S.E. | C.R. | P Label |
|----------|-----|------|---------|
| CSR <- EC | 1.301 | 1.152 | 8.561 *** | par_38 |
| Job <- CSR | .708 | .033 | 21.684 *** | par_39 |
| Job <- EC | .393 | .070 | 5.613 *** | par_40 |
| EC1 <- EC | 1.000 | | |
| EC2 <- EC | 2.289 | .314 | 7.286 *** | par_1 |
| EC3 <- EC | 2.312 | .322 | 7.178 *** | par_2 |
| EC4 <- EC | 1.930 | .266 | 7.247 *** | par_3 |
| CSR1 <- CSR | 1.000 | | |
| CSR2 <- CSR | .989 | .026 | 38.680 *** | par_4 |
| CSR3 <- CSR | 1.018 | .025 | 40.614 *** | par_5 |
| CSR4 <- CSR | 1.000 | .032 | 31.108 *** | par_6 |
| CSR5 <- CSR | .980 | .029 | 34.367 *** | par_7 |
| CSR6 <- CSR | 1.019 | .028 | 35.992 *** | par_8 |
| CSR7 <- CSR | 1.026 | .030 | 34.286 *** | par_9 |
| CSR8 <- CSR | 1.01 | .028 | 36.149 *** | par_10 |
| CSR9 <- CSR | 1.015 | .030 | 34.407 *** | par_11 |
| CSR10 <- CSR | .846 | .033 | 25.894 *** | par_12 |
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| Estimate  | S.E.     | C.R.   | P Label |
|-----------|----------|--------|---------|
| CSR11 <-- CSR | 1.059 .029 | 36.038 | *** par_13 |
| CSR12 <-- CSR | 1.005 .028 | 35.835 | *** par_14 |
| CSR13 <-- CSR | 1.085 .028 | 38.296 | *** par_15 |
| CSR14 <-- CSR | 1.035 .031 | 32.957 | *** par_16 |
| CSR15 <-- CSR | .992 .023 | 43.418 | *** par_17 |
| CSR16 <-- CSR | .987 .021 | 47.875 | *** par_18 |
| JP1 <-- Job | 1.000 |
| JP2 <-- Job | 1.001 .043 | 23.130 | *** par_19 |
| JP3 <-- Job | 1.024 .040 | 25.882 | *** par_20 |
| JP4 <-- Job | 1.058 .046 | 23.196 | *** par_21 |
| JP5 <-- Job | 1.000 .044 | 22.806 | *** par_22 |
| JP6 <-- Job | 1.074 .042 | 25.594 | *** par_23 |
| JP7 <-- Job | .992 .041 | 23.993 | *** par_24 |
| JP8 <-- Job | 1.040 .041 | 25.480 | *** par_25 |
| JP9 <-- Job | 1.090 .043 | 25.494 | *** par_26 |
| JP10 <-- Job | .855 .041 | 21.058 | *** par_27 |
| JP11 <-- Job | 1.039 .042 | 24.817 | *** par_28 |
| JP12 <-- Job | .915 .042 | 21.819 | *** par_29 |
| JP13 <-- Job | 1.009 .046 | 21.995 | *** par_30 |
| JP14 <-- Job | 1.069 .045 | 23.716 | *** par_31 |
| JP15 <-- Job | 1.001 .039 | 25.850 | *** par_32 |
| JP16 <-- Job | 1.002 .037 | 27.077 | *** par_33 |
| JP17 <-- Job | 1.027 .048 | 21.451 | *** par_34 |
| JP18 <-- Job | 1.171 .054 | 21.823 | *** par_35 |
| JP19 <-- Job | .872 .051 | 17.252 | *** par_36 |
| JP20 <-- Job | 1.067 .051 | 21.083 | *** par_37 |

Based on Table 2, by looking at the “C.R. (Critical Ratio)” score than the “P (Probability)”. If the CR is > 1.96 (1.96 is the critical value at the significant level 0.05) and P < 0.05, then the indicator is VALID, able to reflect the latent variable. If the “P” score show “***”, it means that the “P” score is significant, targeted < 0.001.

Table 3

Standardized Regression Weights

| Estimate  |         |
|-----------|---------|
| CSR <-- EC | 0.585   |
| Job <-- CSR | 0.799   |
|        | Estimate |
|--------|----------|
| Job    | --- EC   | 0.199   |
| EC1    | --- EC   | 0.833   |
| EC2    | --- EC   | 0.849   |
| EC3    | --- EC   | 0.840   |
| EC4    | --- EC   | 0.838   |
| CSR1   | --- CSR  | 0.926   |
| CSR2   | --- CSR  | 0.913   |
| CSR3   | --- CSR  | 0.934   |
| CSR4   | --- CSR  | 0.855   |
| CSR5   | --- CSR  | 0.894   |
| CSR6   | --- CSR  | 0.898   |
| CSR7   | --- CSR  | 0.878   |
| CSR8   | --- CSR  | 0.883   |
| CSR9   | --- CSR  | 0.897   |
| CSR10  | --- CSR  | 0.765   |
| CSR11  | --- CSR  | 0.899   |
| CSR12  | --- CSR  | 0.896   |
| CSR13  | --- CSR  | 0.920   |
| CSR14  | --- CSR  | 0.871   |
| CSR15  | --- CSR  | 0.911   |
| CSR16  | --- CSR  | 0.934   |
| JP1    | --- Job  | 0.841   |
| JP2    | --- Job  | 0.848   |
| JP3    | --- Job  | 0.883   |
| JP4    | --- Job  | 0.835   |
| JP5    | --- Job  | 0.827   |
| JP6    | --- Job  | 0.876   |
| JP7    | --- Job  | 0.831   |
| JP8    | --- Job  | 0.858   |
| JP9    | --- Job  | 0.886   |
| JP10   | --- Job  | 0.749   |
| JP11   | --- Job  | 0.862   |
| JP12   | --- Job  | 0.806   |
| JP13   | --- Job  | 0.843   |
| JP14   | --- Job  | 0.844   |
| JP15   | --- Job  | 0.882   |
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Base on Table 3 Standardized Regression Weights, all observed variables have the “Standardized Loading Factor/SLF” ≥ 0.70, leading to the conclusion that all the variables are VALID. Reliability Testing with Construct Reliability (CR) Test is measuring how reliable and consistent the data. The CR score can be counted with this below formula:

\[
\text{Construct Reliability (CR)} = \frac{(\sum \text{std. loading})^2}{(\sum \text{std. loading})^2 + \sum \epsilon_j}
\]  

(1)

The CR score ≥ 0.70 means showing the good reliability in the latent variable/construct (Hair et al., 2019). However, the 0.60 ≥ CR ≤ 0.70 is still acceptable if the validity testing results for the indicator are valid (Ghozali, 2011). With the above formula, we can count the CR score for the latent variables. Another reliability testing is using the Average Variance Extracted (AVE/VE) to complete the CR score. The AVE score can be counted using this below formula:

\[
\text{Variance Extracted (VE)} = \frac{\sum \text{std. loading}^2}{\sum \text{std. loading}^2 + \sum \epsilon_j}
\]  

(2)

The AVE score ≥ 0.50 means showing the good convergent in the latent variable/construct. CR and VE score showing at Table 4, as follow.

| Latent Variables   | CR Score | VE Score | Conclusion |
|--------------------|----------|----------|------------|
| Ethical Climate (EC) | 0.90 ≥ 0.70 | 0.70 ≥ 0.50 | Reliable |
| Internal CSR (CSR) | 0.98 ≥ 0.70 | 0.79 ≥ 0.50 | Reliable |
| Job Performance (JP) | 0.98 ≥ 0.70 | 0.69 ≥ 0.50 | Reliable |

Base on Table 4, we can conclude all the latent variables are RELIABLE. As all the variables passed the reliability testing, we can continue to the next testing fit analysis, namely Structural Model Fit Analysis or Hypothesis Analysis.

RESULTS AND DISCUSSION

Results

The description of research variables is as follows:
### Table 5
Description of research variables

| Variable       | Dimensions                                                                 | Mean  | Standard deviation |
|----------------|---------------------------------------------------------------------------|-------|--------------------|
| Ethical Climate| Individualism (individual ego)                                             | 2.544 | 0.868              |
|                | Local Egoistic                                                            | 3.452 | 0.803              |
|                | Benevolent                                                                | 3.685 | 0.872              |
|                | Principled                                                                | 3.762 | 0.87               |
| Internal CSR   | Employee education                                                        | 2.494 | 0.718              |
|                | Employee and work personal balance policy.                                | 2.552 | 0.772              |
|                | Skills / skills training                                                  | 2.578 | 0.811              |
|                | Conductiveness in the work environment.                                   | 2.578 | 0.859              |
|                | Legal protection for employees                                           | 2.614 | 0.876              |
|                | Recruitment and placement methods are in line with employees’ expectations.| 2.590 | 0.910              |
|                | The application of the work agreement as a collective contract.           | 2.590 | 0.934              |
|                | Arrangement of employee activities according to procedures and laws.      | 2.606 | 0.895              |
|                | Application of the employee’s code of conduct.                           | 2.588 | 0.888              |
|                | Appropriate and fair employee evaluation system.                          | 2.576 | 0.877              |
|                | Services and information                                                  | 2.602 | 0.906              |
|                | Companies are known as organizations that have ethics.                    | 2.576 | 0.854              |
|                | Charitable contributions for employees                                     | 2.594 | 0.862              |
|                | Sponsorship of social activities in the work environment of employees.    | 2.520 | 0.850              |
|                | Funding assistance to protect nature and preserve the environment around the work environment of employees. | 2.530 | 0.786              |
|                | Pay attention to the welfare of employees and the community around the place where employees live. | 2.508 | 0.729              |
| Jop performance| Suggest new ways of achieving organizational goals.                        | 3.362 | 0.586              |
|                | Come up with new and practical ideas                                      | 3.384 | 0.591              |
|                | Seeking technology, processes, techniques and / or ideas for new products for the advancement of the company. | 3.362 | 0.576              |
|                | Actively suggest new ways of quality.                                     | 3.372 | 0.615              |
|                | Source of creative ideas                                                  | 3.382 | 0.604              |
|                | Take risks to advance the company.                                        | 3.350 | 0.607              |
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| Variable                                                                 | Dimensions                                                                 | Mean  | Standard deviation |
|--------------------------------------------------------------------------|---------------------------------------------------------------------------|-------|--------------------|
| Promote and champion his ideas                                           |                                                                           | 3.320 | 0.599              |
| Show creativity for the progress of the company,                         |                                                                           | 3.344 | 0.595              |
| Develops plans and draws a schedule for implementing new ideas,         |                                                                           | 3.360 | 0.609              |
| Have new and innovative ideas.                                           |                                                                           | 3.340 | 0.579              |
| Shows creative solutions for                                              |                                                                           | 3.350 | 0.593              |
| Have a new approach to dealing with problems.                            |                                                                           | 3.362 | 0.565              |
| The courage to suggest new ways of getting work done.                    |                                                                           | 3.364 | 0.587              |
| Take extra responsibility                                                |                                                                           | 3.332 | 0.625              |
| Initiative starting a new task after completing the previous task.      |                                                                           | 3.354 | 0.567              |
| Willing to accept assignments / challenging jobs.                        |                                                                           | 3.364 | 0.548              |
| Work to update knowledge about work.                                     |                                                                           | 3.398 | 0.639              |
| Work and maintain job skills                                             |                                                                           | 3.296 | 0.719              |
| Looking for new challenges at work.                                      |                                                                           | 3.472 | 0.631              |
| Actively participate in routine work meetings and additional assignments. |                                                                           | 3.332 | 0.671              |

Information: 1 to 1.79 (low); 1.8 to 2.59 (less); 2.6 to 3.39 (enough); 3.4 to 4.19 (high); 4.2 to 5 (very high); Source: Results of improvements to the 23 Amos Graphic spss model

Based on Table 5, the average picture is high, except for internal CSR which is still in the sufficient category. Overall, the indicators for each variable observed indicate a fairly good level of ethical climate characteristics. On CSR research obtained an overview of the mean value of 2.569. This can explain that CSR is still lacking even though some are already good. The performance is in the high enough category.

The critical decision in Structural Model Fit or Hypothesis Testing is checking the P-Value with significant level (alpha) at 0.05 or comparing the CR (Critical Ratio) score with t-table (1.96). Table 6 showing the result for Testing Fit - Structural Model Fit Analysis (Hypothesis Testing).

### Table 6

| Hypothesis | Path        | Standardized Loading | P-Value | CR Score | Hypothesis Conclusion |
|------------|-------------|----------------------|---------|----------|-----------------------|
| 1          | CSR <--- EC | 0.585                | 0.000   | 8.561    | Significant           |
| 2          | Job <--- CSR| 0.799                | 0.000   | 21.684   | Significant           |
| 3          | Job <--- EC | 0.199                | 0.000   | 5.613    | Significant           |
Base on the above results, all relationships have the CR (Critical Ratio) score > 1.96, P-value all have < 0.05 as well, and evaluating the standardized loading factor, all have < 1.00. Therefore, we conclude that all the hypothesis is accepted.

Based on the test results, it is shown that the estimated correlation between ethical climate and CSR is 0.585. Ethical climate with job performance 0.199 and internal CSR with job performance is 0.799 or in the very high category. The Sobel test result shows that the Z score is 3.83. These results indicate the importance of the position of CSR as a mediating variable for realizing employee performance. Values and norms as well as habits that are felt by employee’s direct employee-oriented and sustainability activities and programs.

Discussion

The climate of egoism still has a positive impact on CSR as long as it contributes to the welfare of employees. Inline to Jones (2019) suggests that the ethical climate will affect CSR performance. As stated, Tomaszewski (2021) egoism is limited by social pressures that are created as the foundation on which to create a new, more modern order. The climate is like the individual ego as the basis for the company to protect the interests of employees and the interests of the company through work contribution. In line with Brodback et al (2018) and Kettner et al (2019) that there is an awareness of individual egoism that encourages ethical responsibility to the environment. However, as long as it provides benefits to employees, the tendency to support egotism remains high for CSR.

The ethical climate has a direct influence on performance. In line with Farouk & Jabeen (2018), Yen (2018), Tomaszewski (2021), Liu & Chiu (2018), Otaye-Ebede et al (2019) who argued the importance of ethical climate on performance. Ethical climate as a boundary and orientation for employees to behave based on company interests while still relying the employee’s interests.

In line with Story & Neves (2014), Trivellas et al (2019), Hur et al (2019), and Asante et al (2020) that CSR affects employee performance. The assumption that humans are selfish based on these assumptions can be explained that individualism (individual ego) affects performance through CSR. Employees will try to return the value obtained through CSR with performance. This return on value is based on the assumption of getting more CSR and maintaining a balance between corporate interests and personal interests. In line with Farouk & Jabeen (2018), the individualistic climate is not always negative. The results showed that individualism (individual ego) influence performance through internal CSR. Individualism amplifies the direct effect on work behavior. On the other hand, internal CSR acts as an instrument that directs collectivity to positive things such as performance. CSR is an initiative that ensures a balance between individual interests and company interests.

Individual egoistic/local ensures a balance in CSR practices to stay focused on the interests of the company. The balance between values individual ego and egoistic/local makes CSR operate within limits that provide optimal benefits. Employees place their interests above the company and try to make the company implement internal CSR as a form of corporate responsibility to employees. The company’s commitment to employees shown through CSR will encourage increased performance. Employees realize that increased performance means that the company has more profit and can provide more CSR and ultimately affects performance. The existence of CSR encourages the growth of employee moral awareness of the sustainability of the company. The results of the study
are in line with Farouk & Jabeen (2018) that the company's interests encourage collective efforts to improve performance through CSR as a company initiative. CSR increases awareness of the importance of employee welfare and at the same time increases employee awareness and responsibility to restore the company’s concern for employee welfare through performance. The local egoistic climate is a signal that the company's interests are a priority but still make the needs of employees such as education and training, employee welfare as the top priority.

The beneficent/cosmopolitan climate is the basis for efficient CSR implementation. CSR is a result of the efficiency and effectiveness that the company has successfully implemented. The responsibility of management is not only to generate profits that can be used for the benefit of the state as the shareholder. The company has a responsibility to ensure that employees benefit from the company's existence. Benefits in the form of CSR for internal use can be obtained if there is a climate that directs employees to carry out efficiency, provides satisfaction to customers, shows a priority in the public interest. A beneficent climate generates values that can drive internal CSR activities which in turn affect performance. The beneficent climate shows selfish behavior for companies that are based on a larger goal, namely shared welfare. Through CSR which is influenced by benevolence, it illustrates the existence of company interests that are placed under the interests of the public such as employees and society. The placement encourages awareness to improve performance.

Principled/cosmopolitan climates as a formal aspect to ensure that the implementation of CSR is in accordance with existing legal corridors as well as the professional code of ethics that becomes the company's reference. Rules to encourage the welfare of company stakeholders such as employees the basis for holding CSR. Legal considerations, professionalism, are the basis for directing internal CSR. The legal function ensures an orderly and orderly implementation of CSR for employees. Meanwhile, professionalism is related to quality standards in internal CSR. Both of them guarantee the implementation of CSR which can encourage increased performance. CSR is a right whose implementation refers to law and professionalism. Within the internal CSR itself, there is a description of the company's concern for the law and professionalism as guidance for employees to act in accordance with law and professionalism.

Ethical climate as a compass for internal CSR and ward off doubts both employees and companies regarding the internal CSR function in line with Carnevale & Hatak (2020) who describe HR governance in the midst of a pandemic. The company focuses on integrating the ethical climate in the performance management system as well as in the motivation system as well as education and training.

An ethical climate is needed to encourage CSR and ultimately improve performance. In line with Jonse (2019) that the ethical independence that shapes the ethical climate directs CSR performance. The ethical climate makes employees more responsible for their work as a form of ethical awareness based on their experience obtaining internal CSR. The ethical climate ensures a more structured balance. The ethical climate is the foundation for realizing collective efforts to ensure sustainability through CSR both for companies and for employees, especially during the COVID-19 pandemic humanitarian disaster as stated (Crane & Matten, 2020; Evanoff et al., 2021; Kniffin et al., 2020).
CONCLUSION

CSR mediating the effect of ethical climate on job performance. Internal CSR is an initiative of corporate ethical responsibility towards employees and their environment which is determined, among other things, by transformational leadership values. The theoretical implication is the importance of the position of internal CSR as a variable that mediates the influence of transformational leadership on performance. The practical implication is necessary to increase the allocation of CSR for employees based on considerations to boost performance. As a continuation, future research can be done with the topic of internal CSR as a representation of transformational leadership for job performance.

Transformational leadership communicates a collective vision and inspires followers to look beyond their self-interest for the good of the group. Berkovic & Eyal (2019), emphasizes transformational leadership as a moral leader, morality is not only related to the interaction between leaders and subordinates.

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