

# **The Role of the Work Environment in Mediating Work Ethic and Employee Performance 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 on the performance of employees with the work environment as an intervening variable in the Regional Finance and Assets Agency of North Sumatra Province. This study uses a quantitative approach with a survey method through the distribution of 80 questionnaires to employees as respondents. Sample determination is carried out by purposive sampling technique so that the data obtained is in accordance with the research needs. Data analysis was carried out using path analysis to see the direct and indirect influence between variables. The results of the study show that. Work ethic has a positive and significant effect on the work environment as well as employee performance. The work environment has a positive and significant effect on employee performance. Thus, the work environment acts as an intervening variable that mediates the influence of work ethic on employee performance. The results of this research are expected to be considered for leaders in improving employee performance through instilling a good work ethic, as well as creating a conducive work environment.

**Keywords:** Work Ethic, Work Environment, Employee Performance

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## **Introduction**

One of the main goals of public organizations, including local government agencies, is to create effective and accountable governance through improving employee performance. The Regional Finance and Assets Agency (BKAD) of North Sumatra Province has a strategic role in the transparent management of regional finances and assets, so it requires optimal employee performance and integrity.

According to Sutrisno (2020), employee performance is the result of quality and quantity of work achieved by employees according to the tasks and responsibilities given. An important factor that affects employee performance is work ethic. Robbins & Judge (2022) explain that work ethic is a mental attitude and positive values such as discipline, responsibility, hard work, and honesty that encourage employees to work better.

However, a high work ethic cannot have a maximum impact without the support of a conducive work environment. A comfortable, safe, harmonious work environment, and supported by adequate facilities can motivate employees to work more productively. Hasibuan (2021) stated that a good work environment will create a work atmosphere that supports work morale, so that employee performance increases.

Previous research supports this linkage. Susanto & Rahmawati (2021) found that work ethic has a significant effect on employee performance, and this influence is strengthened by a supportive work environment. Similarly, Wahyuni & Nugraha (2022) show that the work environment plays a significant mediating variable in the relationship between work ethic and employee performance in government agencies. Similar findings were also expressed by Rahayu & Fadilah (2021) who stated that a good work environment can increase the influence of motivation and work ethic on employee performance.

In addition, Saragih & Manullang (2023) emphasized that in public organizations, the conditions of the physical work environment (cleanliness, comfort, facilities) and non-physical work environments (work relationships, work climate) significantly affect employee work behavior. A supportive work environment can reduce work stress, increase loyalty, and encourage employees to perform at their best.

However, the phenomenon in the field shows that the performance of North Sumatra Province BKAD employees is not optimal. The results of initial observations show that there is a gap between the relatively high work ethic of employees and the work results that have not been maximized. Some employees revealed that limited work facilities, a less harmonious work atmosphere, and an unbalanced workload are obstacles in maximizing their work ethic.

Therefore, this study is important to analyze the role of the work environment as a mediating variable that connects work ethic with employee performance. This research is expected to make a theoretical contribution to the development of public sector human resource management, as well as a practical contribution for the leadership of the North Sumatra Provincial BKAD in formulating policies to improve the work environment that supports employee productivity and performance.

## **Literature Review**

### **Employee Performance**

#### **Definition of Employee Performance**

According to Robbins & Judge (2017), employee performance can be defined as behaviors that contribute to the achievement of organizational goals, which are usually measured based on the achievement of the desired outcomes by the organization or company.

#### **Employee Performance Indicators**

According to Robbins & Judge (2017) in their book "Organizational Behavior", employee performance indicators are measures used to assess the extent to which employees are

successful in carrying out tasks and meeting organizational goals. Employee performance can be evaluated based on several indicators that include the following aspects:

- 1) **Quality of Work**  
Measure the extent to which the work produced conforms to the set standards, whether it is error-free, and whether it meets the desired quality expectations.
- 2) **Quantity of Work**  
Measure the amount of work completed in a given period of time. It has to do with the productivity or output produced by employees.
- 3) **Timeliness**  
Measuring the ability of employees to complete work according to the deadline that has been set. Timeliness is essential in improving organizational efficiency.
- 4) **Initiative**  
Measure the extent to which employees are able to show initiative to complete tasks without having to wait for instructions from superiors. This includes the ability to make decisions and act proactively.
- 5) **Teamwork**  
Measure employees' ability to work with others in the team, as well as their contribution to achieving the team's and overall organizational goals.
- 6) **Adherence to Rules**  
Measure the extent to which employees comply with existing procedures, policies, and regulations in the organization.
- 7) **Communication**  
Measure the extent to which employees are able to communicate clearly and effectively, both in conveying information and in listening and responding to existing ideas or problems.
- 8) **Creativity and Innovation**  
Measure the extent to which employees are able to generate new ideas, creative solutions, and innovative approaches to completing tasks or facing challenges in the workplace.
- 9) **Job Satisfaction**  
Measure employees' level of satisfaction with the work done, which can affect their motivation and performance.

## **Work Environment**

### **Definition of Work Environment**

According to Sedarmayanti (2017), the work environment is the totality of tools, materials, conditions, and procedures that exist around workers that can affect the implementation of work and work comfort. A good work environment will provide a sense of security, comfort, and motivate employees to work more productively. On the other hand, a poor work environment can cause stress, lower morale, and even affect employee attendance and work performance.

### **Work Environment Indicators**

According to Sedarmayanti (2017), work environment indicators are divided into two main groups, namely:

#### **1. Physical Work Environment**

The physical work environment is related to conditions that can be observed and felt directly by the five senses. The indicators include:

- 1) **Lighting**  
Enough light will improve concentration and reduce eye fatigue.
- 2) **Air circulation and ventilation**

Fresh air and good ventilation are important for health and comfort at work.

3) Noise

The noise level must be within the comfort limit so as not to interfere with concentration.

4) Workspace layout

Efficient spatial planning supports the smooth activities and mobility of employees.

5) Cleanliness and safety

A clean and safe workspace will encourage employees to work more comfortably and productively.

2. Non-Physical Work Environment (Psychological/Social)

It includes social and psychological aspects that support work comfort, such as:

1) Relationships between colleagues

A harmonious work atmosphere can improve teamwork.

2) Relationship with superiors

A good relationship between subordinates and superiors encourages effective communication.

3) Leadership and management support

A fair and participatory leadership style creates a positive work climate.

4) Organizational culture

Values, norms, and habits that are embraced together in the organization also shape work comfort.

## Work Ethic

### Definition of Work Ethic

Dana Brownlee (2020): Work ethic is a combination of determination and perseverance that is more important than intelligence or talent. These are qualities that can be built and developed.

### Work Ethic Indicators

Based on Dana Brownlee's view, the following indicators reflect a strong work ethic:

- 1) Commitment to Quality: Striving to provide the best results and not being satisfied with minimum standards.
- 2) Perseverance in Facing Challenges: It is not easy to give up and keep trying despite facing difficulties.
- 3) Initiative and Proactive: Take steps to complete tasks without waiting for orders.
- 4) Discipline and Consistency: Maintain consistency in performance and adhere to rules and work schedules.

## Conceptual Framework

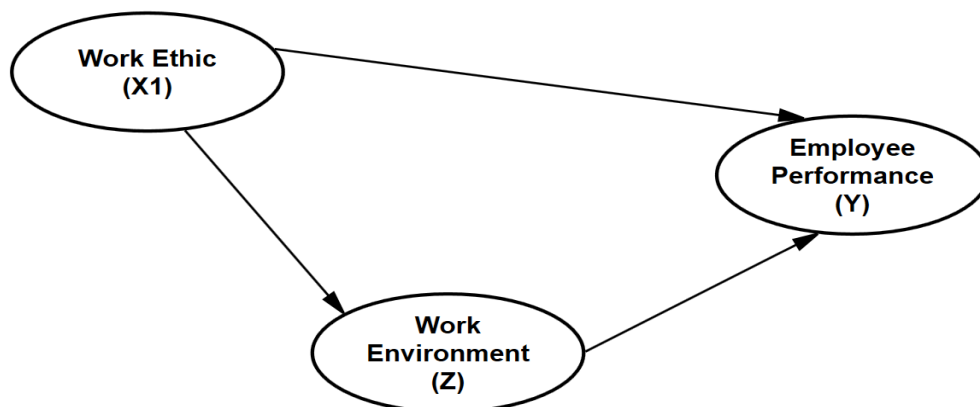


Figure 1. Conceptual Framework

## Research Hypothesis

- H1: Work ethic has a positive and significant effect on employee performance at the Regional Finance and Assets Agency of North Sumatra Province.
- H2: Work Ethic has a positive and significant effect on the work environment at the Regional Finance and Assets Agency of North Sumatra Province.
- H3: The work environment has a positive and significant effect on the performance of employees at the Regional Finance and Assets Agency of North Sumatra Province.
- H4: Work ethic has a positive and significant effect on employee performance through the work environment at the Regional Finance and Assets Agency of North Sumatra Province.

## Methods

### Types of Research

The type of research that the researcher uses is quantitative research. This type of quantitative research was conducted to make a study that aimed to adjust a study and to analyze the Influence of Work Ethic on Employee Performance with the Work Environment as an Intervening Variable in the Regional Finance and Asset Agency of North Sumatra Province.

### Research Location and Research Time

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

### Population and Sample

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

### Research Data Sources

The data source used in this study is primary data.

## Result and Discussion

### Outer Model *Analysis*

The *Outer Model* analysis using the *PLS Algorithm* yielded:

### Validity Test

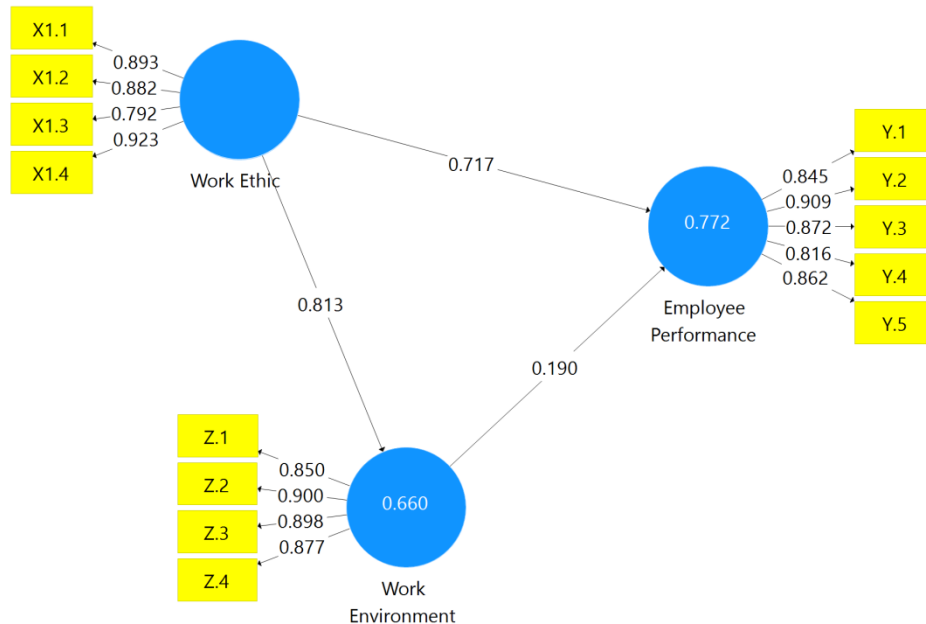
**Table 1. Value of Outer Loadings**

	Employee Performance	Work Environment	Work Ethic
X1.1			0,893
X1.2			0,882
X1.3			0,792
X1.4			0,923
Y.1	0,845		
Y.2	0,909		

Y.3	0,872		
Y.4	0,816		
Y.5	0,862		
Z.1		0,850	
Z.2		0,900	
Z.3		0,898	
Z.4		0,877	

Source: PLS Smart Output, 2025

Based on the values in Table 1 above, showing the results of the outer model test through the loading factor / outer loadings value, all indicators in each variable have a loading value  $\geq 0.70$ . This shows that each indicator is able to represent a measured construct validly and robustly. Therefore, it can be concluded that all items in the questionnaire have met the criteria of convergent validity and can be used in subsequent analysis. For more details on the above value, you can also see the following figure.



**Figure 1. Outer Loudings**

### Reliability Test

**Table 2. Construct Reliability and Validity Test**

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Employee Performance	0,913	0,917	0,935	0,742
Work Environment	0,904	0,906	0,933	0,777

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Work Ethic	0,896	0,898	0,928	0,764

Source: PLS Smart Output, 2025

From Table 2 above, the reliability test results show that Cronbach's alpha and composite reliability values on all constructs have values above 0.70. This shows that all indicators have high internal consistency and are reliable in measuring their respective constructs. Thus, the research instrument is declared reliable and feasible for use in structural model testing.

### Coefficient of Determination (R<sup>2</sup>)

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

**Table 3. R Square Results**

	R Square	R Square Adjusted
Employee Performance	0,772	0,767
Work Environment	0,660	0,657

Source: Smart PLS, 2025

In table 3, there is an R square value in both dependent variables for the work environment variable, there is an R square value of 0.772, meaning that the influence of work ethic is 0.772 or 77.2%, the rest is in other variables outside the model. The R square value of employee performance is 0.660, meaning that the influence of work ethic and work environment is 0.660 or 66%, the rest is on other variables outside the model.

### Structural Model Testing (Inner Model)

#### Hypothesis Testing

##### a) Direct Influence Between Variables

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

**Table 4. Path Coefficients (Direct Influence)**

	Original Sample	T Statistics	P Values	Conclusion
Work Ethic -> Employee Performance	0,717	6,287	0,000	Accepted
Work Ethic -> Work Environment	0,813	12,401	0,000	Accepted
Work Environment -> Employee Performance	0,190	1,695	0,091	Rejected

Source: PLS Smart Output, 2025

In the results of Table 4, there is a direct influence value which will be explained as follows:

1. Work ethic has a positive and significant effect on employee performance with a t-statistical value of 6.287 above 1.96 and a significance of 0.000 below 0.05, meaning that work ethic has a positive and significant effect on employee performance because the significance value is below 0.05. The results of this study are in line with previous research, namely that work ethic has a positive and significant effect on employee performance within Jetis District (Budiarjo & Kasnowo, 2025).
2. Work ethic has a positive and significant effect on the work environment with a t-statistical value of 12.401 above 1.96 and a significance of 0.000 below 0.05, meaning that work ethic has a positive and significant effect on the work environment because the significance value is below 0.05.
3. The work environment has a positive but insignificant effect on employee performance with a t-statistical value of 1.695 below 1.96 and a significance of 0.091 above 0.05, meaning that the work environment has a positive but insignificant effect on employee performance because the significance value is above 0.05. The results of the study are not in accordance with the results of the previous study which stated that the work environment has a positive and significant effect on employee performance at PT Hutama Karya Infrastruktur in Padang Pariaman (Chandra & Anwar, 2023).

b) Indirect Influence Between Variables

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

**Table 5. Specific Indirect Effects**

	Original Sample	T Statistics	P Values	Conclusion
Work Ethic -> Work Environment -> Employee Performance	0,155	1,573	0,116	Rejected

Source: Smart PLS, 2025

In table 5, there is an indirect influence between variables which will be explained as follows: Work ethic has a positive but insignificant effect on employee performance through the work environment with a t-statistical value of 1.573 below 1.96 and a significance value of 0.116 above 0.05, meaning that the work environment does not play a role as an intervening variable between work ethic and employee performance.

**Conclusion**

1. Work ethic has a positive and significant effect on employee performance at the Regional Finance and Assets Agency of North Sumatra Province.
2. Work Ethic has a positive and significant effect on the work environment at the Regional Finance and Assets Agency of North Sumatra Province.
3. The work environment has a positive and significant effect on the performance of employees at the Regional Finance and Assets Agency of North Sumatra Province.
4. Work ethic has a positive and significant effect on employee performance through the work environment at the Regional Finance and Assets Agency of North Sumatra Province.



### Suggestion

1. Work ethic with the statement "I show discipline and consistency in carrying out daily work". Agencies need to give appreciation and positive reinforcement to employees who show discipline and consistency in their work, and make them role models in the organization's work culture.
2. For the work environment variable with the statement "Work facilities such as lighting, ventilation, and work equipment are very adequate". Agencies need to maintain and periodically evaluate the feasibility of work facilities to ensure that the physical environment remains optimal and keeps up with the evolving needs of work.
3. Employee performance with the statement "I am present and follow working hours according to applicable rules". Agencies need to give awards and maintain a transparent and fair attendance monitoring system to encourage the discipline of all employees in complying with working hours.

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