



## INTERNALIZATION OF ORGANIZATIONAL ETHICAL VALUES AND ITS IMPLICATIONS FOR EMPLOYEE PERFORMANCE

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### ABSTRACT

**Research Objectives** - This study aims to analyze the implementation of a code of conduct based on AKHLAK core values in improving employee performance.

**Method** - This research employed a descriptive qualitative approach, with data collected through in-depth interviews, observation, and documentation. Data were analyzed using the interactive model of Miles, Huberman, and Saldaña, which consists of data condensation, data display, and conclusion drawing.

**Research Findings** - The findings indicate that the internalization of the value of *Amanah* strengthens work discipline and integrity through compliance with standard operating procedures (SOPs) and supervisory systems. The values of *Competent* and *Adaptive* enhance work quality and reliability through continuous training and the utilization of digital technology. Meanwhile, the values of *Harmony*, *Loyalty*, and *Collaborative* foster a supportive work culture that increases commitment and team effectiveness

**Theory and Practical Implications** - Theoretically, these findings affirm that organizational ethical culture functions as a strategic mechanism in shaping work behavior and individual performance. Practically, organizations should strengthen the integration of ethical values into performance evaluation systems and ensure the sustainability of digital transformation initiatives.

**Novelty** - This study offers an integrative perspective linking state-owned enterprise (SOE) ethical values with technology-driven performance enhancement within the operational context of organizations.

## INTRODUCTION

The transformation of corporate governance in an era of global competition and digital disruption requires organizations to focus not only on financial performance but also on integrity and sustainable ethical governance. The implementation of a code of conduct has become increasingly relevant within the framework of good corporate governance (GCG), particularly for state-owned enterprises (SOEs) facing heightened demands for transparency and public accountability. Empirical studies indicate that the existence and effective implementation of a code of ethics significantly contribute to improved organizational performance and corporate reputation (Kaptein, 2011; Treviño, Weaver, & Reynolds, 2006). Kaptein (2011) further emphasizes that the effectiveness of corporate ethics programs depends on the internalization of values, ethical leadership, and consistent monitoring systems. Additionally, Valentine and Fleischman (2008) found that employees' perceptions of code of ethics implementation are positively associated with job satisfaction and organizational commitment, which ultimately enhance individual performance. In the Indonesian SOE context, the adoption of core AKHLAK values (Amanah, Competent, Harmonious, Loyal, Adaptive, and Collaborative) serves as a strategic foundation for building a work culture grounded in integrity and professionalism.

Despite extensive research confirming the importance of codes of ethics in improving performance, a research gap remains regarding how ethical values are internalized in daily work



practices, particularly in the energy generation sector. Most previous studies have focused on the influence of codes of ethics on variables such as job satisfaction or organizational commitment (Valentine & Fleischman, 2008), with limited attention to the mechanisms of ethics-based organizational culture implementation at the operational unit level within SOE energy companies. Yuana et al. (2023) reported inconsistencies in employees' implementation of AKHLAK values, including time discipline, compliance with standard operating procedures (SOPs), and the use of personal protective equipment (PPE). These findings indicate that the formal existence of a code of ethics does not necessarily ensure its substantive implementation in practice.

Theoretically, this study is grounded in organizational culture theory and ethical leadership theory. Schein (2010) argues that organizational culture is formed through the internalization of values that are consistently practiced in daily work behavior. Meanwhile, Brown and Treviño (2006) assert that ethical leadership plays a crucial role in shaping employees' ethical behavior through role modeling and reward systems. However, critics of normative approaches to codes of ethics argue that many organizations treat such codes as symbolic documents without strengthening control systems and continuous evaluation mechanisms (Treviño et al., 2006). Therefore, empirical research is needed to explain how a code of conduct can function not merely as an administrative document but as a strategic instrument for improving employee performance in practice.

The novelty of this study lies in its analysis of the implementation of an AKHLAK-based code of conduct within an energy generation business unit, namely PT PLN Indonesia Power UBP Tello Makassar. This research not only examines the formal existence of the code of conduct but also explores how supervisory mechanisms, whistleblowing systems, competency training, and human resource management practices contribute to enhancing employee performance. Furthermore, this study provides contextual insights into the energy sector in Eastern Indonesia, which remains underrepresented in the organizational ethics management literature.

This study aims to analyze the implementation of the code of conduct in improving employee performance at PT PLN Indonesia Power UBP Tello Makassar. Specifically, it examines the implementation of the values of Amanah, Competent, Harmonious, Loyal, Adaptive, and Collaborative in workplace practices and their impact on both the quality and quantity of employee performance. Nevertheless, this study is limited by its descriptive qualitative approach and the relatively small number of informants; therefore, the generalization of findings should be undertaken with caution. Additionally, the research focuses on a single business unit and does not represent all PLN Indonesia Power units nationwide.

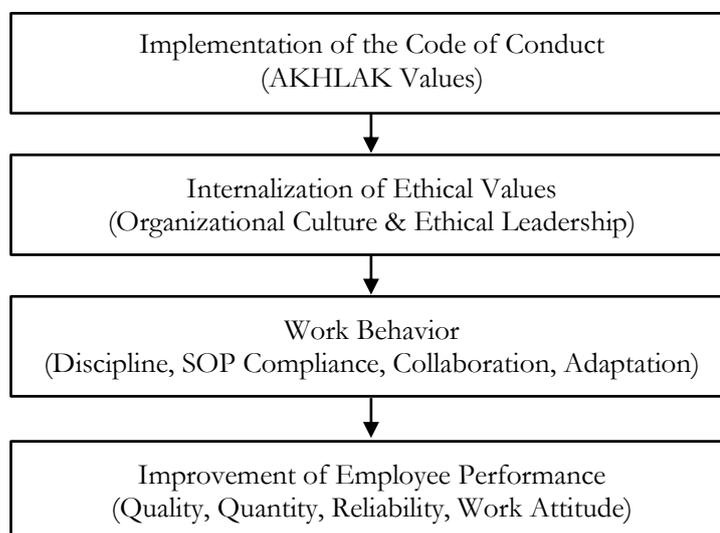
## **METHOD**

This study employed a qualitative approach with a descriptive design to gain an in-depth understanding of the implementation of the code of conduct in improving employee performance at PT PLN Indonesia Power UBP Tello Makassar. A qualitative approach was selected because the research focuses on exploring meanings, perceptions, and experiences of research participants within the natural organizational context (Moleong, 2017; Creswell & Poth, 2018). Previous studies using similar approaches in organizational ethics research have demonstrated that qualitative methods are effective in exploring the internalization of ethical values and their impact on work behavior (Kaptein, 2011; Treviño, Weaver, & Reynolds, 2006). Kaptein (2011), in an internationally reputable Scopus-indexed study, found that the effectiveness of corporate ethics programs is strongly influenced by an ethical culture internalized through daily organizational practices, which can only be comprehensively understood through an exploratory qualitative approach. Therefore, this approach was considered most relevant to explain how the AKHLAK values (Amanah, Competent, Harmonious, Loyal, Adaptive, and Collaborative) are implemented in workplace practices and how they contribute to improving employee performance.

Data collection techniques included participatory observation, in-depth interviews, and documentation. Observation was conducted to directly understand workplace dynamics and the implementation of the code of conduct in daily activities. Semi-structured interviews were employed to allow flexible yet focused exploration based on AKHLAK value indicators and employee performance dimensions (Sugiyono, 2019; Creswell & Poth, 2018). This technique enabled deeper

exploration of informants' experiences, particularly administrative and occupational health and safety (OHS) officers who play strategic roles in human resource management and ethical compliance. Documentation was used to complement primary data through analysis of corporate documents, SOPs, training reports, and the whistleblowing system. Source, technique, and time triangulation were applied to enhance data credibility and validity (Lincoln & Guba, 1985). The use of triangulation in organizational ethics research has been shown to strengthen the trustworthiness of findings through cross-verification among data sources.

Data analysis followed the interactive analysis model of Miles, Huberman, and Saldaña (2014), consisting of three main stages: data condensation, data display, and conclusion drawing/verification. During the data condensation stage, data were reduced and categorized based on AKHLAK value indicators and employee performance dimensions (work quality, work quantity, reliability, and work attitude). Data display was conducted in the form of descriptive narratives and thematic matrices to facilitate interpretation of the relationship patterns between code of conduct implementation and performance improvement. Finally, conclusions were drawn progressively with continuous verification to ensure credible findings. Operationally, the analytical framework of this study can be illustrated as follows:



**Figure 1** Conceptual Framework

The operational framework reflects the integration of organizational culture theory (Schein, 2010) and ethical leadership theory (Brown & Treviño, 2006), which explain that the internalization of ethical values through organizational systems shapes positive work behavior and ultimately enhances individual performance. Thus, the analysis in this study is not merely descriptive but also interpretative in explaining the conceptual relationship between the code of conduct and employee performance.

## RESULTS AND DISCUSSION

### **Implementation of the Amanah Value in Strengthening Work Discipline and Integrity.**

Based on data reduction and categorization from in-depth interviews, participatory observation, and documentation, the findings indicate that the implementation of the Amanah value at PT PLN Indonesia Power UBP Tello is reflected in: (1) compliance with standard operating procedures (SOPs), (2) the use of personal protective equipment (PPE), and (3) transparent supervisory systems through the whistleblowing system (WBS). Informants acknowledged that violations such as tardiness and incomplete PPE usage still occur; however, these are addressed through warning and coaching mechanisms. Within the analytical framework of Miles et al. (2014), this finding indicates a process of value internalization that has not yet been fully optimal but is supported by formal control systems. Theoretically, this aligns with the concept of organizational ethical culture, which

emphasizes the importance of consistency between stated values and actual practices (Kaptein, 2011). The findings also support the argument of Treviño, Weaver, and Reynolds (2006) that the effectiveness of a code of ethics depends on enforcement systems and leadership role modeling. Therefore, the implementation of Amanah at UBP Tello is not merely normative but has been integrated into supervisory and performance evaluation mechanisms, although reinforcement in individual discipline remains necessary.

**Implementation of the Competent Value through Training and Technological Adaptation.** The analysis reveals that the company systematically conducts training needs assessments at the beginning of each year, followed by mid-year evaluations. Each employee is required to participate in at least two training sessions annually, in addition to supplementary training programs. However, centralized budget limitations and rapid technological changes present challenges in competency development. From a human resource management perspective, competency enhancement is a key determinant of individual performance (Simanjuntak, 2005; Pusparani, 2021). These findings are consistent with Brown and Treviño (2006), who emphasize that ethical leadership and organizational support for capacity development foster positive work behavior. Furthermore, digital system upgrades and AI-based training in occupational health and safety (OHS) demonstrate adaptive responses to digital transformation. Methodologically, during the data display stage, the relationship between routine training and improved work reliability became evident through increased procedural compliance and higher task completion quality. Thus, the Competent value directly contributes to the quality and quantity dimensions of employee performance.

**Internalization of Harmonious and Loyal Values in Organizational Culture.** Observational findings indicate that workplace relationships at UBP Tello are grounded in open communication and cross-divisional collaboration. Employees demonstrate initiative in supporting one another regardless of ethnic, religious, or professional background. During the data verification stage, consistency between information from two informants and internal documents strengthened the finding that the Harmonious value has become embedded in the organizational culture. According to Schein (2010), organizational culture is formed through shared basic assumptions learned and practiced collectively within work groups. These findings suggest that harmony functions as a social mechanism that strengthens collaboration and reduces potential conflict. Meanwhile, the Loyal value is reflected in employees' dedication to completing tasks beyond regular working hours and in performance- and tenure-based reward systems. This aligns with Valentine and Fleischman (2008), who state that positive perceptions of corporate ethics enhance organizational commitment and job satisfaction, ultimately improving performance. Therefore, the Harmonious and Loyal values serve as mediating factors between the implementation of the code of conduct and improvements in work attitude and employee reliability.

**Adaptive and Collaborative Values as Drivers of Performance in Organizational Transformation.** Data analysis indicates that cross-functional job rotation is utilized as an organizational strategy to foster adaptive attitudes. Employees assigned to different divisions are required to adjust to new systems and work environments, thereby developing flexibility and responsiveness. The implementation of AI technology for OHS hazard prediction and the use of digital platforms such as Maximo and iTrack strengthen interdivisional collaboration. Within the framework of organizational change theory, adaptive capability is essential for sustaining performance in an era of disruption (Kaptein, 2011). These findings also support the view that organizations with strong ethical cultures are better prepared to respond to external environmental changes (Treviño et al., 2006). Based on the interactive analysis, the integration of Adaptive and Collaborative values leads to improved team effectiveness, accelerated task completion, and enhanced operational coordination. This is reflected in performance dimensions such as greater work precision, stable output quantity, and cooperative work attitudes.

**Overall Findings.** Overall, the findings demonstrate that the implementation of an AKHLAK-based code of conduct at PT PLN Indonesia Power UBP Tello significantly contributes to improving employee performance through: (1) strengthening discipline and integrity, (2)

continuous competency development, (3) fostering a harmonious and loyal work culture, and (4) adapting to technological changes and enhancing cross-divisional collaboration. The integration of formal systems (training, evaluation, and WBS) with informal cultural elements (open communication and workplace solidarity) constitutes a key factor in the successful implementation of the code of conduct in enhancing organizational performance.

## CONCLUSION

This study concludes that the implementation of an AKHLAK-based code of conduct at PT PLN Indonesia Power UBP Tello Makassar contributes significantly to improving employee performance through the consistent internalization of ethical values in daily work practices. The value of *Amanah* strengthens discipline and integrity through compliance with standard operating procedures (SOPs) and supervisory mechanisms such as the whistleblowing system; *Competent* enhances work quality and reliability through continuous training and technological adaptation; *Harmonious* and *Loyal* foster commitment and cross-divisional collaboration; while *Adaptive* and *Collaborative* reinforce organizational responsiveness to technological change and operational demands. The integration of formal systems (training, evaluation, and supervision) with informal cultural elements (open communication and workplace solidarity) explains how the code of conduct functions not merely as a normative document but as a practical instrument shaping work quality, quantity, reliability, and attitude.

Compared with prior studies emphasizing the relationship between ethics programs and job satisfaction or organizational commitment, this research demonstrates novelty by highlighting the operational implementation of AKHLAK values within the energy generation sector. The findings extend existing literature by showing that an internalized ethical culture not only prevents unethical behavior but also drives technical and operational performance. Accordingly, the consistent internalization of ethical values emerges as the primary determinant linking organizational culture, digital transformation, and sustainable performance improvement within the context of an Indonesian state-owned enterprise.

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