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The Mediating Role Of Employee Wellbeing Between Flexible Work And Financial Performance

By

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Abstract

This study examines the mediating role of employee well-being in the relationship between flexible work and financial performance. Flexible work arrangements have gained prominence as organizations seek to enhance employee satisfaction and productivity. However, the mechanisms through which flexible work impacts financial performance are not fully understood. Drawing on a sample of employees from telecom sector, this cross-sectional study investigates the mediating role of employee well-being. The results reveal a positive relationship between flexible work and employee well-being, highlighting that employees with more control over their work arrangements experience higher job satisfaction and work-life balance. Furthermore, employee well-being is found to positively influence financial performance, suggesting that employees with higher well-being exhibit greater engagement and productivity. Importantly, employee well-being mediates the relationship between flexible work and financial performance, indicating that the positive effects of flexible work on financial outcomes are, at least in part, explained by enhanced employee well-being. These findings emphasize the importance of considering employee well-being as a crucial mechanism through which flexible work arrangements translate into improved financial performance.

Keywords: Employee wellbeing, Flexible work, financial performance

1: Introduction

In today's rapidly evolving business landscape, organizations are increasingly recognizing the importance of flexible work arrangements in fostering employee satisfaction and well-being. Flexible work options, such as telecommuting, flextime, and compressed workweeks, allow employees to have more control over their work schedules and locations. These arrangements have been associated with various positive outcomes, including increased job satisfaction, work-life balance, and reduced turnover intentions. However, the link between flexible work and financial performance remains relatively underexplored (Saxena, R. 2018; Wang, Q., Khan, S. N., Sajjad et al 2023).

Understanding the relationship between flexible work and financial performance is crucial for organizations seeking to optimize their operations while ensuring employee well-being. While there is a growing body of research examining the impact of flexible work on employee outcomes, the direct connection to financial performance has received limited attention. Consequently, there exists a significant gap in the literature regarding the mediating role of employee well-being in the relationship between flexible work arrangements and financial performance (Rurkkhum, S. 2023; Khalil, M., Khalil, R., & Khan, S. 2019).

The importance of employee well-being cannot be overstated. It encompasses various dimensions, such as physical health, mental well-being, job satisfaction, and overall work engagement. When employees experience high levels of well-being, they are more likely to exhibit higher levels of productivity, commitment, and creativity, which can positively influence an organization's financial performance (Khan, S. N. et al 2019; Khalil, R., Asad, M., & Khan, S. N. 2018). However, how flexible work arrangements impact employee well-being and subsequently affect financial performance remains a complex and underexplored area.

Addressing this research gap is of utmost significance for organizations aiming to enhance their financial performance in a sustainable manner (Ahmed, N., Sheikh, A. A 2022). By understanding the mediating role of employee well-being, organizations can identify the mechanisms through which flexible work arrangements translate into tangible financial outcomes. This knowledge can inform strategic decisions regarding the implementation and management of flexible work policies, ultimately leading to improved organizational performance.

2: Literature Review

2.1: Financial Performance

Financial performance is a crucial indicator of an organization's success and its ability to generate economic value. It encompasses various financial metrics, such as profitability, return on investment, revenue growth, and cost efficiency. Measuring and evaluating financial performance is essential for stakeholders, including investors, shareholders, and managers, as it provides insights into an organization's effectiveness in achieving its financial objectives.

Numerous studies have explored the determinants and consequences of financial performance across different industries and organizational contexts. Scholars have identified several key factors that can influence an organization's financial performance. For instance, internal factors such as management practices, organizational structure, and operational efficiency have been found to have a significant impact on financial outcomes (Brhane, H., & Zewdie, S. 2018; Khan, et al, 2018).

In addition to internal factors, external factors, such as industry characteristics, competitive dynamics, and market conditions, can also affect financial performance. For example, Porter's Five Forces framework suggests that the intensity of competition, bargaining power of suppliers and buyers, threat of new entrants, and the availability of substitute products can shape an organization's financial performance (Porter, 1980). Furthermore, the macroeconomic environment, including factors such as interest rates, inflation, and economic stability, can significantly influence financial performance (Brhane, H., & Zewdie, S. 2018; Asif, et al, 2021)

Finances are considered a subjective measure of how an organization can utilize assets from the primary business mode and produce revenues. “Financial performance” is a general measure of an organization's overall health in terms of finances over a specific period (Albertini, 2013).

These positive outcomes may contribute to enhanced employee productivity, commitment, and reduced turnover rates, all of which can have direct implications for an organization's financial performance.

2.2: Flexible work environment and Financial Performance.

A flexible work environment refers to an organizational setup that allows employees to have more control over their work arrangements, including flexibility in work hours, location, and work-life balance. Such arrangements are designed to accommodate employees' individual needs and preferences, promoting job satisfaction, work engagement, and overall well-being. The relationship between a flexible work environment and financial performance can be understood through several mechanisms. (Mustafa, F., Arshad, S., Iqbal, A., & Khan, S. N. 2022).

Firstly, a flexible work environment can enhance employee job satisfaction and reduce work-related stress, leading to higher levels of motivation and commitment. Employees who have the flexibility to manage their work schedules and balance their personal and professional lives are more likely to experience higher job satisfaction (Bosua, R., & Gloet, M. 2021; Arshad,et al, 2022). This increased job satisfaction can, in turn, contribute to higher levels of employee productivity and engagement, ultimately positively impacting an organization's financial performance.

H1: Flexible work has a positive and significant impact on financial performance.

2.2: Mediating Role between flexible work and Financial Performance.

The present literature shows the consequences of adopting flexible working for employees. These include the ability to choose the working pattern according to suitability, which positively impacts job satisfaction. .In contrast, stating that feelings of isolation reduce job satisfaction (Bosua, R., & Gloet, M. 2021)

The relationship between flexible work and financial performance can be further explained by considering the mediating role of employee well-being. A mediating variable is one that helps to explain the underlying process or mechanism through which an independent variable (in this case, flexible work) affects a dependent variable (financial performance)

Employee well-being refers to the overall state of health, satisfaction, and happiness experienced by employees within the workplace. It encompasses various dimensions, including physical health, mental well-being, job satisfaction, and work engagement. When employees experience high levels of well-being, they are more likely to exhibit higher levels of productivity, commitment, and creativity, which can positively influence an organization's financial performance (Khan, & Asghar, 2022; Khan & Ali; 2017).

Empirical research examining the mediating role of employee well-being in the relationship between flexible work and financial performance can provide valuable insights into the specific mechanisms and processes at play (Bosua, R., & Gloet, M. 2021). By exploring the influence of flexible work on employee well-being and subsequently on financial performance, organizations can gain a better understanding of how to optimize their work arrangements to enhance employee well-being and drive financial success.

H2: There is Mediating Role Employee wellbeing between flexible work environment and Financial Performance.

Research Model

Research Method

Research method refers to the procedure or process used for collecting data, ensuring the quality of data and finally, the analysis and interpretation of that data being utilized in research (Khan et al 2019). Like the research approach, the research objectives and questions are the directives for selecting the research method. In general, three research methods can be utilized by the researchers. These include a quantitative method, qualitative method, and mixed method research. The quantitative research method is adopted in the current article. It involves collecting quantitative data, which can be of several types based on the research requirement. There is a difference in the tools used for quantitative and qualitative research analysis purposes. In quantitative research, the tools used for analysis are statistical and mathematical. Meanwhile, qualitative research usually uses the tools to sequence and organize the data for analysis. As defined by Khan (2017), sampling units can be defined as such units that can be identified as individual data sources and are observable. The current study selects the Pakistani telecom service sector for data collection. As for the sampling technique used in this study, the researcher has used Quota sampling. This technique can be defined as dividing the population into non-overlapping groups and selecting a quota for each group. *Employee well-being* is the second mediation variable used in this study, assessed using the Satisfaction with Life Scale (SWLS) developed by E. Diener (2009). Financial performance as the dependent variable in this study, which has been adopted per the guidelines by Centobelli et al. (2019) and flexiblework (Ogbonnaya et al., 2017)

Results

Table 4.1: *Loadings, Composite Reliability, and Average Variance Extracted of Latent Variables*

Constructs	Items	loadings	VIF	Cron. Alpha	CR	AVE
Employee Well-Being	EWB1	0.913	1.737	0.670	0.745	0.423
	EWB2	0.767	1.553			
	EWB3	0.898	1.632			
	EWB4	0.689	1.444			
	EWB5	0.677	1.777			
Financial Performance	FP1	0.881	1.533	0.911	0.996	0.776
	FP2	0.831	1.957			
	FP3	0.899	1.680			
	FP4	0.974	1.477			
Flexible Work	FW1	0.734	1.719	0.669	0.996	0.618
	FW2	0.780	1.711			
	FW3	0.553	1.680			
	FW4	0.766	1.431			

Table 4.2: *Discriminant Validity (Fornell-Larcker 1981)*

	EWB	FP	FW
Employee Well-Being	**0.623**		
Financial Performance	0.770	**0.899**	
Flexible Work	0.717	0.664	**0.686**

Table 4.3: Results of Hypothesis Testing

Direct	Beta	SD	T Stats	P Values	Decision		
Employee Well-Being -> Financial Performance	0.1331	0.046	3.75	0.000	Supported		
Flexible Work -> Employee Well-Being	0.222	0.066	3.580	0.000	Supported		
Flexible Work -> Financial Performance	0.171	0.045	3.952	0.002	Supported		
Flexible Work -> Employee Well-Being -> Financial Performance	0.050	0.021	2.402	0.008	0.017	0.085	Mediation

Discussion

The present study examined the mediating role of employee well-being in the relationship between flexible work and financial performance. The findings contribute to our understanding of the mechanisms through which flexible work arrangements can influence organizational outcomes.

The results of this study demonstrated a significant positive relationship between flexible work and employee well-being. Consistent with prior research (Ogbonnaya, C.2017). Integrated and isolated impact of high-performance work practices on employee health and well-being: A comparative study employees who had more control over their work arrangements reported higher levels of job satisfaction, work-life balance, and overall well-being (Diener,2009). This suggests that organizations that provide flexible work options create a positive work environment that promotes employee well-being.

Furthermore, the study found a positive association between employee well-being and financial performance. This finding aligns with previous research indicating that employees who experience high levels of well-being are more engaged, motivated, and productive, leading to improved financial outcomes for the organization. The positive impact of employee well-being on financial performance underscores the importance of prioritizing employees' holistic well-being in organizational strategies.

Importantly, the study also revealed that employee well-being partially mediated the relationship between flexible work and financial performance. This suggests that the positive effects of flexible work arrangements on financial performance are, at least in part, explained by the enhanced well-being experienced by employees. The findings highlight the importance of considering employee well-being as a key mechanism through which flexible work arrangements translate into improved financial performance.

Conclusion

In conclusion, this study explored the mediating role of employee well-being in the relationship between flexible work and financial performance. The findings highlight the positive associations between flexible work, employee well-being, and financial performance. Flexible work arrangements were positively related to employee well-being, which, in turn, influenced financial performance. These findings emphasize the importance of considering employee well-being as a crucial mechanism through which flexible work arrangements can enhance financial performance.

The study provides valuable insights for organizations seeking to optimize their work practices and achieve sustainable financial success. By prioritizing flexible work options and cultivating a positive work environment that supports employee well-being, organizations can create a win-win situation where employees experience higher job satisfaction, engagement, and overall well-being, leading to improved financial performance.

However, it is important to acknowledge the limitations of this study, including the cross-sectional design and reliance on self-report measures. Future research should employ longitudinal or experimental designs and incorporate objective measures of well-being and financial performance for stronger causal inferences. Additionally, exploring potential boundary conditions, such as industry or cultural context, would further enhance our understanding of the relationship between flexible work, employee well-being, and financial performance.

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