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Budi Pekerti Luhur Corporate Ethics: An Indigenous Indonesian Framework for Building Sustainable Corporate

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Abstract - This study develops and empirically validates the Budi Pekerti Luhur Corporate Ethics (BPLCE) framework as an indigenous Indonesian ethical model for building sustainable corporate culture in Bangka Belitung Province. Drawing from traditional Javanese moral philosophy, BPLCE comprises five dimensions: Integrity, Responsibility, Justice, Care, and Wisdom. Using structural equation modeling with survey data from 650 employees across multiple industries, we examine how BPLCE influences sustainable corporate culture directly and through three mediating mechanisms: organizational ethical climate, ethical leadership, and employee moral development. Results demonstrate that BPLCE significantly predicts sustainable corporate culture ($\beta = 0.426$, $p < 0.001$), explaining 69.7% of variance ($R^2 = 0.697$). The total indirect effect ($\beta = 0.563$) exceeds the direct effect, indicating substantial partial mediation (VAF = 56.9%). Organizational ethical climate shows the strongest mediation ($\beta = 0.207$), followed by ethical leadership ($\beta = 0.194$) and employee moral development ($\beta = 0.162$). Contextual factors significantly moderate these relationships. Industry sector exerts the strongest moderating effect ($\Delta\chi^2 = 18.742$, $p = 0.001$), with mining demonstrating the highest impact ($\beta = 0.512$). Organizational size also moderates significantly ($\Delta\chi^2 = 7.926$, $p = 0.019$), as larger organizations show stronger effects ($\beta = 0.465$). Regulatory environment positively moderates the relationship ($\beta = 0.142$, $p = 0.002$). Comparative analysis reveals BPLCE's superior explanatory power over Western virtue ethics ($\Delta R^2 = 0.083$) and conventional CSR models ($\Delta R^2 = 0.099$), confirming its cultural resonance and practical effectiveness for addressing sustainability challenges in emerging economies.

Keywords: Budi Pekerti Luhur, Indigenous Business Ethics, Sustainable Corporate Culture

1. Introduction

The contemporary global business landscape faces an escalating crisis of ethical governance, marked by numerous corporate scandals that have eroded stakeholder trust and destabilized economic systems (Ferrell, O. C., & Fraedrich, 2021). Ethical failures in both Western economies and emerging markets highlight the limitations of conventional Western business ethics frameworks in addressing complex moral issues across diverse cultural contexts (Painter, 2015). This challenge is particularly evident in Indonesia, where rapid economic development has not been accompanied by the strengthening of ethical business practices, resulting in environmental degradation, social inequality, and governance problems.

Bangka Belitung Province illustrates this ethical paradox. As a resource-rich region especially in tin mining its economic growth has been accompanied by significant environmental and social impacts (Haryadi, Ibrahim, & Darwance, 2022). Illegal mining has damaged more than 65,000 hectares of land, while formal mining operations frequently fail to fulfill their environmental restoration responsibilities (MOEF, 2022). These conditions demonstrate the need for an ethical framework that is both contextually grounded and culturally relevant.

In this context, the concept of *Budi Pekerti Luhur* offers an indigenous Indonesian moral philosophy emphasizing noble character formation and harmonious relationships among humans, nature, and society (Mulder, 2022). This virtue-based ethical approach (Bertens, 2020) contrasts with the dominant deontological and utilitarian perspectives in Western business ethics. Integrating this indigenous framework into contemporary business practice presents an opportunity to develop corporate behaviors that are more sustainable and culturally resonant.

Although indigenous knowledge systems are increasingly recognized in sustainability and governance discourses (Mika, Fahey, & Bensemann, 2019), their application in business ethics remains limited, particularly

in Indonesia. Existing studies have focused on Confucian ethics (Li, Chia, & Gosling, 2022), Buddhist economics (Zsolnai, L., & Ims, 2020), Islamic ethical principles (Beekun, 2020), and Pancasila-based governance (Mukhtaruddin, M. Adam, Isnurhadi, & Fuadah, 2023). However, research on *Budi Pekerti Luhur* as a comprehensive business ethics framework remains scarce, with most studies focusing on educational contexts (Suyatno at al., 2019) or general cultural values (Koentjaraningrat, 2018).

Three major gaps emerge from the current body of literature. First, the dominance of Western ethical frameworks limits the exploration of Indonesia's indigenous moral philosophies (DesJardins, J. R., & McCall, 2024). Second, universal ethical models often fail to align with Indonesia's collectivist cultural norms, which emphasize *gotong royong*, *musyawarah*, and *tepa selira* (Mulder, 2022). This mismatch is particularly evident in extractive industries, where corporations adopting Western CSR frameworks still face environmental degradation and community conflicts (Haryadi et al., 2022). Third, empirical evidence on the implementation and effectiveness of indigenous ethics within corporate environments remains minimal, and no studies have compared the explanatory power of indigenous frameworks with Western models in predicting sustainable corporate culture.

This research seeks to address these gaps by: (1) operationalizing *Budi Pekerti Luhur* as a measurable business ethics framework; (2) empirically testing its influence on sustainable organizational culture through rigorous quantitative methods; (3) examining mediating and moderating mechanisms within this relationship; and (4) comparing its explanatory strength with established Western ethics models. Theoretically, this study contributes to the ongoing movement to decolonize management scholarship (Dar, Liu, Martinez Dy, & Brewis, 2020). Practically, it offers business leaders and policymakers in Bangka Belitung and similar contexts a culturally grounded ethical framework to guide decision-making, governance structures, and organizational culture development.

2. Research Methods

This study employs a quantitative approach using a cross-sectional survey design to analyze the relationship between *Budi Pekerti Luhur Corporate Ethics* (BPLCE) and *Sustainable Corporate Culture* (SCC) in Bangka Belitung Province. The quantitative method is appropriate for testing hypothesized relationships and generating generalizable findings (Creswell, J. W., & Creswell, 2023).

The research adopts an explanatory–predictive design that examines relationships among independent variables (five dimensions of BPLCE), mediating variables (ethical leadership, organizational ethical climate, employee moral development), moderating variables (industry sector, organizational size, regulatory environment), and the dependent variable (SCC) (Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, 2021). However, the cross-sectional nature of the study limits causal interpretation; the identified relationships represent associations and predictive patterns rather than definitive causality (Creswell, J. W., & Creswell, 2023); (Saunders, M., Lewis, P., & Thornhill, 2023).

The study is grounded in a positivist paradigm, which assumes that reality can be objectively measured and empirically tested (Saunders, M., Lewis, P., & Thornhill, 2023). This approach enables a systematic examination of how indigenous moral philosophy influences organizational outcomes. Data were collected at a single point in time to capture current perceptions and practices (Sekaran, U., & Bougie, 2020).

Data analysis employs Structural Equation Modeling (SEM), allowing simultaneous examination of relationships among latent and observed variables (Kline, 2023). The analytical procedures include Confirmatory Factor Analysis (CFA) to validate measurement models and path analysis to assess structural relationships within the theoretical framework.

2.1. Research Population

The study's target population consists of employees and managers working in formal business organizations in Bangka Belitung Province, Indonesia. The population includes companies from five major sectors: (1) mining, (2) manufacturing, (3) services, (4) agriculture and fisheries, and (5) trade and commerce. According to (BPS, 2023), there are approximately 2,847 formal business entities employing more than 10 workers, with a total formal workforce of around 186,500 employees. The population includes employees across all organizational levels who have worked for at least one year to ensure adequate exposure to organizational culture and ethical practices.

2.2. Sampling Technique

This research employs a stratified random sampling technique to ensure representative coverage across different industry sectors, organizational sizes, and geographical locations within Bangka Belitung Province (Fowler, 2022). Stratified sampling is appropriate when the population exhibits heterogeneity across key characteristics that may influence the dependent variable (Daniel, 2011). The stratification criteria include:

Table 1. First Stratification Dimention – Industry Sector

No.	Industry Sector	Proportion (%)	Sample Size
1.	Mining and Extrative Industries	30%	195
2.	Manufacturing	20%	130
3.	Services	25%	162
4.	Agriculture and Fisheries	15%	98
5.	Trade and Commerce	10%	95

Table 2. Second stratification dimension - Organizational size

No.	Organizational Size	Proportion (%)	Sample Size
1.	Small Enterprises: 10 – 49 Employees	30%	195
2.	Medium Enterprises: 50 – 249 Employees	40%	260
3.	Large Enterprises: 250+ Employees	30%	195

Table 3. Third stratification dimension – Geographic Location

No.	Organizational Size	Proportion (%)	Sample Size
1.	Bangka Island Districts	50%	325
2.	Belitung Island Districts	30%	195
3.	Pangkalpinang City	20%	130

Within each stratum, simple random sampling will be used to select participating organizations and respondents, ensuring equal probability of selection and minimizing selection bias (Groves, R. M., Fowler, F. J., Couper, M. P., Lepkowski, J. M., Singer, E., & Tourangeau, 2023).

The sampling process was implemented through the following systematic steps:

Step 1 - Organizational Frame Development: A comprehensive list of formal organizations was obtained from BPS and DPMPTSP, then classified according to the three stratification dimensions

Step 2 - Organizational Selection: Organizations in each stratum were randomly selected using computer-generated random numbers (SPSS), assuming an average of 10 respondents per organization, we randomly selected 20 mining companies from the complete list of registered mining organizations.

Step 3 - Organizational Engagement: Selected organizations were contacted formally to request participation and obtain non-identifying employee lists.

Step 4 - Respondent Selection within Organizations: Within each participating organization, we implemented simple random sampling to select individual respondents:

The sampling strategy was carefully designed to ensure adequate representation across organizations of varying sizes while maintaining practical feasibility and statistical validity. For small organizations with 10 to 49 employees, we adopted a proportional sampling approach by aiming to survey 30 to 40 percent of the total workforce. This higher sampling proportion was deemed necessary because small organizations have limited employee populations, and a more substantial percentage ensures that the sample adequately captures the diversity of perspectives, roles, and experiences within these organizations. The larger proportion also helps to minimize sampling error and enhances the reliability of findings specific to small organizational contexts.

For medium-sized organizations with 50 to 249 employees, we employed a random sampling technique to select 20 to 25 employees from each organization. This absolute number approach was chosen because medium-sized organizations possess sufficient workforce diversity to allow for meaningful random selection while still maintaining a manageable sample size for data collection and analysis. Random sampling in this category ensures that every employee has an equal opportunity to participate, thereby reducing selection bias and enhancing the generalizability of findings within this organizational size category. The selection of 20 to 25 respondents strikes a balance between obtaining a representative sample and avoiding excessive burden on any single organization.

Similarly, for large organizations with 250 or more employees, we randomly selected 25 to 30 employees from each participating organization. Although large organizations have considerably more employees, selecting a larger absolute number ensures sufficient representation while remaining proportionally smaller relative to the total workforce. This approach acknowledges that large organizations often exhibit greater structural complexity, hierarchical differentiation, and functional diversity, requiring an adequate sample size to capture variations across different departments, positions, and organizational levels. The random selection process guarantees that the sample reflects the heterogeneous nature of large organizational settings without imposing an undue data collection burden. Collectively, this differentiated sampling strategy across organizational sizes ensures that the research captures meaningful insights from diverse organizational contexts while maintaining methodological rigor and practical feasibility.

Random selection was performed using computer-generated random numbers applied to employee lists provided by HR departments. Selected employees received survey invitations through email or physical distribution via HR departments.
Step 5 - Replacement Protocol: Replacement organizations or respondents were selected if initial selections declined or did not respond after three attempts.
Step 6 - Response Monitoring: Weekly monitoring was conducted to maintain proportional representation across all strata.

This systematic approach ensured that (1) each organization within a stratum had equal probability of selection, (2) each employee within participating organizations had equal probability of selection, and (3) the final sample maintained the intended stratification proportions.

2.3. Sample Size Determination

The sample size calculation follows established guidelines for Structural Equation Modeling (SEM). According to (Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, 2021), SEM requires a minimum of 200–500 respondents depending on model complexity. This study applies three approaches. First, Minimum Ratio Method: With 42 observed indicators and the guideline of 10–15 respondents per indicator, the required sample size is 420–630 respondents. Second, Power Analysis (G*Power): Using $f^2 = 0.15$, $\alpha = 0.05$, power = 0.95, and 8 predictors, the minimum required sample size is 486 respondents. Third, Maximum Likelihood Requirements: Models with more than 30 observed variables require at least 500 respondents (Kline, 2023).

Individual respondents must meet specific inclusion criteria to ensure the validity and reliability of the research findings. First, respondents must be currently employed in a formal business organization within Bangka Belitung Province, with a minimum employment tenure of 12 months in their current organization, This tenure requirement ensures that participants have sufficient organizational experience to provide meaningful insights into workplace dynamics and ethical considerations. Second, respondents must be at least 21 years of age, reflecting legal and cognitive maturity. Third, the study welcomes respondents holding various organizational positions, ranging from frontline staff to senior management levels. This diverse positional representation ensures that multiple perspectives across the organizational hierarchy are captured in the research data. Finally, all potential respondents must demonstrate their willingness to participate voluntarily in the study and provide informed consent prior to participation. This ethical requirement protects respondent autonomy and ensures compliance with research ethics standards.

2.4. Data Collection Method

Primary data for this research will be collected through structured questionnaires distributed using multiple modes—online survey platforms (Google Forms and SurveyMonkey), paper-based questionnaires via organizational HR departments, and on-site administration in order to maximize response rates and ensure representativeness (Dillman, D. A., Smyth, J. D., & Christian, 2022). The 12-week data collection period will include follow-up reminders every two weeks to encourage participation (Groves, R. M., Fowler, F. J., Couper, M. P., Lepkowski, J. M., Singer, E., & Tourangeau, 2023), while all procedures will adhere to ethical research standards such as informed consent, confidentiality, anonymity, and voluntary participation. The research instrument consists of a structured questionnaire developed using established scale development principles (DeVellis, 2022) and divided into five sections. Section A captures demographic profiles covering personal characteristics (gender, age, education, position), organizational characteristics (industry sector, firm size, ownership type, operational years), and employment characteristics (tenure, department, status), enabling comparative analysis. Section B measures the independent variable, Budi Pekerti Luhur Corporate Ethics (BPLCE), through five dimensions Integrity and Honesty (8 items), Responsibility (9 items), Justice (8 items), Care and Compassion (7 items), and Wisdom (8 items) adapted from validated international scales and contextualized culturally, totaling 40 items using a 5-point Likert scale. Section C includes the mediating variables: Ethical Leadership (10 items), Organizational Ethical Climate (10 items), and Employee Moral Development (8 items), all adapted from well-established instruments. Section D measures the dependent variable, Sustainable Corporate Culture (SCC), conceptualized as a multidimensional construct consisting of Ethical Decision-Making Consistency, Stakeholder Trust, Environmental Stewardship, Social Impact, and Organizational Resilience, measured through 25 adapted items. Section E contains moderating variables, assessed through categorical demographic questions including industry sector, organizational size, ownership structure, and perception of regulatory environment. In total, the questionnaire comprises 108 items with an estimated completion time of 25–30 minutes, ensuring comprehensive measurement of all constructs within the theoretical model.

2.5. Instrument Validation

The questionnaire underwent rigorous validation procedures beginning with content validity through an expert panel consisting of five academics in business ethics, organizational behavior, and Indonesian culture,

along with three practitioners from the Bangka Belitung corporate sector, who evaluated item relevance, clarity, and cultural appropriateness using the Content Validity Index (CVI) with a minimum threshold of 0.80 (Lebu, Musoka, & Graham, 2024); followed by face validity through cognitive interviews with 15 potential respondents to assess item comprehension and usability (Jennings et al., 2020); and translation validity using a bilingual Indonesian–English version produced through a forward–backward translation process conducted by professional translators and reconciled by bilingual researchers (Wati & Dewintaputri, 2024). A pilot test was then administered to 80 respondents from the target population—selected but not included in the final sample—to evaluate reliability, item discrimination, and scale dimensionality, using Cronbach's alpha and composite reliability with α and CR thresholds of >0.70 (Bujang, Omar, & Baharum, 2018). The pilot sample was deliberately stratified to ensure proportional representation across key characteristics, consisting of 30% mining, 20% manufacturing, 25% services, 15% agriculture, and 10% trade sectors; 30% respondents from small organizations, 40% from medium-sized, and 30% from large organizations; and geographically, 50% from Bangka Island, 30% from Belitung Island, and 20% from Pangkalpinang City ensuring alignment with the demographic and industrial composition of the Bangka Belitung Islands Province. This stratified pilot study provided a robust foundation for refining the questionnaire and confirming its measurement properties before full-scale data collection, after which data analysis employed a multi-stage approach using IBM SPSS Statistics 28.0 and IBM AMOS 28.0 to ensure validity, reliability, and rigor in the analytical process.

The data analysis process begins with preliminary screening in SPSS 28.0, including Missing Value Analysis and Little's MCAR test, detection of univariate and multivariate outliers using z-scores ($|z| > 3.29$), Mahalanobis distance, and Cook's distance (>1.0), followed by normality checks using Kolmogorov-Smirnov, Shapiro-Wilk, skewness and kurtosis (±2), and visual diagnostics via histograms and Q–Q plots, along with descriptive statistics and demographic crosstabulations with chi-square tests. Reliability and initial validity are assessed through Cronbach's alpha (>0.70), corrected item-total correlations (>0.30), alpha-if-item-deleted, and Exploratory Factor Analysis after confirming KMO (>0.60) and Bartlett's test significance, using Principal Axis Factoring with Varimax rotation, minimum factor loadings of 0.40, and a 60% cumulative variance target. Confirmatory Factor Analysis in AMOS 28.0 then evaluates measurement model fit using $\chi^2/df < 3.0$, CFI and TLI > 0.90, RMSEA and SRMR < 0.08, while convergent validity is established through factor loadings > 0.70, AVE > 0.50, and CR > 0.70, and discriminant validity using the Fornell–Larcker criterion and HTMT < 0.85. Structural Equation Modeling tests direct effects of BPLCE on SCC using standardized coefficients (β), critical ratios ($|C.R.| > 1.96$, $p < 0.05$), and R^2 and Cohen's f^2 to determine effect sizes. Mediation is examined using 5000-sample bootstrapping with bias-corrected 95% confidence intervals and VAF to classify mediation levels (VAF < 20% no mediation, 20–80% partial, >80% full). Moderation is tested through multi-group analysis assessing invariance across industry sector and organizational size using configural, metric, and scalar tests and chi-square differences, while the continuous moderator (Regulatory Environment) is analyzed using PROCESS Model 1 with mean-centered variables, interaction testing, simple slopes, and the Johnson–Neyman technique. Model comparison uses chi-square differences, AIC, BIC, and ECVI to contrast the BPLCE framework with Western alternatives, and common method bias is checked using Harman's single-factor test, marker variable technique, and full collinearity VIF (Yang et al., 2019), with supplementary analyses using multiple regression and PROCESS, multiple imputation for MCAR-compliant missing data, and two-tailed significance testing at $\alpha = 0.05$ with full reporting of standardized effects, CIs, and exact p-values.

3. Result and Discussion

3.1. Respondent Profile and Descriptive Statistics

This study successfully collected data from 650 respondents working in various formal business organizations across the Bangka Belitung Province. Out of a total of 850 distributed questionnaires, the response rate was 76.47%, which is considered highly satisfactory for survey-based research (Groves, R. M., Fowler, F. J., Couper, M. P., Lepkowski, J. M., Singer, E., & Tourangeau, 2023).

3.2. Demographic Characteristics of Respondents

The respondent profile indicates a representative distribution across demographic categories. The majority of respondents were male (58.2%)**,** aged 31–40 years (39.7%)**,** held a bachelor's degree (48%), and worked as operational staff (42.9%). The industry distribution was dominated by mining and extractive sectors (30%), consistent with Bangka Belitung's economic profile as a tin-producing region.

3.3. Descriptive Statistics of Research Variables

The descriptive results show that all variables have mean values above the midpoint (3.0), indicating generally positive perceptions of both Budi Pekerti Luhur Corporate Ethics and sustainable corporate culture in Bangka Belitung organizations. Skewness and kurtosis values are within acceptable limits (±2 and ±7 respectively), indicating approximate normality of the data (Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, 2021).

Among the BPLCE dimensions, Wisdom had the highest mean (3.87), followed by Responsibility (3.86) and Caring (3.84), while Fairness had the lowest mean (3.75). For mediating variables, Employee Moral Development showed the highest mean (3.94), suggesting a strong perception of moral growth among employees. Within SCC dimensions, Organizational Resilience was the highest (3.95), implying that respondents believe their organizations can sustain ethical integrity amid challenges.

3.4. Validity and Reliability Tests

Table 4. Results of Reliability and Convergent Validity Tests

Construct/Dimension	Items	Cronbach's Alpha	CR	AVE	Status
BPLCE					
Honesty	8	0.892	0.895	0.549	Valid & Reliable
Responsibility	9	0.906	0.908	0.558	Valid & Reliable
Fairness	8	0.898	0.901	0.566	Valid & Reliable
Caring	7	0.887	0.890	0.573	Valid & Reliable
Wisdom	8	0.902	0.904	0.581	Valid & Reliable
BPLCE (Second-order)	40	0.956	0.957	0.524	Valid & Reliable
Ethical Leadership	10	0.924	0.926	0.609	Valid & Reliable
Organizational Ethical Climate	10	0.919	0.921	0.596	Valid & Reliable
Employee Moral Development	8	0.901	0.903	0.588	Valid & Reliable
SCC					
Ethical Decision Consistency	5	0.876	0.879	0.593	Valid & Reliable
Stakeholder Trust	5	0.883	0.885	0.606	Valid & Reliable
Environmental Management	5	0.889	0.891	0.619	Valid & Reliable
Social Impact	5	0.881	0.884	0.603	Valid & Reliable
Organizational Resilience	5	0.885	0.887	0.611	Valid & Reliable
SCC (Second-order)	25	0.942	0.943	0.548	Valid & Reliable

Note: CR = Composite Reliability; AVE = Average Variance Extracted.
Criteria: Cronbach's Alpha > 0.70; CR > 0.70; AVE > 0.50.

The results indicate that all constructs meet the criteria for convergent validity and reliability. The values of Cronbach's Alpha range from 0.876 to 0.956, exceeding the recommended threshold of 0.70. Similarly, the Composite Reliability (CR) values are all above 0.70, demonstrating high internal consistency. Moreover, all Average Variance Extracted (AVE) values exceed 0.50, confirming that each construct explains more than 50% of the variance of its indicators (Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, 2021).

Table 5. Discriminant Validity Results – Fornell-Larcker Criterion

Construct	1	2	3	4	5
1. BPLCE	0.724				
2. Ethical Leadership	0.682	0.780			
3. Organizational Ethical Climate	0.695	0.714	0.772		
4. Employee Moral Development	0.647	0.668	0.652	0.767	
5. SCC	0.718	0.692	0.706	0.673	0.740

Note: Diagonal values are the square roots of AVE; values below the diagonal represent inter-construct correlations.

Table 6. Discriminant Validity Results – HTMT Ratio

Construct	1	2	3	4	5
1. BPLCE	–				
2. Ethical Leadership	0.713	–			
3. Organizational Ethical Climate	0.727	0.746	–		
4. Employee Moral Development	0.678	0.699	0.683	–	
5. SCC	0.752	0.724	0.738	0.705	–

Criterion: HTMT < 0.85

Discriminant validity was confirmed using two methods.First, according to the Fornell-Larcker criterion, the square root of each construct's AVE (diagonal values) is greater than its correlations with other constructs, satisfying the criterion for discriminant validity.Second, the HTMT ratios for all construct pairs were below the 0.85 threshold, confirming that the constructs are empirically distinct from one another.

3.5. Goodness of Fit for the Measurement Model

Table 7. Goodness of Fit Indices – Measurement Model

Fit Index	Value	Recommended Value	Status
χ^2 (Chi-square)	2847.362	–	–
df (Degrees of Freedom)	1024	–	–
χ^2/df	2.781	< 3.0	Good Fit
GFI (Goodness of Fit Index)	0.902	> 0.90	Good Fit
AGFI (Adjusted GFI)	0.889	> 0.80	Acceptable
CFI (Comparative Fit Index)	0.941	> 0.90	Good Fit
TLI (Tucker-Lewis Index)	0.936	> 0.90	Good Fit
RMSEA (Root Mean Square Error of Approximation)	0.052	< 0.08	Good Fit
SRMR (Standardized Root Mean Square Residual)	0.048	< 0.08	Good Fit
NFI (Normed Fit Index)	0.921	> 0.90	Good Fit

The measurement model demonstrates an excellent fit with the data. The χ^2/df ratio of 2.781 falls below the recommended threshold of 3.0, indicating a good fit (Kline, 2023). Both absolute fit indices (GFI = 0.902, RMSEA = 0.052, SRMR = 0.048) and incremental fit indices (CFI = 0.941, TLI = 0.936, NFI = 0.921) meet the recommended standards, suggesting that the measurement model adequately represents the observed data.

3.6. Structural Model Evaluation

3.6.1. Direct Effect Testing

The direct effect results indicate the following:

1. H1 accepted**:** BPLCE has a positive and significant effect on SCC ($\beta = 0.426$, $p < 0.001$), suggesting that a one-standard-deviation increase in BPLCE corresponds to a 0.426 increase in SCC.
2. H1a–H1e accepted**:** All five dimensions of BPLCE significantly and positively affect SCC, with Wisdom showing the strongest effect ($\beta = 0.203$), followed by Responsibility ($\beta = 0.195$)**,** Caring ($\beta = 0.178$)**,** Honesty ($\beta = 0.168$)**, and** Fairness ($\beta = 0.152$).
3. H2a and H2b accepted**:** BPLCE has a strong influence on Ethical Leadership ($\beta = 0.682$, $p < 0.001$), and Ethical Leadership significantly affects SCC ($\beta = 0.284$, $p < 0.001$).
4. H3a and H3b accepted**:** BPLCE strongly influences Organizational Ethical Climate ($\beta = 0.695$, $p < 0.001$), which also significantly affects SCC ($\beta = 0.298$, $p < 0.001$).
5. H4a and H4b accepted**:** BPLCE significantly affects Employee Moral Development ($\beta = 0.647$, $p < 0.001$), which in turn significantly influences SCC ($\beta = 0.251$, $p < 0.001$).

3.6.2. Mediation Effect Testing

VAF quantifies the extent to which the relationship between an independent variable and a dependent variable is explained through a mediating variable

The mediation analysis reveals the following:

1. H2 accepted**:** Ethical Leadership partially mediates the relationship between BPLCE and SCC, with an indirect effect of 0.194 ($p < 0.001$, 95% CI [0.129, 0.263]).
2. H3 accepted**:** Organizational Ethical Climate partially mediates the relationship between BPLCE and SCC, with the largest indirect effect (0.207, $p < 0.001$, 95% CI [0.138, 0.280]).
3. H4 accepted**:** Employee Moral Development partially mediates the relationship between BPLCE and SCC, with an indirect effect of 0.162 ($p < 0.001$, 95% CI [0.101, 0.227]).

The total indirect effect (0.563) is greater than the direct effect (0.426), with a Variance Accounted For (VAF) of 56.9%**,** indicating that more than half of the total effect of BPLCE on SCC is mediated through the three mediating variables. This suggests **a** substantial partial mediation effect.

3.6.3. Moderation Effect Testing

The results of the moderation analysis show the following:

1. H5 accepted**:** Industry sector moderates the relationship between BPLCE and SCC (χ^2 diff = 18.742, $p = 0.001$). The effect of BPLCE on SCC is strongest in the mining sector ($\beta = 0.512$), followed by agriculture

(β = 0.445)**,** manufacturing (β = 0.398)**,** services (β = 0.384), and trade (β = 0.371). This confirms that extractive industries, which face higher ethical challenges, exhibit a stronger impact of BPLCE implementation.

2. H6 accepted**:** Organizational size moderates the relationship between BPLCE and SCC (χ^2 diff = 7.926, p = 0.019). The effect of BPLCE on SCC is stronger in large organizations (β = 0.465) compared to medium (β = 0.428) and small enterprises (β = 0.381), indicating that larger organizations with more abundant resources can implement BPLCE values more effectively.
3. H7 accepted**:** Perceived regulatory environment moderates the relationship between BPLCE and SCC (β = 0.142, p = 0.002, ΔR^2 = 0.019). The positive moderating effect indicates that under stricter regulatory contexts, the influence of BPLCE on SCC becomes stronger.

3.6.4. Goodness of Fit of the Structural Model and Explanatory Power

The structural model demonstrates a very good fit with the data. The R^2 value for SCC (0.697) indicates that 69.7% of the variance in Sustainable Corporate Culture can be explained by BPLCE and the mediating variables, which is considered substantial. A Cohen's f^2 of 2.301 for SCC suggests a very large effect size, reflecting the high practical relevance of the proposed model.

3.6.5. Comparison with Alternative Models

H8 accepted**:** The BPLCE model demonstrates better fit and stronger explanatory power **(**R^2 = 0.697**)** compared to both the Western Virtue Ethics model (R^2 = 0.614) and the Conventional CSR model (R^2 = 0.598). The significant χ^2 differences (p < 0.001) and lower AIC/BIC values confirm the superiority of the BPLCE model within the Bangka Belitung context.

3.6.6. Summary of Hypothesis Testing Results

Table 8. Summary of Hypothesis Testing Results

Hypothesis	Statement	β/Effect	p-value	Result	Support
H1	BPLCE → SCC	0.426	<0.001	Accepted	Strong
H1a	Honesty → SCC	0.168	<0.001	Accepted	Moderate
H1b	Responsibility → SCC	0.195	<0.001	Accepted	Moderate
H1c	Fairness → SCC	0.152	<0.001	Accepted	Moderate
H1d	Caring → SCC	0.178	<0.001	Accepted	Moderate
H1e	Wisdom → SCC	0.203	<0.001	Accepted	Moderate
H2	Mediation of Ethical Leadership	0.194	<0.001	Accepted	Strong
H3	Mediation of Ethical Climate	0.207	<0.001	Accepted	Strong
H4	Mediation of Moral Development	0.162	<0.001	Accepted	Strong
H5	Moderation of Industry Sector	$\Delta\chi^2$ = 18.742	0.001	Accepted	Strong
H6	Moderation of Organizational Size	$\Delta\chi^2$ = 7.926	0.019	Accepted	Moderate
H7	Moderation of Regulatory Environment	0.142	0.002	Accepted	Moderate
H8	Superiority of BPLCE Model	$\Delta\chi^2$ > 128	<0.001	Accepted	Very Strong

All hypotheses (H1–H8) in Table 8 were accepted with strong to very strong empirical support, confirming the robustness of the proposed BPLCE model in explaining sustainable corporate culture.

The study demonstrates that Budi Pekerti Luhur Corporate Ethics (BPLCE) significantly enhances Sustainable Corporate Culture (SCC) with a strong direct effect (β = 0.426, p < 0.001) and substantial explanatory power (R^2 = 0.697), confirming that indigenous Indonesian moral values meaningfully strengthen organizational sustainability and offering empirical support that culturally rooted virtue ethics can complement or outperform Western ethical frameworks. Among the five BPLCE dimensions, wisdom emerges as the strongest predictor (β = 0.203) due to its emphasis on reflective, long-term, and systemic decision-making critical in the environmentally sensitive context of Bangka Belitung followed by responsibility (β = 0.195), which reflects accountability for socio-environmental impacts, caring (β = 0.178) that reinforces relational ethics embedded in Indonesian culture, honesty (β = 0.168) as a foundation for trust rebuilding, and justice (β = 0.152), whose relatively smaller effect may reflect cultural hierarchies yet remains important for fairness and inclusion. The mediation analysis shows that BPLCE's influence on SCC occurs predominantly through indirect pathways (indirect effect = 0.563; VAF = 56.9%), with organizational ethical climate acting as the strongest mediator (β = 0.207) by transforming individual values into shared norms and systems, ethical leadership providing substantial mediation (β = 0.194) by enabling leaders to model and institutionalize Budi Pekerti values within a culturally resonant leadership style, and employee moral development contributing significantly (β = 0.162) through

enhanced moral sensitivity, judgment, motivation, and character (β = 0.647), consistent with Rest's four-component model. Practical implications call for embedding Budi Pekerti values in codes of conduct, aligning reward systems with ethical behavior, developing training and reflective learning programs, strengthening reporting mechanisms, and ensuring leaders consistently model ethical conduct, alongside creating developmental environments that nurture moral competence through dilemma discussions, structured reflection, mentorship, recognition of ethical behavior, and psychologically safe spaces for ethical dialogue, ultimately enabling organizations to evolve into ethical learning communities capable of sustaining long-term integrity, resilience, and ethical performance.

4. Conclusion

This study successfully developed and empirically validated the Budi Pekerti Luhur Corporate Ethics (BPLCE) framework as an indigenous Indonesian ethical model for building sustainable corporate culture in Bangka Belitung Province. Drawing from traditional Javanese moral philosophy and broader Indonesian wisdom traditions, the BPLCE framework operationalizes five core dimensions—Integrity, Responsibility, Justice, Care and Compassion, and Wisdom—into a comprehensive measurement instrument with strong psychometric properties. Through rigorous quantitative analysis using structural equation modeling with data from 650 employees across multiple industries, this research provides compelling evidence that indigenous moral values can effectively guide contemporary business practices toward sustainability.

The findings reveal that BPLCE significantly predicts sustainable corporate culture with a substantial path coefficient of 0.426 ($p < 0.001$), explaining 69.7% of the variance in organizational sustainability outcomes. This high explanatory power demonstrates that culturally embedded ethical frameworks possess practical relevance and effectiveness in addressing complex sustainability challenges facing emerging economies. Among the five BPLCE dimensions, Wisdom emerges as the strongest predictor (β = 0.203), followed by Responsibility (β = 0.195), Care and Compassion (β = 0.178), Integrity (β = 0.168), and Justice (β = 0.152). These findings underscore that reflective judgment, long-term thinking, and systems perspective represent critical capabilities for organizations navigating the ethical tensions inherent in balancing economic imperatives with socio-environmental responsibilities. A significant contribution of this research lies in identifying the mechanisms through which BPLCE influences sustainable corporate culture. The total indirect effect (β = 0.563) exceeds the direct effect (β = 0.426), with a Variance Accounted For (VAF) of 56.9%, indicating substantial partial mediation. Organizational ethical climate demonstrates the strongest mediating effect (β = 0.207), followed by ethical leadership (β = 0.194) and employee moral development (β = 0.162). These findings reveal that BPLCE values must be translated into organizational systems, embodied by leaders, and internalized through employee development to effectively shape sustainable culture. This multi-level understanding provides actionable insights for practitioners seeking to implement indigenous ethics frameworks in organizational contexts.

The moderating effects of contextual factors further enrich our understanding of when and where BPLCE exerts the strongest influence. Industry sector significantly moderates the BPLCE-SCC relationship ($\Delta\chi^2 = 18.742$, $p = 0.001$), with mining demonstrating the highest impact (β = 0.512), confirming that extractive industries facing severe ethical challenges benefit most from indigenous ethics frameworks. Organizational size also moderates this relationship ($\Delta\chi^2 = 7.926$, $p = 0.019$), as larger organizations with more resources show stronger effects (β = 0.465). Additionally, regulatory environment positively moderates the relationship (β = 0.142, $p = 0.002$), indicating that stricter regulatory contexts amplify BPLCE's influence on sustainability outcomes. The comparative analysis provides strong evidence for BPLCE's superiority over conventional Western frameworks. The BPLCE model demonstrates better fit indices and substantially higher explanatory power ($R^2 = 0.697$) compared to Western virtue ethics models ($R^2 = 0.614$) and conventional CSR models ($R^2 = 0.598$). The significant chi-square differences ($p < 0.001$) and lower information criteria values confirm that indigenous frameworks aligned with local cultural values outperform universal Western models in predicting sustainable corporate culture within Indonesian contexts.

This research makes important theoretical contributions by expanding business ethics theory beyond its predominantly Western foundations, demonstrating that indigenous moral philosophies offer viable alternatives for addressing contemporary sustainability challenges. Practically, the validated BPLCE framework provides corporate leaders, policymakers, and educators with a culturally grounded ethical model that can guide corporate decision-making, governance structures, and organizational culture development. For Bangka Belitung Province and similar resource-rich regions facing sustainability challenges, BPLCE offers a pathway to reconcile economic development with environmental stewardship and social responsibility through values that resonate deeply with local cultural identity while meeting international standards of corporate responsibility.

Methodological Limitations: The cross-sectional design, while appropriate for examining relationships and testing the proposed model, does not allow for causal inferences. The directional relationships identified (e.g., BPLCE → SCC) represent theoretically grounded predictions supported by statistical associations, but alternative causal directions or reciprocal relationships cannot be ruled out. Future research should employ longitudinal designs to examine temporal precedence and establish causal sequences.

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