

The Effect of Morale, Compensation and Work Conflict as Intervening Factors on Employee Performance: Case Study from Social Service Office of North Tapanuli Regency, Indonesia

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ABSTRACT

This study aims to determine the effect of morale, compensation and work conflict as an intervening factor at the North Tapanuli Regency Social Service Office. In this study using a type of quantitative research, with the sampling technique in this study was saturated sampling with a sample of 58 respondents. This research method is non propability sampling using SmartPLS 4.0 software. The results of this study indicate that: (1) The Work Morale variable directly has no significant effect on Employee Performance with a significant level of $0.710 > 0.05$. (2) Work Morale variable directly has no significant effect on Work Conflict with a significant level of $0.401 > 0.05$. (3) Compensation variable directly has no significant effect on Employee Performance with a significant level of $0.687 > 0.05$. (4) The Compensation variable does not directly have a significant effect on Conflict with a significant level of $0.028 > 0.05$ (5) The Work Conflict variable directly has a significant effect on Employee Performance This is evidenced by the significant results of $0.00 > 0.05$. (6) The Work Morale variable through Work Conflict as an Intervening variable directly has no significant effect on Employee Performance with a significant level of $0.408 > 0.05$. (7) Compensation variable through Work Conflict as an Intervening variable directly has a significant effect on Employee Performance with a significant level of $0.022 < 0.05$. Based on the results of simultaneous testing, this study is able to prove that there is (1) Work Morale variable directly has a positive but insignificant effect on Employee Performance, (2) Work Morale variable directly has a positive but insignificant effect on Work Conflict, (3) Compensation variable directly has a positive but insignificant effect on Employee Performance, (4) Compensation variable directly has a positive and significant effect on Work Conflict, (5) Work Conflict variable directly has a positive and significant effect on Employee Performance, (6) Work Morale variable through Work Conflict as an Intervening variable directly has a positive but insignificant effect on Employee Performance, (7) Compensation variable through Work Conflict as an Intervening variable directly has a positive and significant effect on Employee Performance.

Keywords: Work Morale, Compensation, Work Conflict, Employee Performance

I. Introduction

The Social Service is the Government's responsibility to improve the social welfare of individuals, groups, and communities. The Social Service has the task of assisting the Regent in carrying out government



affairs which are the authority of the region and the assistance given to the region in the social field. Human resources play a major role in the progress of an agency. That is why, human resource management (HR) is very important in order to establish harmony between employee needs and opportunities that can be utilized by agencies. According to Salas Vallina, Alegre, and Guerro, (Sarani, 2023) said that to maintain the excellence of the agency, it is important to have employees who have the skills within an agency. If the agency has superior Human Resources (HR), then the agency will be ready to compete with other agencies. According to Aljayi et al, (Sitorus, 2016) agencies need a human resource management process. With good HR management, agencies must always manage HR carefully so that HR has good quality and is able to improve performance. Human resources play a major role in the progress of an agency. That is why, human resource (HR) governance is very important in order to establish harmony between employee needs and opportunities that can be utilized by agencies.

II. Literature Review

2.1. Work Spirit

Morale is a need that encourages individuals to improve employee performance faster and better in an organizational context. According to Moekijat, A.M. Dadang (Fahrul Rozi, 2021), work enthusiasm can be defined as the ability of a group of individuals to coordinate effectively and reliably in achieving common goals. According to Setiash (Chandra & Setiawan, 2018) to be able to work energetically, a person needs a comfortable work environment no matter how skilled a person is in his job, when facing dirty, hot, and intense environmental conditions. If the lighting is lacking, it will be difficult and the enthusiasm to work decreases.

2.2. Compensation

Compensation can be described using several words, such as income, perks, or rewards, which include salaries, benefits, and bonuses. Salary is a form of financial reward received by employees in recognition of their contribution to achieving company or organizational goals. According to Hasibuan (Maulidiyah et al., 2021) compensation refers to all forms of income in the form of money or goods received by employees in return or in exchange for services rendered.

2.3. Work Conflict

Conflict basically starts when one party is dissatisfied or unhappy with the other party regarding something that the first party considers important. According to Wenur et al (2018) Work conflict usually occurs due to a mismatch between two or more employees or groups who must share limited resources or work activities, or because they have different statuses, goals, values, or perceptions.

2.4. Employee Performance

Etymologically, performance has the origin of the word from work achievement or performance. According to Mangkunegara (Marjaya & Pasaribu, 2019) the term performance comes from job performance or actual performance, which refers to the actual work performance achieved by a person. This includes the results of work in terms of quality and quantity obtained by an employee in carrying out his duties in accordance with the responsibilities given. According to Umam (Siahaan & Bahri, 2019). Performance is the result of work achieved by a person in accordance with his role and duties within a certain period of time, which is associated with a certain measure of value or standard from the agency where the employee works.

III. Research Method

This research method uses a quantitative descriptive analysis method, using numerical data and a statistical hypothesis testing process. Quantitative studies are considered pure research that can be explained with exact numbers using a Likert scale. According to Sugiyono (2023) Quantitative research is used to obtain data with variable relationships and to test several hypotheses about variables from samples taken from certain populations. The data collection method used by distributing questionnaires, using saturated samples where the entire population is sampled, totaling 58 employees.

IV. Result and Discussion

Table 1. Respondents by Age

Age of Respondent	Total	Percentage
20 - 30 Years	10	17,24%
30 - 40 Years	31	53,45%
> 40 Years	17	29,31%
Total	58	100%

Based on table 1, respondents with an age range of 20 - 30 years totaled 10 employees with a percentage of 17.24%, respondents with an age range of 30 - 40 years totaled 31 employees with a percentage of 53.45% and respondents with an age range of > 40 years totaled 17 employees with a percentage of 29.31%. Based on the results of the above recapitulation, respondents are dominated by respondents aged 30-40 years with a percentage of 53.45%.

Table 2. Number of Respondents Based on Gender

Gender	Total	Percentage
Male	36	62,07%
Female	22	37,93%
Total	58	100%

Based on table 2. above, it can be seen that the number of male respondents amounted to 36 employees with a percentage of 62.07%, while 22 female employees with a percentage of 37.93%. Based on the results of the above recapitulation of respondents are dominated by male respondents 62.07%.

Table 3. Number of Respondents Based on Length of Service

Length of Service	Total	Percentage
1 - 10 Years	41	70,69%
10 - 20 years	10	17,25%
> 20 Years	7	12,06%
Total	58	100%

Based on table 3, the results of respondents' responses based on length of service 1 - 10 years totaled 41 employees with a percentage of 70.69%, respondents with a length of service of 10 - 20 years totaled 10 employees with a percentage of 17.25%, while respondents with a length of service of > 20 years totaled 7 employees with a percentage of 12.06%. Based on the results of the above recapitulation, respondents were dominated by respondents with a tenure of 1-10 years with a percentage of 70.69%.

4.1. Convergent Validity

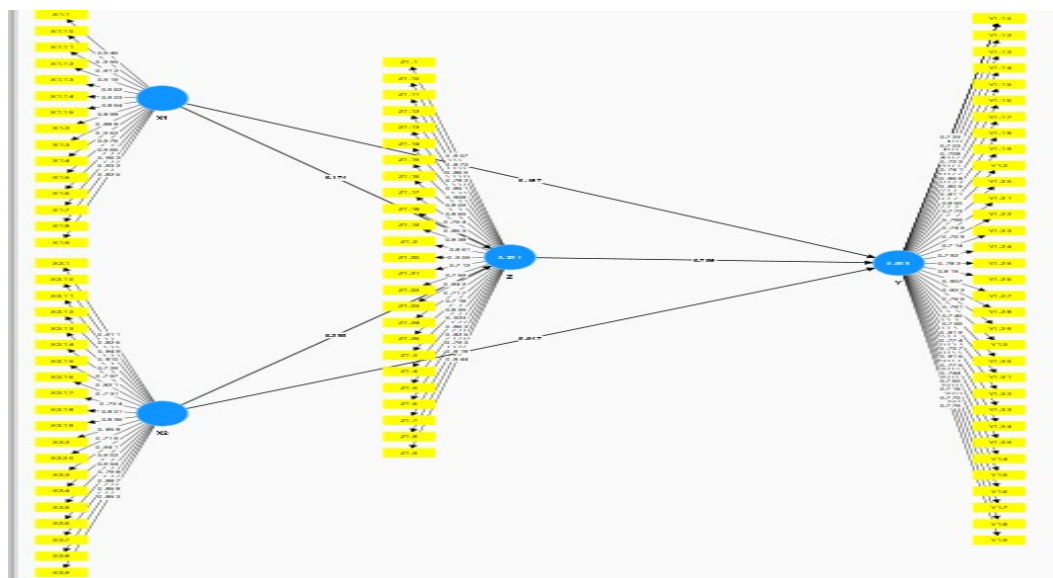


Figure 1. Convergent Validity Test Results

Based on the Figure 1, it can be seen that the outer loading value of all indicators of variables X1, X2, Z, and Y is greater than 0.5 so it is said to be valid. Testing is carried out as a better method than the Cronbach's Alpha value in testing reliability, a construct is said to be reliable if the composite reliability and Cronbach's Alpha have a limit value of 0.70 and above, which means it is acceptable and above 0.8 and 0.9 means it is very satisfying.

Table 4. Internal Consistency Test Results

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
X1	0,988	0,991	0,989	0,857
X2	0,977	0,980	0,978	0,695
Y	0,980	0,981	0,981	0,592
Z	0,981	0,982	0,982	0,685

4.2. Discriminant Validity Test

The test is conducted to measure whether the indicators of a construct are not highly correlated with indicators of other constructs. Furthermore, in testing the Heterotrait-Montrait Ratio (HTMT), the HTMT value must be smaller than 0.85.

Table 5. Discriminant Validity Test Results

	X1	X2	Z	Y
X1				
X2	0,745			
Y	0,573	0,582		
Z	0,464	0,51	0,887	

4.3. Average Variance Extracted (AVE) Test

This validity test is to assess the validity of the question items by looking at the average variance extracted (AVE) value. AVE is the average percentage of the average variance extracted (AVE) value between

question items or indicators of a variable which is a summary of convergent indicators. For better requirements, if the AVE of each question item is greater than 0.5 (Ghozali, 2015).

Table 6. Test Results (AVE)

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
X1	0,988	0,991	0,989	0,857
X2	0,977	0,980	0,978	0,695
Y	0,980	0,981	0,981	0,592
Z	0,981	0,982	0,982	0,685

4.4. Reliability Test

Reliability is defined as a series of tests to assess the reliability of statement items. Construct reliability testing is carried out using composite reliability and Cronbach's alpha on the indicator block that measures the construct. Constructs are considered reliable if the composite reliability and Cronbach's alpha values are both more than 0.70. Sihombing et al., (2022)

Table 7. Reliability Test Results

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
X1	0,988	0,991	0,989	0,857
X2	0,977	0,980	0,978	0,695
Y	0,980	0,981	0,981	0,592

4.5. Structural Model or Inner Model

Inner model (Inner relation, structural model and subsantive theory) describes the relationship between latent variables based on subsantive theory. In assessing the model with PLS, it starts by looking at the R-square for each dependent latent variable. Besides looking at the R-square value, the Partial Least Square (PLS) model is also evaluated by looking at the predictive relevance R-square for the constructive model. R-square measures how well the observed value is generated by the model and also its parameters, Ghozali, (2012).

Table 8. Structural Model Test Results or Inner Model

	R-square	Adjusted R-square
Y	0,809	0,798
Z	0,291	0,265

Based on the table 8, it can be concluded that

- The R-square value of the Employee Performance variable is 0.798, meaning that the variability of the Employee Performance construct can be explained by the variability of the Work Morale, Compensation, and Work Conflict constructs by 79.8% while the rest is explained by other variables outside the study.
- According to what was conveyed by Musyaffi, et al, (2021), the R2 values of 0.67, 0.33, and 0.19 can be concluded that the model is strong, moderate, and weak. The final conclusion is that the effect is high.
- 2.The R-square value of the Work Conflict variable is 0.265. This R-square value means that the variability of the Work Conflict construct that can be explained by the variability of the Work Morale construct, Compensation is 26.% while the rest is explained by other variables outside the study.
- According to Musyaffi, et al, (2021) the R2 values of 0.67, 0.33, and 0.19 can be concluded that the model is strong, moderate, and weak. With this it can be said that the effect is low.

4.6. Hypothesis Testing

Hypothesis testing is by looking at the value of the Path Coefisien calculation in the Inner Model test. The hypothesis is said to be accepted if the value (P-Value) < 0.05 (α 5%) then it can be declared significant, if the value (P-Value) > 0.05 (α 5%) then it can be declared insignificant, Ghozali, (2015).

Table 9. Hypothesis Testing Results

	Original Sample	Sample average (M)	Standard deviation (STDEV)	T statistics ([0/STDEV])	P-Value
X1 → Y	0,157	0,156	0,087	1,803	0,710
X2 → Y	0,047	0,052	0,117	0,403	0,687
X1 → Z	0,174	0,158	0,207	0,840	0,401
X2 → Z	0,398	0,427	0,181	2,202	0,028
Z → Y	0,785	0,784	0,079	9,994	0,000

Source: Data processing results, 2024

Based on the picture above, it can be concluded that, as follows:

- X1 → Y = P-Value 0.710 $>$ 0.05 (not significant) (H1)
- X2 → Y = P-Value 0.687 $>$ 0.05 (not significant) (H2)
- X1 → Z = P-Value 0.401 $>$ 0.05 (not significant) (H3)
- X2 → Z = P-Value 0.028 $<$ 0.05 (significant) (H4)
- Z → Y = P-Value 0.00 $<$ 0.05 (significant) (H5)

4.7. Path Coefficient

According to Ari, (2013) the Path coefficient is a coefficient that shows the level of significance in hypothesis testing. This analysis is useful for testing the hypothesis of an influence of variables that influence (independent) on variables that are influenced (dependent).

- If the P-Value $>$ 0.05, then it is not significant, meaning that the intervening variable "does not play a role" in intervening the relationship between the independent variable and the dependent variable.
- If the P-Value $<$ 0.05, it is significant, meaning that the intervening variable "plays a role" in intervening (strengthening / weakening) the relationship between the independent variable and the dependent variable.

Table 10. Hypothesis Testing Results

	Original Sample	Sample average (M)	Standard deviation (STDEV)	T statistics ([0/STDEV])	P-Value
X1 → Y → Z	0,134	0,122	0,162	0,828	0,408
X2 → Z → Y	0,339	0,363	0,148	2,284	0,022

- X1 → Z → Y = P-Value 0.408 $>$ 0.05 (not significant) (H6)
- X2 → Z → Y = P-Value 0.022 $<$ 0.05 (significant) (H7)

4.8. Discussion

4.8.1. The Effect of Morale Directly on Employee Performance

Based on the results of this study, the effect of morale directly on employee performance with a significant level of $0.710 > 0.005$. Thus the first hypothesis is rejected, in line with research conducted by Zainuddin, (2020) Someone who has high morale has a strong reason to work because employees really

want it. This causes employees to have enthusiasm, resilience in the face of adversity, and the ability to fight frustration and work well in teams.

4.8.2. The Effect of Work Morale Directly on Work Conflicts

Based on the results of this study, the effect of morale directly on work conflict with a significant level of $0.401 > 0.05$. Thus the second hypothesis is rejected, in line with research conducted by Aritonang, (2017) where work enthusiasm is a person's encouragement and commitment to do his job well and discipline in order to achieve maximum work results.

4.8.3. The Effect of Compensation Directly on Employee Performance

Based on the results of this study, the effect of compensation directly on performance with a significant level of $0.687 > 0.005$. Thus the third hypothesis is rejected, and in line with Rianda's research, (2022) Improving employee performance optimally is not an easy thing because many factors influence it.

4.8.4. Effect of Compensation directly on Work Conflict

Based on the results of this study, the effect of compensation directly on performance with a significant level of $0.028 < 0.05$. Thus the fourth hypothesis is accepted, in line with research conducted by (Andini, 2021) Problems in compensation management can cause conflict if not handled wisely by both parties, both employees and companies.

4.8.5. The Effect of Work Morale Directly on Employee Performance through Work Conflict as an Intervening variable

Based on the results of this study, the effect of morale directly on employee performance through work conflict as an intervening variable with a significant level of $0.408 > 0.005$. Thus the fifth hypothesis is rejected, and in line with Fahriyansyah's research, (2021). Work enthusiasm is a person's desire and willingness to earnestly complete a series of tasks regularly and on time in order to achieve the desired results, and show interest in his work.

4.8.6. The Effect of Compensation Directly on Employee Performance through Work Conflict as an Intervening variable

Based on the results of this study, the effect of compensation directly on employee performance through work conflict as an intervening variable with a significant level of $0.222 > 0.005$. Thus the sixth hypothesis is rejected, and in line with research conducted by (Andini, 2021) There are needs in humans that encourage them to work. Humans work by pouring their energy, thoughts, and time, hoping to get rewards or compensation to meet their daily needs.

4.8.7. The Effect of Work Conflict Directly on Employee Performance

Based on the results of this study, the effect of work conflict directly on employee performance with a significant level of $0.00 < 0.005$. Thus the seventh hypothesis is accepted and in line with research conducted by (Muhamad Ekhsan & Septian, 2021) Work conflict can affect the ups and downs of employee performance. In an agency, various things can trigger conflict, including differences in perceptions between individuals or groups that cause conflicting ideas or interests.

V. Conclusion

The study aimed to explore the relationships between Work Spirit, Compensation, Work Conflict, and Employee Performance at the North Tapanuli Regency Social Service Office. The results revealed that Work Spirit and Compensation have a positive but insignificant direct effect on Employee Performance and Work Conflict. These findings challenge traditional theories that emphasize the direct role of work spirit and financial rewards in boosting performance. It suggests that while work morale and compensation are important, their influence may be mediated by other factors, such as the work environment or management practices. Interestingly, Work Conflict was found to have a positive and significant effect on Employee Performance, indicating that conflict in the workplace, when managed constructively, could potentially enhance performance rather than hinder it.

From a theoretical perspective, the results invite a reconsideration of traditional views on employee motivation. While compensation and work spirit are generally believed to directly influence employee performance, the findings suggest that these factors may not have a straightforward impact. Furthermore, the significant relationship between Compensation and Work Conflict highlights the importance of addressing compensation fairness to avoid conflicts within the workplace. The study also underscores the potential positive outcomes of work conflict, particularly when it encourages innovation or problem-solving, challenging the traditional notion that conflict is always detrimental.

Managerially, the study suggests that organizations should not rely solely on compensation or work spirit to drive employee performance. Instead, a more holistic approach is necessary, including conflict management strategies, transparent compensation systems, and fostering a supportive work environment. By addressing potential conflicts and ensuring fairness in compensation, organizations can enhance employee satisfaction and performance. Additionally, the positive relationship between Work Conflict and Employee Performance emphasizes the importance of managing conflict in a way that promotes productive outcomes. This approach could contribute to a more effective, efficient, and harmonious workplace, ultimately leading to better organizational results.

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