

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 (Vryonides & 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:

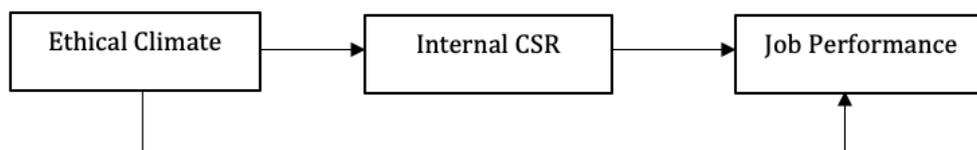


Figure 1
Research framework

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 rating 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.

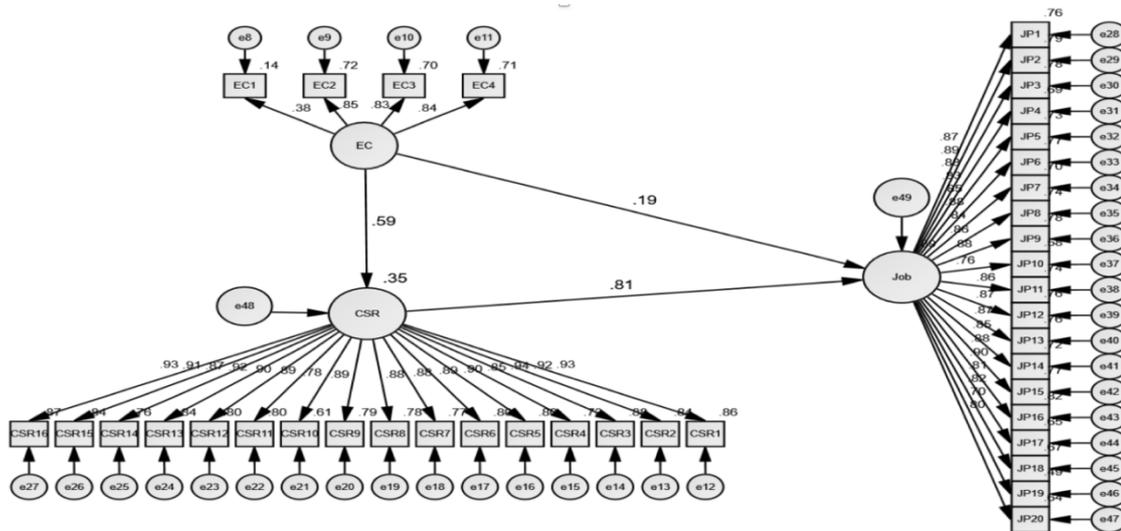


Figure 2
Hypothesis test results based on standardized regression weight

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:

Table 1
Goodness of fit improved model

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

Goodness	Before repair	After repair	Cut- off Value	Conclusion
RMSEA	0.151	0.080	0.05 – 0.08	Good Fit
GFI	0.547	0.818	> 0.90	Marginal Fit
AGFI	0.496	0.762	≥ 0.90	Poor
CMIN / DF	12.439	4.191	< 2.00	Poor
TLI	0.724	0.923	> 0.90	Good Fit
CFI	0.739	0.938	> 0.90	Good Fit
PNFI	0.683	0.741	0.06 – 0.09	Good Fit
IFI	0.739	0.938	> 0.90	Good Fit

Source: Results of improvements to the 23 Amos Graphic spss model

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	.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	1.019	.028	36.149	***	par_10
CSR9	<--- CSR	1.015	.030	34.407	***	par_11
CSR10	<--- CSR	.846	.033	25.894	***	par_12

	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

Base 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

		Estimate
JP16	<--- Job	0.905
JP17	<--- Job	0.796
JP18	<--- Job	0.805
JP19	<--- Job	0.684
JP20	<--- Job	0.787

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:

$$\text{Construct Reliability (CR)} = \frac{(\sum \text{std.loading})^2}{(\sum \text{std.loading})^2 + \sum e_j} \tag{1}$$

The CR score ≥ 0.70 means showing the good reliability in the latent variable/construct (Hair et al.,2019). However, the $0.60 \geq \text{CR} \leq 0.70$ 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:

$$\text{Variance Estracted (VE)} = \frac{\sum \text{std.loading}^2}{\sum \text{std.loading}^2 + \sum e_j} \tag{2}$$

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.

Table 4
Summary Up All the Reliability Testing Results

Latent Variables	CR Score	VE Score	Conclusion
Ethical Climate (EC)	$0.90 \geq 0.70$	$0.70 \geq 0.50$	Reliable
Internal CSR (CSR)	$0.98 \geq 0.70$	$0.79 \geq 0.50$	Reliable
Job Performance (JP)	$0.98 \geq 0.70$	$0.69 \geq 0.50$	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	Individualism (individual ego)	2.544	0.868
Climate	Local Egoistic	3.452	0.803
	Benevolent	3.685	0.872
Internal CSR	Principled	3.762	0.87
	Employee education	2.494	0.718
	Employee and work personal balance policy.	2.552	0.772
	Skills / skills training	2.578	0.811
	Conduciveness 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
Jop performance	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
	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	

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 Testing

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

Based 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. In line 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 benevolent/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 benevolent climate generates values that can drive internal CSR activities which in turn affect performance. The benevolent 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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