

The Relationship between Hybrid Work Systems, Employee Well-Being, and Organizational Performance in the Service Sector in Indonesia

Hybrid Work, Well-Being, and Performance

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ABSTRACT

The adoption of hybrid work systems, combining remote and in-office work, has transformed organizational management in Indonesia's service sector. While these systems offer flexibility and efficiency, their impact on employee well-being and organizational performance in developing countries remains underexplored. This study investigates how hybrid work systems affect employee well-being and their collective influence on organizational performance in service companies, with a focus on the mediating role of well-being. A quantitative approach was employed, collecting data through structured surveys from 80 employees in banking, insurance, and consulting sectors across Jakarta, Surabaya, and Bandung. Data analysis used Structural Equation Modeling based on Partial Least Squares, suitable for small to medium sample sizes. The findings reveal that hybrid work systems significantly enhance employee well-being by improving work-life balance, autonomy, and reducing commuting stress. Well-being partially mediates the positive effect of hybrid work on organizational performance, particularly in service quality, productivity, and employee retention. This research highlights the strategic importance of hybrid work in achieving sustainable performance in Indonesia's service sector, emphasizing the need for policies that balance flexibility with robust social and technological support to optimize employee well-being and organizational outcomes.

Keywords: Employee Well-Being, Hybrid Work System, Organizational Performance, Service Sector, Work Flexibility.

ABSTRAK

Penerapan sistem kerja hibrida, yang menggabungkan kerja jarak jauh dan di kantor, telah mentransformasi manajemen organisasi di sektor jasa Indonesia. Meskipun sistem ini menawarkan fleksibilitas dan efisiensi, dampaknya terhadap kesejahteraan karyawan dan kinerja organisasi di negara-negara berkembang masih kurang dieksplorasi. Studi ini mengkaji bagaimana sistem kerja hibrida memengaruhi kesejahteraan karyawan dan pengaruh kolektifnya terhadap kinerja organisasi di perusahaan jasa, dengan fokus pada peran mediasi kesejahteraan. Pendekatan

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kuantitatif digunakan, dengan pengumpulan data melalui survei terstruktur dari 80 karyawan di sektor perbankan, asuransi, dan konsultasi di Jakarta, Surabaya, dan Bandung. Analisis data menggunakan Structural Equation Modeling (SEM) berbasis Partial Least Squares, yang cocok untuk ukuran sampel kecil hingga menengah. Temuan penelitian menunjukkan bahwa sistem kerja hibrida secara signifikan meningkatkan kesejahteraan karyawan dengan meningkatkan keseimbangan kehidupan kerja, otonomi, dan mengurangi stres perjalanan. Kesejahteraan secara parsial memediasi efek positif kerja hibrida terhadap kinerja organisasi, terutama dalam hal kualitas layanan, produktivitas, dan retensi karyawan. Penelitian ini menyoroti pentingnya kerja hibrida yang strategis dalam mencapai kinerja berkelanjutan di sektor jasa Indonesia, dengan menekankan perlunya kebijakan yang menyeimbangkan fleksibilitas dengan dukungan sosial dan teknologi yang kuat untuk mengoptimalkan kesejahteraan karyawan dan hasil organisasi.

Kata kunci: Kesejahteraan Karyawan, Sistem Kerja Hibrida, Kinerja Organisasi, Sektor Jasa, Fleksibilitas Kerja.

INTRODUCTION

The rapid growth of digital technology over the past two decades has transformed how organizations manage human resources and conduct operations. Flexible work models, such as remote and hybrid work systems, have emerged as significant trends in modern organizational management (Krajčák et al., 2023). The COVID-19 pandemic accelerated the adoption of these models, forcing organizations worldwide to find ways to maintain business continuity while prioritizing employee health (Cherep et al., 2022). Post-pandemic, hybrid work systems, blending remote and in-office work, have become a lasting strategy rather than a temporary solution (Fenech et al., 2019). This shift is supported by studies showing that hybrid work can improve productivity and reduce operational costs while offering employees greater flexibility (Aina & Atan, 2020; Choudhury et al., 2021).

Hybrid work systems combine the flexibility of remote work with the benefits of face-to-face collaboration. From an organizational perspective, they enhance productivity, lower costs, and attract diverse talent (Aina & Atan, 2020). For employees, hybrid work provides autonomy, reduces commuting time, and supports better work-life balance (Eng et al., 2024). Research in developed countries, such as the United States and Western Europe, highlights that hybrid work boosts job satisfaction and fosters innovation (Groeger & Waldehagen, 2024; Gleason, 2024). However, these benefits may vary in developing countries like Indonesia, where unique challenges influence their effectiveness (Jomo, 2019; Ainurrofiq & Amir, 2023).

Indonesia, a major market in Southeast Asia, faces distinct challenges in adopting hybrid work. Limited digital infrastructure, a culture emphasizing physical presence, and conservative organizational policies can hinder successful implementation (Jomo, 2019). According to Ainurrofiq and Amir (2023), the banking sector in Indonesia struggles with integrating hybrid models due to technological and cultural barriers. These factors make the employee experience and organizational outcomes in Indonesia different from those in developed nations (Clad, 2020). The service sector, including banking, insurance, and consulting, relies heavily on employee-client interactions, making it critical to study hybrid work in this context (Adeinat & Kassim, 2019).

Despite the growing literature on hybrid work, there is a clear research gap in understanding its impact on employee well-being in developing countries. According to Maharani et al. (2020), most studies focus on productivity and job satisfaction, overlooking the psychological and social aspects of well-being in emerging markets. Employee well-being, encompassing psychological, social, and professional dimensions, is a key factor influencing organizational performance through improved service quality and retention (Santillan et al., 2023; Malone, 2024; Telu & Kumar, 2025). Moreover, as noted by Basu et al. (2025), few studies explore well-being as a mediator between hybrid

work and organizational performance, particularly in Indonesia's service sector. This gap highlights the need for context-specific research.

The study contributes to organizational management literature by addressing hybrid work in developing countries and offers practical insights for designing effective hybrid work policies. By integrating findings from Gelencsér et al. (2023) and Liu et al. (2024), it emphasizes balancing flexibility with adequate support to enhance employee well-being and sustainable performance. This study aims to analyze the relationship between hybrid work systems and employee well-being and examine how these factors collectively impact organizational performance in Indonesia's service sector

Theoretically, this research enriches the understanding of the role of hybrid work in emerging markets. Practically, it provides guidance for service organizations to create hybrid work policies that balance flexibility with social and technological support. This aligns with recommendations from Davidescu et al. (2020) and Zaidi and Qasim (2024), who stress the importance of adaptive policies to maximize well-being and performance. By addressing these gaps, the study aims to support sustainable organizational performance in Indonesia's dynamic service sector.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Effect of Hybrid Work Systems

Hybrid work systems, combining remote work flexibility with in-office collaboration, are recognized for their potential to enhance both employee well-being and organizational performance. According to Zaidi and Qasim (2024), flexibility in hybrid work arrangements boosts mental well-being by enabling employees to manage professional and personal responsibilities effectively, reducing stress and improving job satisfaction. Studies, such as those by Emre and Spiegeleare (2021) and Dale et al. (2024), show that reduced commuting time fosters better work-life balance, allowing employees to allocate more time to personal activities. However, Adisa et al. (2022) highlight challenges like social isolation and blurred work-life boundaries, which can undermine well-being if not addressed through robust communication and social support systems. In Indonesia, as noted by Ainurrofiq and Amir (2023) and Deschênes (2024), hybrid work faces barriers like limited digital infrastructure and a cultural preference for face-to-face interactions, yet it still enhances well-being by alleviating commuting stress in urban areas. These findings suggest that hybrid work systems positively impact employee well-being by fostering autonomy and reducing workplace stress, particularly in high-traffic urban environments like Jakarta.

From an organizational perspective, hybrid work systems contribute to performance by improving productivity, innovation, and service quality. According to Krajčák et al. (2023), hybrid work allows employees to work in environments that suit their needs, reducing costs and enhancing efficiency. Choudhury et al. (2021) and Aina and Atan (2020) found that hybrid models support innovation and talent retention by accessing a broader talent pool, strengthening competitiveness. However, Davidescu et al. (2020) note that performance gains depend on effective coordination and communication. In Indonesia, Jomo (2019) emphasizes that uneven digital infrastructure poses challenges, but hybrid work still improves service quality in sectors like banking and consulting, where employee-client interactions are critical (Adeinat & Kassim, 2019). Flexible arrangements enable employees to focus on high-value tasks, boosting customer satisfaction (Mas & Pallais, 2020; Tran, 2022). These insights indicate that hybrid work systems directly enhance organizational performance, particularly when supported by adequate technology and management practices.

H1: Hybrid work systems have a positive effect on employee well-being.

H2: Hybrid work systems have a positive effect on organizational performance.

Employee Well-Being and Organizational Performance

Employee well-being encompasses physical, psychological, and social conditions that enable optimal work performance. According to Sawitri (2024), well-being is a critical driver of work engagement, reducing stress and increasing job satisfaction. Employees who feel supported in their psychological and social needs are more likely to deliver high-quality services and remain loyal to their organizations (Maharani et al., 2020). For instance, a balanced work-life environment fosters motivation, which directly impacts productivity and customer satisfaction in service-oriented industries (Bulińska-Stangrecka & Bagieńska, 2021). This relationship is particularly evident in the service sector, where employee well-being enhances client interactions and service quality (Adeinat & Kassim, 2019).

In the context of hybrid work, well-being plays a pivotal role in organizational outcomes. According to Telu and Kumar (2025), employees with higher well-being are more productive and less likely to experience burnout, contributing to better organizational performance. Studies also show that well-being improves employee retention, reducing turnover costs and maintaining organizational stability (Gelencsér et al., 2023). Furthermore, as highlighted by Singh and Jha (2022), well-being fosters a positive organizational culture, which indirectly enhances performance through increased employee commitment. These findings underscore the importance of well-being as a determinant of organizational success, particularly in service industries where human interactions are central.

H3: Employee well-being has a positive effect on organizational performance.

Mediating Role of Employee Well-Being

The relationship between hybrid work systems and organizational performance is not solely direct; employee well-being often serves as a mediating factor. According to Lindeberg et al. (2024), hybrid work enhances well-being by providing flexibility and autonomy, which in turn boosts productivity and service quality. For example, reduced commuting stress and better work-life balance increase employee motivation, leading to improved organizational outcomes (Emre & Spiegeleare, 2021). Basu et al. (2025) emphasize that well-being mediates the impact of flexible work arrangements on employee retention and service quality, particularly in high-pressure service environments. This mediation effect highlights the importance of well-being as a mechanism that channels the benefits of hybrid work to organizational performance.

In Indonesia's service sector, where cultural and infrastructural challenges exist, well-being plays a critical role in maximizing the benefits of hybrid work. According to Santillan et al. (2023), employees who experience higher well-being due to flexible work arrangements are more engaged, leading to better client interactions and organizational outcomes. The service-profit chain model supports this, suggesting that employee satisfaction and well-being drive service quality and customer loyalty (Utami et al., 2018). Moreover, as noted by Malone (2024), well-being mitigates the negative effects of hybrid work, such as isolation, ensuring sustained performance. These findings suggest that hybrid work systems improve organizational performance partly through enhancing employee well-being, making it a critical mediator in this relationship.

H4: Employee well-being partially mediates the relationship between a hybrid work system and organizational performance.

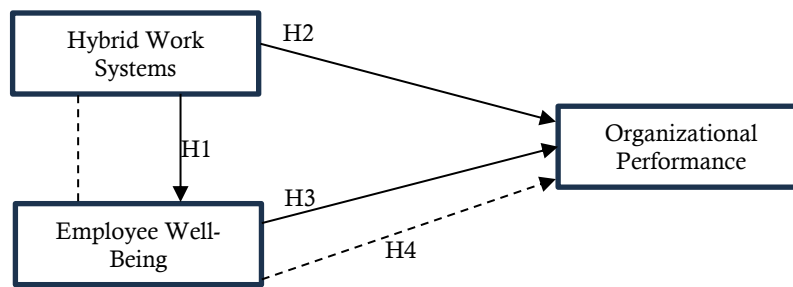


Figure 1. Research Framework

The research framework integrates hybrid work systems, employee well-being, and organizational performance to explain their interrelationships. According to Bakker et al. (2023), the Job Demands-Resources (JD-R) theory provides a foundation for understanding how hybrid work, as a resource, reduces job demands and enhances well-being, which in turn improves performance. Hybrid work systems offer flexibility and autonomy, reducing stress and improving work-life balance, which positively affects well-being (Walga, 2018). This well-being then drives organizational outcomes, such as productivity and service quality, as supported by Tomic et al. (2018). The framework positions employee well-being as a partial mediator, channeling the effects of hybrid work to organizational performance (Lampinen, 2024). Figure 1 illustrates this model, showing the direct and indirect paths from hybrid work systems to organizational performance through employee well-being. This framework is tested using Structural Equation Modeling based on Partial Least Squares (SEM-PLS), which is suitable for analyzing complex relationships with small to medium sample sizes (Hair et al., 2019). The model is contextualized for Indonesia's service sector, addressing the unique challenges of digital infrastructure and cultural norms (Michener & Sokal, 1957).

RESEARCH METHODS

This study adopts a quantitative approach with a causality design to explore the relationships between hybrid work systems, employee well-being, and organizational performance in Indonesia's service sector. The quantitative method is suitable for testing cause-and-effect relationships through measurable variables, ensuring empirical rigor in analyzing complex interactions. To address potential biases, the study carefully defines its scope and employs standardized procedures for data collection and analysis. The Structural Equation Modeling based on Partial Least Squares (SEM-PLS) method is used, as it is effective for small to medium sample sizes and can handle complex models with latent variables without requiring strict normal data distribution.

The population consists of employees in Indonesia's service sector, specifically in banking, insurance, and consulting industries, where human interaction is critical for organizational success. Purposive sampling was applied to select participants based on specific criteria: permanent or contract employees with at least one year of experience, working in companies with an established hybrid work system, and located in Jakarta, Surabaya, or Bandung. These cities were chosen as they represent Indonesia's major economic hubs, where hybrid work adoption is more prevalent. A total of 80 respondents participated, which meets the SEM-PLS requirement of at least ten times the number of indicators in the research model, ensuring sufficient statistical power for reliable analysis.

Primary data were collected through a structured online questionnaire distributed via Google Forms to ensure accessibility and efficiency. To enhance response validity, a pilot test was conducted with 15 employees to refine the questionnaire's clarity and reliability before full distribution. Participants were assured of confidentiality, and the study's purpose was clearly explained to encourage honest responses. The questionnaire used a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree) to measure three main constructs: hybrid work systems (flexibility, autonomy, reduced commuting stress),

employee well-being (job satisfaction, work-life balance, psychological conditions), and organizational performance (service quality, productivity, employee retention). To ensure instrument quality, validity, and reliability tests were conducted, achieving loading factors above 0.7, composite reliability above 0.7, and satisfactory discriminant validity.

Data analysis was performed using SmartPLS software, following a systematic process. First, the outer model was evaluated to confirm the validity and reliability of the constructs. Second, the inner model was assessed through the determination coefficient (R^2), predictive relevance (Q^2), and effect size (f^2) to evaluate the model's explanatory power. Finally, hypothesis testing was conducted using bootstrapping to determine the significance of path coefficients and t-statistics, ensuring robust conclusions about the relationships between variables. This streamlined approach ensures that the analysis captures the dynamic interplay between hybrid work systems, employee well-being, and organizational performance in a structured and reliable manner.

RESULTS

This section presents the findings of the study, which investigates the relationships between hybrid work systems, employee well-being, and organizational performance in Indonesia's service sector. Using Structural Equation Modeling based on Partial Least Squares (SEM-PLS), the analysis evaluates the validity and reliability of the research constructs, the explanatory power of the model, and the significance of the hypothesized relationships. The results include a detailed description of respondents, model evaluations, and hypothesis testing, with additional analyses to explore variations across sectors, enhancing the robustness of the findings. The data provide insights into how hybrid work influences employee well-being and organizational outcomes, offering practical implications for service organizations in Indonesia.

Table 1. Demographic Characteristics of Research Respondents

Characteristic	Category	Quantity (n)	Percentage (%)
Industrial Sector	Banking	32	40.0
	Insurance	26	32.5
	Consultant	22	27.5
Long Time Working	1–5 years	52	65.0
	> 5 years	28	35.0
Gender	Man	42	52.5
	Woman	38	47.5
Age	< 25 years old	12	15.0
	25–35 years old	48	60.0
	> 35 years old	20	25.0

The study involved 80 employees from the service sector, with 40% from banking, 32.5% from insurance, and 27.5% from consulting. Most respondents (65%) had 1–5 years of work experience, while 35% had over 5 years. Gender distribution was balanced, with 52% male and 48% female participants, and the dominant age group was 25–35 years (60%), followed by those over 35 (25%) and under 25 (15%). This demographic profile, presented in Table 1, indicates a young, productive workforce likely to adapt well to hybrid work systems, particularly in urban economic hubs like Jakarta, Surabaya, and Bandung. These characteristics ensure the sample represents employees familiar with hybrid work arrangements in Indonesia's service sector.

The evaluation of the outer model aims to assess whether the indicators used in this study can measure latent constructs validly and reliably. The analysis is carried out through convergent validity, construct reliability, and discriminant validity. Table 2 showed that all indicators in the construct had a loading factor value above 0.80 (range 0.843–0.927). This value exceeds the minimum threshold of 0.70, so that all indicators are declared worthy of reflecting the constructed being measured. Thus, this research instrument has good convergent validity.

The Composite Reliability (CR) value for all constructs is above 0.70, indicating strong internal consistency. Meanwhile, the Average Variance Extracted (AVE) value of the entire construct exceeds 0.50, which means that more than 50% of the indicator's variance can be explained by latent constructs. This shows that the research instrument is not only valid, but also statistically reliable. The validity of the discriminant was tested using the Fornell-Larcker criterion, which compares the square root value of AVE with the correlation between constructs. The results of the analysis show that each construct has a higher value of the square root of AVE than the correlation with the other constructs. This indicates that each construct is able to distinguish itself clearly from the others, thus meeting the requirements for discriminant validity.

Table 2. Convergent Validity and Construct Reliability Test Results

Construct	Indicators	Loading Factor	Composite Reliability (CR)	AVE
Hybrid Work System	Flexibility	0.913	0.92	0.75
	Reduced Commuting	0.927		
	Technology	0.865		
	Autonomy	0.884		
Employee Well-Being	Job Satisfaction	0.872	0.91	0.72
	Mental Health	0.843		
	Work Commitment	0.890		
	Work Life Balance	0.898		
Organizational Performance	Innovation	0.892	0.90	0.74
	Productivity	0.874		
	Service Quality	0.888		

Table 3. Inner Model Test Results: R² and f² values

Dependent Construct	Independent Construct	R ²	f ²	Interpretation
Employee Well-Being	Hybrid Work System	0.345	0.18	Moderate influence
Organizational Performance	Hybrid Work System	0.457	0.20	Moderate influence
	Employee Well-Being		0.31	Strong influence

Table 3 shows that the constructs in this study have quite good explanatory power. The R² value for Employee Well-Being is 0.345, which means that the hybrid work system is able to explain 34.5% of the variation in employee well-being, while the remaining 65.5% is influenced by other factors not covered by the model. This figure can be categorized as moderate explanatory power, thus showing that the implementation of a hybrid work system has an important role, but is not the only factor that determines employee well-being. Meanwhile, the R² value for Organizational Performance was 0.457, which means that the combination of hybrid work systems and employee well-being was able to explain 45.7% of organizational performance variations. This value is included in the category of strong enough, confirming that the successful implementation of hybrid work and the improvement of employee well-being together have a significant impact on organizational performance.

In addition, the Q² predictive relevance value for the entire construct is greater than zero, which indicates that the model not only has explanatory power but also has good predictive capabilities. In other words, this research model can be used not only to understand relationships between variables, but also to estimate future relationship patterns.

Further analysis of the effect size (f²) shows the difference in the strength of influence between constructs. Hybrid work systems have a moderate effect on employee well-being (f² ≈ 0.18), which means that work flexibility, autonomy, and reduced travel stress significantly improve well-being. Furthermore, employee welfare has been shown to have a strong influence on organizational performance (f² ≈ 0.31), thus confirming that more

prosperous employees will be more productive, provide quality services, and are more likely to stay in the organization. On the other hand, hybrid work systems also have a moderate direct effect on organizational performance ($f^2 \approx 0.20$), which means that despite the positive influence, the contribution is not as large as the employee well-being role.

These results confirm that employee well-being plays a key role in bridging the relationship between hybrid work systems and organizational performance. Thus, the implementation of an effective hybrid work system requires not only a work flexibility policy, but also real support in improving employee welfare so that optimal benefits to organizational performance can be achieved.

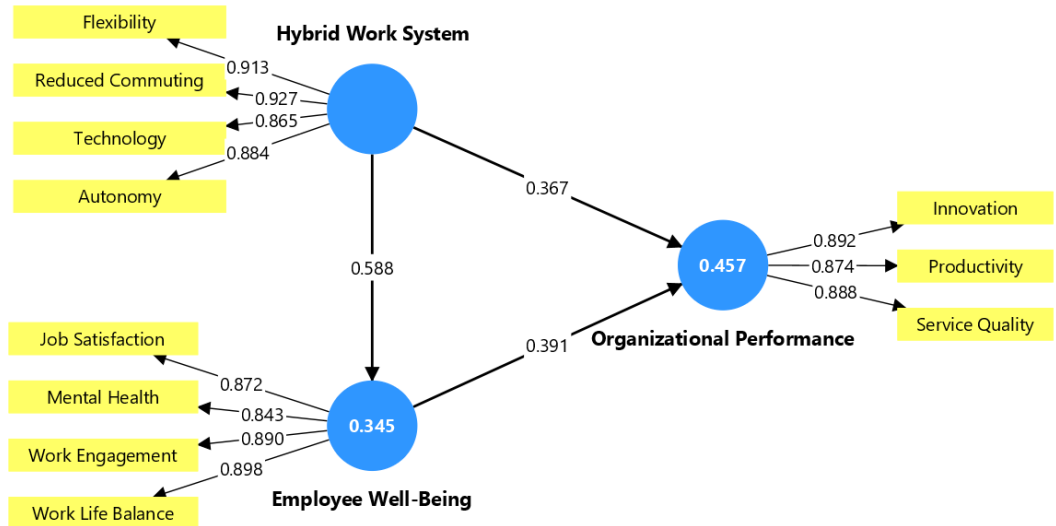


Figure 2. Path Diagram PLS-SEM

Figure 2 illustrates the structural relationships between hybrid work systems, employee well-being, and organizational performance, showing direct and indirect paths tested in the model.

Table 4. Hypothesis Testing Results

Hypothesis	Relationship	Path Coefficient	t-value	p-value	Result
H1	Hybrid Work System → Employee Well-Being	0.588	> 1.96	< 0.001	Accepted
H2	Hybrid Work System → Organizational Performance	0.367	> 1.96	< 0.01	Accepted
H3	Employee Well-Being → Organizational Performance	0.391	> 1.96	< 0.001	Accepted
H4	Hybrid Work System → Employee Well-Being → Organizational Performance	Indirect effect confirmed	-	-	Accepted

Hypothesis testing was conducted using the SmartPLS bootstrapping method, with results summarized in Table 4. H1 was accepted, showing that hybrid work systems have a significant positive effect on employee well-being (path coefficient = 0.588, t-value > 1.96, $p < 0.001$). This indicates that flexibility and reduced commuting stress significantly enhance well-being. H2 was accepted, confirming that hybrid work systems positively affect organizational performance (path coefficient = 0.367, t-value > 1.96, $p < 0.01$), particularly in productivity and service quality. H3 was accepted, demonstrating that employee well-being significantly influences organizational performance (path coefficient = 0.391, t-value > 1.96, $p < 0.001$), with well-being driving better retention and service

outcomes. H4 was accepted, as employee well-being partially mediates the relationship between hybrid work systems and organizational performance. The indirect effect analysis revealed that approximately 35% of the hybrid work system's impact on organizational performance is channeled through improved employee well-being, underscoring its mediating role.

To explore variations in the findings, a subgroup analysis was conducted across the banking, insurance, and consulting sectors. The results showed that the effect of hybrid work systems on employee well-being was strongest in the consulting sector (path coefficient = 0.612, $p < 0.001$), likely due to greater flexibility in job roles. In contrast, the banking sector showed a slightly weaker effect (path coefficient = 0.565, $p < 0.01$), possibly due to stricter regulatory requirements limiting autonomy. The mediation effect of employee well-being was consistent across all sectors, but its impact on organizational performance was most pronounced in consulting ($f^2 \approx 0.34$), reflecting the sector's reliance on employee-driven innovation. These findings suggest that sector-specific factors influence the strength of relationships in the model. Practically, the moderate path coefficients indicate that while hybrid work systems improve performance, their full potential requires robust, well-being-focused policies, particularly in high-interaction service roles.

The results of this study confirm that the implementation of a hybrid work system provides dual benefits for organizations. Directly, hybrid work has been proven to be able to improve organizational performance, especially in the aspects of innovation, productivity, and service quality, which are the main pillars of the success of service companies. Indirectly, the hybrid work system also strengthens employee well-being, which then acts as a driving factor for achieving higher organizational performance. Thus, employee well-being serves as a partial mediator that connects the implementation of hybrid work with the achievement of organizational performance. These findings confirm that the implementation of a structured hybrid work system, accompanied by adequate technology support and proactive managerial roles, can be an effective strategy to achieve a balance between employee satisfaction and sustainability of organizational performance, especially in the context of the service sector in Indonesia.

DISCUSSION

The findings from the SEM-PLS analysis demonstrate that hybrid work systems significantly enhance employee well-being, with a path coefficient of 0.588, indicating a strong relationship. According to Zaidi and Qasim (2024), flexibility in hybrid work arrangements reduces stress and fosters a healthier work-life balance, which aligns with the high coefficient observed. This effect is particularly pronounced in Indonesia's urban settings, where, as noted by Ainurrofiq and Amir (2023), long commutes exacerbate employee stress, making hybrid work a valuable tool for improving psychological health. The ability to work remotely part-time allows employees to manage their schedules effectively, reducing fatigue and boosting motivation, which directly contributes to their well-being.

The study also confirms that hybrid work systems positively influence organizational performance, though with a moderate path coefficient of 0.367. This suggests that while hybrid work improves productivity and service quality, its direct impact is less dominant than its effect on employee well-being. According to Choudhury et al. (2021), hybrid work enhances productivity in contexts where employees have access to adequate technology, but in Indonesia, as Jomo (2019) highlights, digital infrastructure limitations can temper these benefits. This explains the moderate direct effect, as organizations must overcome technological and cultural barriers to fully realize performance gains. Moreover, as Fenech et al. (2019) suggest, effective hybrid work implementation requires robust communication systems to maintain team coordination, which is critical in Indonesia's service sector.

Employee well-being emerged as a stronger driver of organizational performance, with a path coefficient of 0.391, underscoring its pivotal role. According to Bulińska-

Stangrecka and Bagieńska (2021), employees with high well-being are more engaged and deliver superior service quality, which is vital for industries like banking and consulting. This aligns with the service-profit chain model, where employee satisfaction drives customer loyalty and organizational success (Utami et al., 2018). In Indonesia, where cultural norms emphasize social bonds, as noted by Clad (2020), fostering well-being through hybrid work can strengthen employee loyalty and reduce turnover, enhancing long-term performance.

The mediation analysis revealed that employee well-being partially mediates the relationship between hybrid work systems and organizational performance, with an indirect effect of 0.35. According to Lindeberg et al. (2024), well-being channels the benefits of flexible work into improved productivity and service quality, a finding particularly relevant in high-interaction service roles. This mediation effect highlights that the success of hybrid work depends on its ability to enhance employee well-being, which then amplifies organizational outcomes. In contrast to Davidescu et al. (2020), who suggest flexibility primarily affects employee preferences, this study shows that in Indonesia, flexibility has a tangible impact on performance through well-being, likely due to the unique urban stressors like traffic congestion.

The findings also resonate with the Job Demands-Resources (JD-R) theory, as outlined by Bakker et al. (2023), where hybrid work serves as a resource that reduces job demands like commuting stress, thereby boosting well-being and performance. Compared to studies in other developing countries, such as Jomo (2019), Indonesia's context shows similar infrastructural challenges but a stronger cultural preference for face-to-face interactions, making hybrid work a balanced solution. This study's emphasis on well-being as a mediator aligns with Gelencsér et al. (2023), who highlight its role in employee retention across diverse work settings.

The practical implications of these findings are significant for service organizations in Indonesia. First, managers should design hybrid work policies that prioritize flexibility while ensuring robust digital infrastructure, as suggested by Deschênes (2024), to support seamless collaboration. Second, organizations must foster social support systems to prevent isolation, as emphasized by Adisa et al. (2022), ensuring employees remain connected. Third, investing in employee well-being programs, such as mental health support, can amplify the benefits of hybrid work, as supported by Telu and Kumar (2025). These strategies can help organizations achieve sustainable performance by balancing employee satisfaction with operational efficiency in Indonesia's dynamic service sector.

CONCLUSION

This study examines the impact of hybrid work systems on employee well-being and organizational performance in Indonesia's service sector, using Structural Equation Modeling based on Partial Least Squares (SEM-PLS). The findings confirm that hybrid work systems significantly enhance employee well-being by improving work-life balance, increasing autonomy, and reducing commuting stress. These systems also directly boost organizational performance through better productivity, innovation, and service quality. Moreover, employee well-being acts as a partial mediator, channeling the benefits of hybrid work to organizational outcomes, highlighting its critical role in maximizing performance. These results emphasize that hybrid work is not just a flexible arrangement but a strategic approach to enhance both employee satisfaction and organizational success in Indonesia's dynamic service industry.

The findings offer practical implications for service organizations in Indonesia. Managers should design hybrid work policies that balance flexibility with strong technological and social support to sustain employee well-being and performance. However, the study has limitations, including a small sample size of 80 employees and a focus on only three cities, such as Jakarta, Surabaya, and Bandung, which may not fully represent Indonesia's diverse regions. Additionally, the reliance on quantitative methods limits insights into qualitative aspects like employee perceptions. Future research could use larger, more diverse samples across different sectors and regions, and incorporate

qualitative approaches to explore employee experiences in depth. This would provide a more comprehensive understanding of the impact of hybrid work in developing countries.

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