

THE INFLUENCE OF WORK ETHIC AND ORGANIZATIONAL CULTURE ON EMPLOYEE INTEGRITY WITH COMPENSATION AS AN INTERVENING VARIABLE AT THE REGIONAL FINANCE AND ASSET AGENCY OF NORTH SUMATRA PROVINCE

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Abstract

This study aims to analyze the influence of work ethic and organizational culture on employee integrity with compensation as an intervening variable at the Regional Finance and Asset Agency of North Sumatra Province. The research approach used is quantitative with a survey method by distributing questionnaires to employees as respondents. The sample was determined using a purposive sampling technique to ensure that the data obtained is relevant to the research objectives with a total of 80 respondents. The collected data were analyzed using path analysis techniques to determine the direct and indirect effects between variables. The results of the study indicate that work ethic and organizational culture, both directly and indirectly, have a positive and significant effect on employee integrity and through compensation. In addition, compensation has a positive and significant effect on employee integrity. Work ethic also has a positive and significant effect on employee integrity, but organizational culture has a positive but insignificant effect on employee integrity. Thus, compensation is proven to mediate the influence of work ethic and organizational culture on employee integrity. The findings of this study are expected to be input for management in improving employee integrity through strengthening work ethic, implementing a positive organizational culture, and providing fair and appropriate compensation.

Keywords: *Work Ethic, Organizational Culture, Compensation, Employee Integrity.*

INTRODUCTION

In the era of bureaucratic reform and good governance, employee integrity is one of the important elements in supporting the professionalism and accountability of public agency performance. Especially in strategic agencies such as the Regional Finance and Asset Agency, employee integrity is the main foundation in realizing transparent and responsible regional financial management. One of the factors believed to contribute to employee integrity is work ethic. Employees with a high work ethic will demonstrate an honest, disciplined, responsible, and diligent work attitude in completing their tasks. According to Sinambela (2021), "work ethic is a set of positive attitudes towards work that are demonstrated through responsibility, commitment, and sincerity in completing tasks." This means that the higher the work ethic, the greater the employee's contribution to achieving organizational goals in a dignified and ethical manner.

In addition to work ethic, organizational culture also has a significant influence in shaping employee behavior. A strong and positive organizational culture can foster a sense of belonging and alignment of values between individuals and the organization. Robbins and Judge (2017) state that "organizational culture is a system of shared meanings held by members of an organization that distinguishes the organization from other organizations." With a positive organizational culture, integrity values such as honesty, responsibility, and openness can be consistently embedded in the work environment. However, the contribution of work ethic and organizational culture to employee integrity does not stand alone. Compensation is also an important variable that can strengthen the relationship. Fair and appropriate compensation will increase employee job satisfaction, loyalty, and motivation to maintain integrity in working. According to Hasibuan (2018), "compensation is all remuneration received by employees in return for their contribution to the organization." Proper compensation is not only a form of

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appreciation, but also encourages employees to maintain ethical and responsible behavior. Considering the importance of the role of work ethic, organizational culture, and compensation in shaping employee integrity, this study was conducted to empirically analyze the influence of work ethic and organizational culture on employee integrity, with compensation as an intervening variable at the Regional Finance and Asset Agency of North Sumatra Province. The results of this study are expected to provide strategic recommendations for strengthening HR governance in the regional government environment.

LITERATURE REVIEW

1. Employee Integrity

a) Understanding Employee Integrity

According to Robbins and Judge (2017), integrity in an organization is a dimension of personality and work behavior that shows the level of consistency between words and actions, as well as compliance with the ethical and moral values of the organization.

b) Employee Integrity Indicators according to Robbins & Judge (2017)

1) Honesty

Employees are honest in words and actions, do not commit fraud, and do not hide important information at work.

2) Responsibility

Employees are responsible for every decision and task they are given, and do not look for scapegoats if mistakes occur.

3) Compliance with Values and Rules

Consistently carry out work in accordance with organizational rules, codes of ethics, and applicable laws.

4) Behavior Consistency

The employee displays a stable attitude, not changing depending on who he is dealing with or the particular situation.

5) Commitment to Truth and Justice

Be fair in making decisions and be willing to stand up for the truth even if it is unpopular.

2. Compensation

a) Definition of Compensation

According to Hasibuan (2017), compensation is all income in the form of money, goods, directly or indirectly received by employees as compensation for services provided to the company.

b) Compensation Indicators

According to Hasibuan (2017) the indicators of compensation are:

1) Basic salary

Fixed compensation received by employees based on job level.

2) Allowance

Additional benefits such as health benefits, transportation, meals, and housing.

3) Incentive

Rewards based on work performance or productivity.

4) Work Facilities

Provision of facilities such as vehicles, laptops, or other facilities that support work.

3. Organizational culture

a) Understanding Organizational Culture

Robbins and Judge (2017) organizational culture is a system of shared meaning held by members of an organization that distinguishes the organization from other organizations. This culture includes values, norms, and practices that develop and are maintained within the organization.

b) Organizational Culture Indicators

According to Robbins and Judge (2017) the indicators of organizational culture are:

1) Innovation and Risk Taking

The extent to which employees are encouraged to innovate and take risks in their work.

2) Attention to Detail

The level of accuracy, precision, and accuracy that is valued by the organization.

3) Results Orientation

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- The extent to which an organization focuses on outcomes versus processes.
- 4) People Orientation
The level of attention the organization pays to the impact of decisions on organizational members.
- 1) Team Orientation
The extent to which work is organized more around teams than individuals.
- 2) Aggressiveness
The level of aggressiveness or competition within the organization.
- 3) Stability
The extent to which an organization's activities maintain the status quo as opposed to growth.
- 4. Work ethic
 - a) Understanding Work Ethic
Sutrisno (2021) work ethic is a person's enthusiasm and positive attitude towards work which reflects responsibility, discipline, and integrity to achieve optimal work results.
 - b) Work Ethic Indicator
According to Sutrisno (2021), the indicators of work ethic are:
 - 1) Discipline at work
 - 2) Responsibility for tasks
 - 3) Perseverance and patience
 - 4) Commitment to work
 - 5) High work spirit
 - 6) Integrity and honesty in work

B. Conceptual Framework

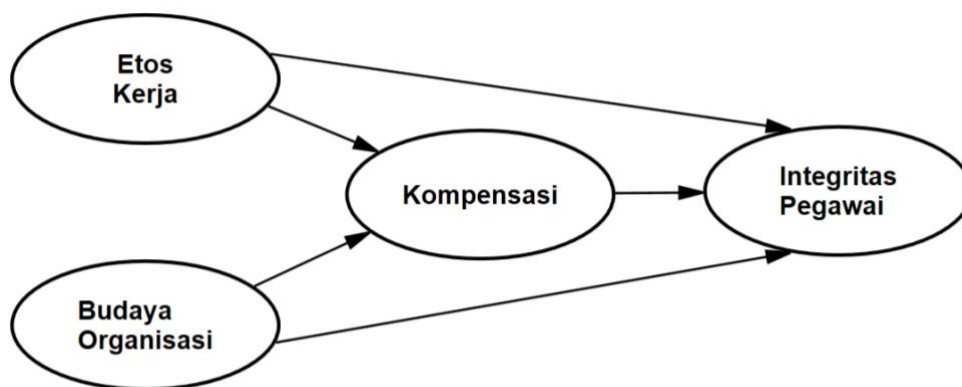


Figure 1. Conceptual Framework

Research Hypothesis

- H1: Work ethic has a positive and significant influence on employee integrity at the Regional Finance and Asset Agency of North Sumatra Province.
- H2: Work ethic has a positive and significant effect on competence at the Regional Finance and Asset Agency of North Sumatra Province.
- H3: Organizational culture has a positive and significant influence on employee integrity at the Regional Finance and Asset Agency of North Sumatra Province.
- H4: Organizational culture has a positive and significant effect on compensation at the Regional Finance and Asset Agency of North Sumatra Province.
- H5: Compensation has a positive and significant effect on employee integrity at the Regional Finance and Asset Agency of North Sumatra Province.
- H6: Work ethic has a positive and significant effect on employee integrity through compensation at the Regional Finance and Asset Agency of North Sumatra Province.
- H7: Organizational culture has a positive and significant influence on employee integrity through compensation at the Regional Finance and Asset Agency of North Sumatra Province.

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RESEARCH METHOD

Types of research

The type of research used by the researcher is quantitative research. This type of quantitative research is conducted to create a study that aims to adjust a study and to analyze Work Ethic and Organizational Culture on Employee Integrity with Compensation as an Intervening Variable at the Financial and Regional Asset Agency of North Sumatra Province.

Research Location and Research Time

The location of the research was conducted at the Regional Finance and Asset Agency of North Sumatra Province, located at Jl. Jl. Imam Bonjol No. 61, Suka Damai, Medan 20142. The research period was carried out for 3 months, starting from April to June 2025.

Population and Sample

The population and sample in this study were all permanent employees at the Financial and Regional Asset Agency of North Sumatra Province. The number of employees at the Financial and Regional Asset Agency of North Sumatra Province is 135 employees, with details: 80 ASN employees and 55 people as honorary workers. In this study, samples were taken only from ASN employees as many as 80 people.

Research Data Sources

The data sources used in this study are primary data.

RESULTS AND DISCUSSION

Outer Model Analysis

Outer Model Analysis muse *PLS Algorithm*, produce:

1) Validity Test

Table 1. Values Outer Loadings

	Organizational culture	Work ethic	Employee Integrity	Compensation
X1.1		0.828		
X1.2		0.925		
X1.3		0.927		
X1.4		0.929		
X1.5		0.911		
X1.6		0.887		
X2.1	0.896			
X2.2	0.785			
X2.3	0.721			
X2.4	0.819			
Y.1			0.872	
Y.2			0.837	
Y.3			0.878	
Y.4			0.853	
Z.1				0.872
Z.2				0.832
Z.3				0.853
Z.4				0.798

Source: Smart PLS Output, 2025

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Based on the values in Table 1 above, it shows the results of testing the outer model through the loading factor value /outer loadings, all indicators in each variable have a loading value ≥ 0.70 . This shows that each indicator is able to represent the construct being measured validly and strongly. Therefore, it can be concluded that all items in the questionnaire have met the convergent validity criteria and can be used in further analysis. For more details, the above values can also be seen in the following figure.

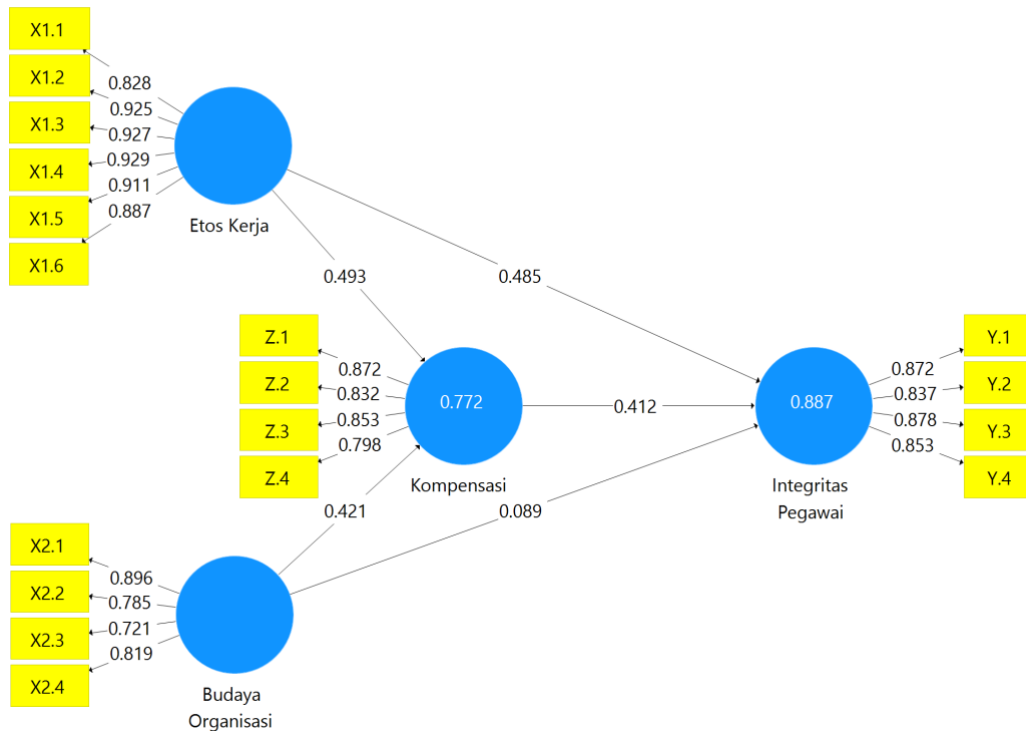


Figure 1. Outer Loudings

In this study there is an equation and the equation consists of two substructures for substructure 1:

$$Z = \beta_1 X_1 + \beta_2 X_2 + e_1$$

$$Z = 0.493 X_1 + 0.421 X_2 + e_1$$

For substructure 2:

$$Y = \beta_2 X_1 + \beta_3 X_2 + \beta_3 Z + e_2$$

$$Y = 0.485 X_1 + 0.089 X_2 + 0.412 Z + e_2$$

2) Reliability Test

Table 2. Construct Reliability and Validity Test

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Organizational culture	0.819	0.822	0.882	0.652
Work ethic	0.954	0.958	0.963	0.813
Employee Integrity	0.883	0.885	0.919	0.740
Compensation	0.860	0.860	0.905	0.705

Source: Smart PLS Output, 2025

From Table 2 above, the results of the reliability test show that the Cronbach's Alpha and Composite Reliability values for all constructs have values above 0.70. This shows that all indicators have high internal consistency and can be relied on to measure their respective constructs. Thus, the research instrument is declared reliable and suitable for use in testing the structural model.

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Structural Model Testing (Inner Model)

Inner model or structural model testing is conducted to see the relationship between constructs, significance values and R-square of the research model. The structural model is evaluated using R-square for the dependent construct.

1) Coefficient of Determination (R²)

In assessing the model with PLS, it starts by looking at the R-square for each dependent latent variable. The table below is the result of R-square estimation using SmartPLS.

Table 3. R Square Results

	R Square	R Square Adjusted
Employee Integrity	0.887	0.883
Compensation	0.772	0.766

Source: Smart PLS, 2025

In table 3 there is an R square value on both dependent variables for the compensation variable there is an R square value of 0.772 meaning that the influence of work ethic and organizational culture is 0.772 or 77.2% the rest is on other variables outside the model. The R square value of employee integrity is 0.887 meaning that the influence of work ethic, organizational culture and compensation is 0.887 or 88.7% the rest is on other variables outside the model.

2) Hypothesis Testing

a) Direct Influence Between Variables

The direct influence between variables can be seen in the path coefficients value. The results of data processing show the direct influence value can be seen in the following table.

Table 4. Path Coefficients (Direct Effect)

	Original Sample	T Statistics	P Values	Conclusion
Work Ethic -> Employee Integrity	0.485	5,576	0,000	Accepted
Work Ethic -> Compensation	0.493	4,466	0,000	Accepted
Organizational Culture -> Employee Integrity	0.089	0.948	0.344	Rejected
Organizational Culture -> Compensation	0.421	3,798	0,000	Accepted
Compensation -> Employee Integrity	0.412	4,094	0,000	Accepted

Source: Smart PLS Output, 2025

In the results of Table 4 there are direct influence values which will be explained as follows:

1. Work ethic has a positive and significant effect on employee integrity with a t-statistic value of 5.576 above 1.96 and a significance of 0.000 below 0.05, meaning that work ethic has a positive and significant effect on employee integrity because the significance value is below 0.05. The results of this study are in accordance with the results of previous studies, namely that work ethic has a positive and significant effect on employee work integrity at PT. Golgon Medan (Purba, 2025).
2. Work ethic has a positive and significant effect on compensation with a t-statistic value of 4.466 above 1.96 and a significance of 0.000 below 0.05, meaning that work ethic has a positive and significant effect on compensation because the significance value is below 0.05. This study is in accordance with research

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conducted by Dewi (2024) which states that work ethic has a positive and significant effect on compensation for employees of PT. Njeduk Digital Mandiri with a sample size of 32 people.

3. Organizational culture has a positive and significant influence on employee integrity with a t-statistic value of 0.948 below 1.96 and a significance of 0.344 above 0.05 means that organizational culture has a positive but insignificant effect on employee integrity because the significance value is above 0.05. The results of this study are in accordance with research conducted by Maharani (2022) which states that Organizational culture has a positive and significant influence on the implementation of internal control systems and its implications for the integrity of SMEs in Bojonegoro.
4. Organizational culture has a positive and significant influence on compensation with a t-statistic value of 3.798 above 1.96 and a significance of 0.000 below 0.05 means that organizational culture has a positive and significant effect on compensation because the significance value is below 0.05. The results of this study are also in accordance with research conducted by Nugraha (2023) which states that organizational culture has a positive and significant effect on compensation study at hotel X in Sidoarjo.
5. Compensation has a positive and significant effect on employee integrity with a t-statistic value of 4.094 above 1.96 and a significance of 0.000 below 0.05 means that compensation has a positive and significant effect on employee integrity because the significance value is below 0.05. Maulana's research (2024) also states that compensation has a positive and significant effect on employee integrity at the East Java III Regional Office of the Directorate General of Taxes.

b) Indirect Influence Between Variables

The indirect influence between variables can be seen in the specific indirect effects value. The results of data processing show the indirect effect value can be seen in Table 5 below.

Table 5. Specific Indirect Effects (Indirect Effects)

	Original Sample	T Statistics	P Values	Conclusion
Work Ethic -> Compensation -> Employee Integrity	0.203	3,361	0.001	Accepted
Organizational Culture -> Compensation -> Employee Integrity	0.173	2,417	0.016	Accepted

Source: Smart PLS, 2025

In table 5 there is an indirect influence between variables which will be explained as follows:

1. Work ethic has a positive and significant effect on employee integrity through compensation with a t-statistic value of 3.361 and a significance value of 0.001, meaning that compensation acts as an intervening variable between work ethic and employee integrity. Dwijayanti (2023) also stated in her research that work ethic and compensation have a positive and significant effect on employee integrity.
2. Organizational culture has a positive and significant effect on employee integrity through compensation with a t-statistic value of 2.417 and a significance value of 0.016, meaning that compensation acts as an intervening variable between organizational culture and employee integrity. Nugraha (2023) also stated in his research that organizational culture has a positive and significant effect on employee integrity through compensation.

CONCLUSION

1. Work ethic has a positive and significant influence on employee integrity at the Regional Finance and Asset Agency of North Sumatra Province.
2. Work ethic has a positive and significant influence on competence at the Regional Finance and Asset Agency of North Sumatra Province.
3. Organizational culture has a positive but insignificant influence on employee integrity at the Regional Finance and Asset Agency of North Sumatra Province.

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4. Organizational culture has a positive and significant influence on compensation at the Regional Finance and Asset Agency of North Sumatra Province.
5. Compensation has a positive and significant effect on employee integrity at the Regional Finance and Asset Agency of North Sumatra Province.
6. Work ethic has a positive and significant effect on employee integrity through compensation at the Regional Finance and Asset Agency of North Sumatra Province.
7. Organizational culture has a positive and significant influence on employee integrity through compensation at the Regional Finance and Asset Agency of North Sumatra Province.

SUGGESTION

1. In the work ethic variable, it turns out that the indicator with the lowest value is the statement "I always tell the truth in every work situation, even though it is risky for me". It turns out that the statement that shows honesty needs to be considered again because sometimes honesty makes someone confused and sometimes also harms themselves. The Financial and Regional Asset Agency of North Sumatra Province needs to pay more attention to the honesty of its employees even though they have made mistakes, but with their honesty they need to be appreciated so that in the future employees prioritize honesty more than just saving themselves.
2. Organizational culture with the statement "My organization focuses more on the end result than just the process.". It turns out that the statement has the lowest value so that employees feel that their agency does not appreciate the process because the focus is only on the final result. In the future, the Financial and Regional Asset Agency of North Sumatra Province should also continue to pay attention to the process that has been carried out by its employees so that its employees continue to feel appreciated and remain enthusiastic in the process to achieve the expected results.
3. For compensation with the statement "The incentives they receive are not in accordance with their performance achievements". The Financial and Regional Asset Agency of North Sumatra Province should pay more attention to the incentives that will be received by its employees in relation to the performance they have achieved, with incentives that are in accordance with their expectations, it is hoped that they can continue to work with even better performance.
4. Employee integrity with the statement "I complete the tasks that are my responsibility as best as possible". It turns out that employees feel that the responsibilities they have carried out have not been maximized so that the department pays more attention to employees who are less responsible for the tasks they must carry out. They need to be given support to work as well as possible according to their respective responsibilities.

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