



The Role of Job Satisfaction as a Mediator in the Impact of Work Environment and Flexibility on Employee Performance

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Abstract

This study investigates the impact of work environment and work flexibility on employee performance, with job satisfaction as a mediating variable, in the Currency Management Department at Bank Indonesia. Using Structural Equation Modeling based on Partial Least Squares (SEM-PLS), the research analyzes how both the work environment and work flexibility contribute to employee performance, mediated by job satisfaction. The findings reveal that both the work environment and work flexibility significantly and positively influence employee performance. Additionally, the work environment and work flexibility are shown to significantly affect job satisfaction, which in turn enhances employee performance. Job satisfaction was found to mediate the relationship between the work environment and employee performance, as well as between work flexibility and employee performance. The study highlights the importance of a conducive work environment and flexible work policies in improving employee satisfaction and performance. The results contribute to human resource management literature by demonstrating that work conditions and flexibility are essential factors influencing employees' attitudes and behaviors. Practical implications for Bank Indonesia include the need to continuously improve work environments and implement structured work flexibility policies to enhance employee satisfaction and performance. Limitations of the study include its focus on a single department and the cross-sectional nature of the data, suggesting that future research could expand the scope and adopt a longitudinal approach.

Keywords:

Work Environment,
Work Flexibility,
Employee Performance,
Job Satisfaction,
Human Resource Management,
Structural Equation Modeling (SEM).

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INTRODUCTION

In the era of globalization and digitalization, organizations are increasingly pressured to develop high-performing human resources in order to remain competitive and achieve their strategic goals. Employee performance is a critical indicator of an organization's success, particularly for financial institutions like Bank Indonesia. The performance of employees significantly influences the efficiency and effectiveness of operations,

particularly within departments such as the Currency Management Department, which plays a central role in ensuring the circulation of currency in the economy.

The dynamic nature of work in modern times underscores the importance of work environment and work flexibility as pivotal factors influencing employee performance. A conducive work environment can motivate employees to enhance their productivity, as shown by As'ad (2021), who suggests that a positive work environment contributes significantly to employee performance. Several studies have demonstrated that a supportive work environment can create a sense of safety, comfort, and support, enabling employees to effectively carry out their tasks (Badrianto & Ekhsan, 2020; Lis et al., 2020). Additionally, work flexibility has been found to positively affect employee performance. Flexible work arrangements, such as flexible working hours and telecommuting, provide employees with the autonomy to manage their work schedules, which has been shown to improve productivity (Putri & Sapruwan, 2025; Menezes & Kelliher, 2017). For instance, Rudianto et al. (2023) found that flexible working hours had a positive impact on employee performance at PT PLN (Persero) UIP3B Sulawesi. This flexibility enables employees to manage their time more effectively, leading to increased productivity and improved work outcomes.

However, despite the significant findings on the direct impacts of the work environment and work flexibility on performance, existing research suggests a gap in understanding the mediating role of job satisfaction in this relationship. According to Robbins and Judge (2017), job satisfaction reflects an individual's general attitude toward their work, influenced by the perceived rewards they receive. Research by Kurniawanto et al. (2022) highlights that job satisfaction serves as a crucial mediator in the relationship between work environment, motivation, and performance, which is further supported by studies in similar contexts (Fitri & Alexander, 2023).

The research gap is evident in the lack of studies that examine how job satisfaction mediates the relationship between work environment and work flexibility on employee performance, particularly in institutions like Bank Indonesia. Understanding these dynamics is crucial for designing policies that enhance employee motivation and performance through optimal work environments and flexibility.

This study aims to address this gap by investigating how work environment and work flexibility influence employee performance, with job satisfaction as a mediating variable, in the context of the Currency Management Department at Bank Indonesia. The research is expected to contribute both theoretically and practically by providing insights into the role of job satisfaction as a mediator and offering actionable recommendations for human resource management policies.

The objectives of this study are to:

- Analyze the direct influence of the work environment on employee performance in the Currency Management Department at Bank Indonesia.
- Analyze the direct influence of work flexibility on employee performance in the Currency Management Department at Bank Indonesia.
- Analyze the direct influence of the work environment on job satisfaction in the Currency Management Department at Bank Indonesia.
- Analyze the direct influence of work flexibility on job satisfaction in the Currency Management Department at Bank Indonesia.
- Analyze the direct influence of job satisfaction on employee performance in the Currency Management Department at Bank Indonesia.
- Analyze how job satisfaction mediates the effect of the work environment on employee performance in the Currency Management Department at Bank Indonesia.
- Analyze how job satisfaction mediates the effect of work flexibility on employee performance in the Currency Management Department at Bank Indonesia.

This research is expected to provide both theoretical and practical contributions:

- **Theoretical Significance:** The study will add to the body of knowledge on human resource management by highlighting the relationship between work environment, work flexibility, job satisfaction, and employee performance. Specifically, it will provide insights into the mediating role of job satisfaction in this context.
- **Practical Significance:** The study will offer valuable recommendations for the management of the Currency Management Department at Bank Indonesia to improve employee performance through the creation of a conducive work environment and flexible work policies.
- **Policy Implications:** The findings will provide recommendations for Bank Indonesia's human resource policies, particularly in adapting to the modern work environment, focusing on work-life balance and flexibility, to enhance organizational effectiveness.

METHOD

Research Object

This study focuses on employees of the Currency Management Department (DPU) at Bank Indonesia Jakarta. This department plays a critical role in managing the circulation of the Indonesian rupiah, including issuing, distributing, storing, and destroying money, while ensuring the quality of the circulating currency. By examining employees within the DPU, the study aims to gain a comprehensive understanding of how work environment and work flexibility affect performance through job satisfaction as a mediating variable.

Population and Sample

1. Population

The population in this study comprises all 123 employees working at the Currency Management Department of Bank Indonesia. These employees are directly impacted by the work environment and flexibility policies implemented by the institution, contributing significantly to the organization's performance.

2. Sample

This study employs a saturated sampling technique, meaning that all members of the population (123 employees) are included as the sample. According to Sugiyono (2017), "saturated sampling is a sampling technique where all members of the population are used as the sample," which is applicable here due to the relatively small population size.

Data Types and Data Collection Methods

1. Data Type

This research uses primary data, which is collected directly from respondents. Primary data is gathered through questionnaires completed by employees of the Currency Management Department at Bank Indonesia, measuring variables such as work environment, work flexibility, job satisfaction, and employee performance.

2. Data Collection Method

The data collection method used in this study is a questionnaire. According to Sugiyono (2017), a questionnaire is a data collection technique that involves giving a set of written questions or statements to

respondents for them to answer. The questionnaire in this study consists of questions designed to measure the topics under investigation: work environment, work flexibility, job satisfaction, and employee performance. A five-point Likert scale was used to design the questionnaire, as outlined in Table 1.

Table 1. Likert Scale

Response	Score
Strongly Disagree	1
Disagree	2
Neutral	3
Agree	4
Strongly Agree	5

Concept Definitions and Operational Variables

The operational definitions of the variables in this study are as follows:

1. Work Environment

The work environment refers to the physical and non-physical conditions that influence employees' ability to perform their duties effectively. This includes physical elements like lighting, temperature, humidity, and air circulation, as well as non-physical elements such as relationships with colleagues and supervisors (Sedarmayanti, 2013).

2. Work Flexibility

Work flexibility, including flexible work arrangements (FWA) like flexible working hours, job sharing, and teleworking, is defined as a system that allows employees to manage their time and work location to improve their work-life balance (Groen et al., 2018; Peretz et al., 2017).

3. Job Satisfaction

Job satisfaction refers to employees' emotional responses to their work, reflecting how they feel about their tasks, relationships, compensation, and career opportunities (Luthans, 2008; Suyono et al., 2021). This variable is evaluated across four dimensions: financial, psychological, physical, and social factors.

4. Employee Performance

Employee performance is the record of results produced by an individual in performing a specific job within a certain time frame. This variable is evaluated based on work quality, quantity, punctuality, efficiency, and interpersonal impact (Bernardin & Russell, 2007).

Data Analysis Techniques

The data analysis in this study uses Partial Least Squares Structural Equation Modeling (PLS-SEM), which involves the following steps:

1. Measurement Model (Outer Model)

The outer model specifies how latent variables are measured by their indicators and aims to ensure the validity and reliability of the measurements. Convergent validity is tested by checking whether the factor loadings of indicators are greater than 0.7 (Ghozali & Latan, 2015). Discriminant validity is assessed using methods like Fornell-

Larcker Criterion and cross-loadings (Hair et al., 2017). Reliability is tested using Composite Reliability and Cronbach's Alpha (Hair et al., 2017).

2. Structural Model (Inner Model)

The inner model tests the causal relationships between the latent variables. The path coefficients are estimated to determine the direct and indirect effects of the work environment and work flexibility on employee performance, with job satisfaction as the mediating variable (Hair et al., 2017). The model's predictive ability is assessed using R^2 , f^2 , Q^2 , and path significance through bootstrapping (Ghozali & Latan, 2015).

3. Path Coefficients and Hypothesis Testing

Hypothesis testing is performed by assessing the significance of the relationships between constructs using bootstrapping to obtain t-statistics and p-values. A t-statistic greater than 1.96 ($p\text{-value} < 0.05$) indicates a statistically significant relationship between the constructs (Ghozali & Latan, 2015).

Hypothesis Testing

Hypothesis testing in PLS-SEM involves evaluating whether there is sufficient evidence in the data sample to accept or reject the null hypothesis. If the t-statistic exceeds 1.96 and the p-value is less than 0.05, the hypothesis is accepted with a 95% confidence level (Ghozali & Latan, 2015).

RESULT AND DISCUSSION

Descriptive Analysis

The descriptive analysis of the variables provides an overview of the respondents' perceptions regarding the studied constructs. The results show that the respondents primarily consisted of men (92.7%) aged between 31-40 years (57.7%). Most respondents had an educational background of a Bachelor's degree (78%) and had worked for 6-10 years (35.8%). These demographics indicate that the respondents are experienced professionals, which is critical for understanding the operational effectiveness of Bank Indonesia's Currency Management Department (DPU).

The average scores for the main variables indicate a generally positive assessment:

- Work Environment (X1): Indicators related to the work environment consistently showed high mean scores, with the highest score recorded for LK.06 (4.537), indicating that the respondents perceive the work environment as highly supportive and conducive to their productivity.
- Work Flexibility (X2): The flexibility in work arrangements also received favorable assessments, with FK.04 and FK.03 scoring the highest (4.366), suggesting that employees perceive the flexibility in scheduling and work-life balance positively.
- Job Satisfaction (Y1): Job satisfaction also received high ratings, with KK.01 scoring 4.577, indicating that respondents are highly satisfied with their job conditions and responsibilities.
- Employee Performance (Y2): Employee performance was similarly rated highly, with KP.05 scoring 4.545, reflecting that employees feel they perform well in their roles, fulfilling responsibilities with high efficiency.

Table 1 summarizes the descriptive statistics of the variables studied.

Table 2. Descriptive Statistics of Variables

Variable	Mean	Std. Deviation	Min.	Max.
Work Environment (X1)	4.25	0.52	2	5
Work Flexibility (X2)	4.18	0.48	2	5
Job Satisfaction (Y1)	4.30	0.50	2	5
Employee Performance (Y2)	4.33	0.47	2	5

Inferential Analysis Using Structural Equation Modeling (SEM)

The Structural Equation Modeling (SEM) analysis was conducted using SmartPLS software. The results from the analysis show that the relationships between work environment, work flexibility, job satisfaction, and employee performance are all significant. The measurement model (outer model) showed good validity and reliability, with all indicators meeting the required thresholds for convergent validity (outer loadings > 0.7), reliability (Cronbach's alpha > 0.7), and average variance extracted (AVE > 0.5).

Work Environment (X1) and Employee Performance (Y2): The direct effect of the work environment on employee performance was significant ($\beta = 0.303$, p-value = 0.002), confirming that a conducive work environment positively affects performance. This is consistent with the findings of Kirana et al. (2022), Thalia et al. (2024), and others, who found that a supportive work environment enhances employee productivity.

Work Flexibility (X2) and Employee Performance (Y2): Similarly, work flexibility had a significant positive effect on employee performance ($\beta = 0.344$, p-value = 0.000). This finding supports previous research by Syahfitri et al. (2017) and Putri & Sapruwan (2025), who showed that flexible work arrangements help employees balance their personal and professional lives, leading to improved work performance.

Work Environment (X1) and Job Satisfaction (Y1): The work environment was also found to significantly affect job satisfaction ($\beta = 0.446$, p-value = 0.000), with a positive environment enhancing employees' satisfaction with their job. This aligns with studies by Basalamah & As'ad (2021), Kurniawanto et al. (2022), and others, who emphasized that a positive work environment fosters higher job satisfaction.

Work Flexibility (X2) and Job Satisfaction (Y1): Work flexibility significantly influenced job satisfaction ($\beta = 0.318$, p-value = 0.000), which is consistent with the findings of Menezes & Kelliher (2017) and Ma (2018), who demonstrated that flexible work policies contribute to higher job satisfaction.

Job Satisfaction (Y1) and Employee Performance (Y2): Job satisfaction was found to significantly affect employee performance ($\beta = 0.252$, p-value = 0.003), reinforcing the idea that satisfied employees are more motivated and productive, as supported by Razak et al. (2018) and Rinny et al. (2020).

Mediation Effects

Work Environment → Job Satisfaction → Employee Performance: The mediation analysis showed that job satisfaction mediates the relationship between work environment and employee performance ($\beta = 0.112$, p-value = 0.021). This suggests that a positive work environment enhances job satisfaction, which in turn improves employee performance. This finding aligns with research by Sitepu et al. (2020) and Fatihudin & Firmansyah (2018), highlighting the role of job satisfaction as a mediator in improving performance.

Work Flexibility → Job Satisfaction → Employee Performance: Similarly, job satisfaction also mediated the relationship between work flexibility and employee performance ($\beta = 0.080$, p-value = 0.017). This supports the

findings of Azizah & Nastiti (2024) and Nuraini Desi (2017), who showed that flexible work arrangements boost job satisfaction, which then enhances performance.

Implications and Contributions

The findings of this study have important theoretical and practical implications. From a theoretical perspective, this study contributes to the understanding of how work environment and work flexibility influence employee performance through job satisfaction. The significant mediation effect suggests that improving job satisfaction can enhance the positive effects of work environment and flexibility on employee performance.

From a practical standpoint, the study provides valuable insights for Bank Indonesia’s human resource management, emphasizing the importance of maintaining a supportive work environment and offering flexible work arrangements to improve employee satisfaction and performance. These strategies can help increase employee motivation, leading to higher productivity and enhanced organizational performance.

Figure 1. presents the descriptive statistics of the variables studied.

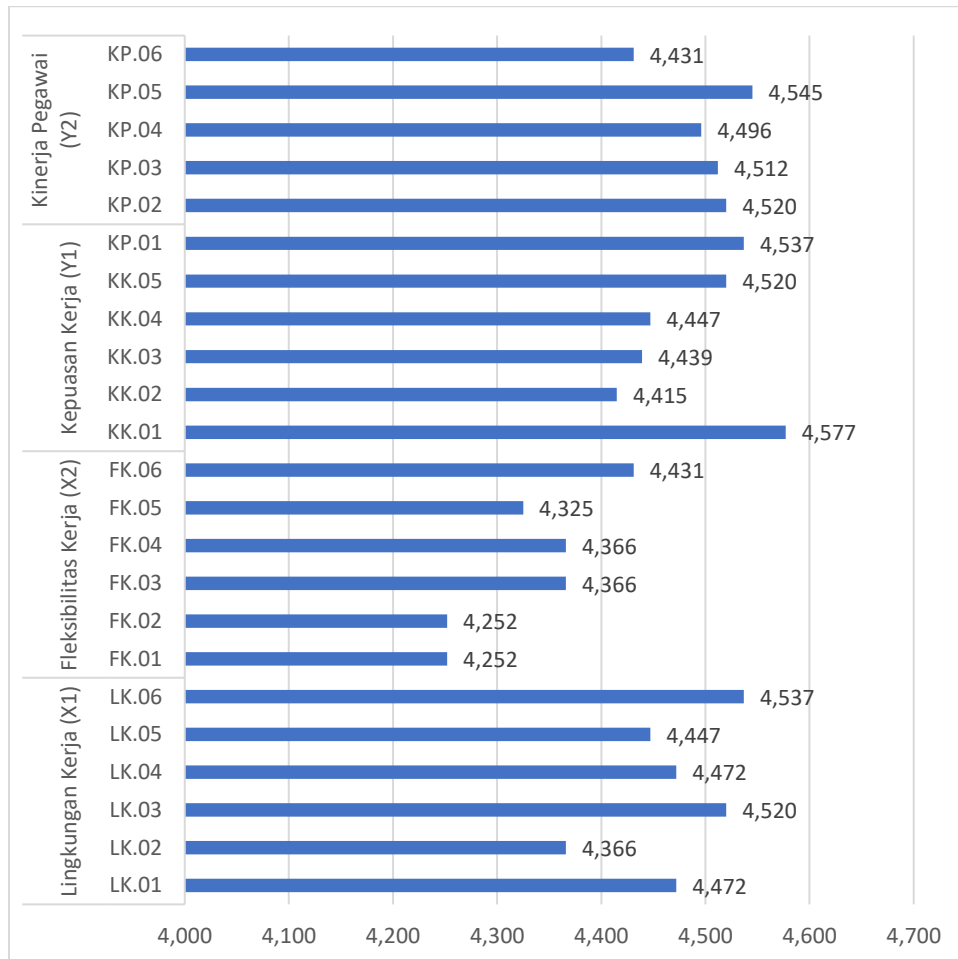


Figure 1. Descriptive Statistics of Variables

Figure 2. presents the path coefficients, p-values, and outer loadings of the SEM model, illustrating the relationships between the variables.

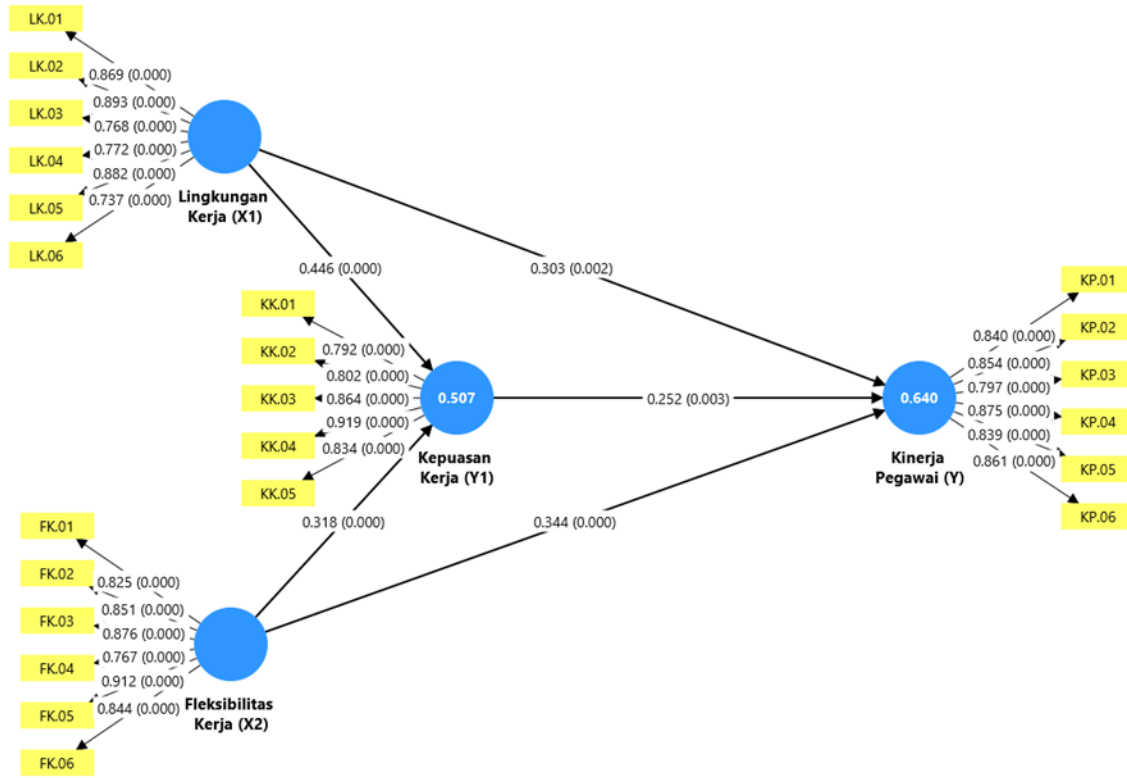


Figure 2. Path Coefficients, p-value, and Outer Loading of SEM Model

CONCLUSION

This study aimed to analyze the impact of work environment and work flexibility on employee performance, with job satisfaction as a mediating variable, at the Currency Management Department of Bank Indonesia. Based on data analysis using Structural Equation Modeling based on Partial Least Squares (SEM-PLS), several key conclusions can be drawn. First, the work environment significantly and positively affects employee performance, indicating that a conducive, safe, and supportive work environment, both physically and socially, can enhance the quality and quantity of employee performance. Second, work flexibility also has a significant positive impact on employee performance, suggesting that providing employees with flexibility in work schedules, methods, and patterns can encourage them to work more effectively and productively. Third, the work environment significantly and positively influences job satisfaction, as a good work environment improves comfort, motivation, and positive feelings about the job. Similarly, work flexibility is positively and significantly related to job satisfaction, as it allows employees to balance their work and personal lives, thereby increasing job satisfaction. Additionally, job satisfaction was found to positively and significantly affect employee performance, as employees who are satisfied tend to exhibit greater commitment and higher performance. Moreover, job satisfaction mediates the relationship between work environment and employee performance, meaning that a positive work environment boosts job satisfaction, which in turn leads to improved performance. Job satisfaction also mediates the impact of work flexibility on employee performance, with proper work flexibility enhancing job satisfaction, which then strengthens employee performance. Overall, the results suggest that both work environment and work flexibility are strategic factors that play a crucial

role in improving job satisfaction and employee performance in the Currency Management Department at Bank Indonesia.

The practical implications of this study are significant for the management of Bank Indonesia, especially for the Currency Management Department, in formulating human resource management policies. The findings suggest that enhancing the quality of the work environment and implementing structured work flexibility policies can be effective strategies to improve employee satisfaction and performance sustainably. Theoretically, this study contributes to the development of human resource management literature, particularly regarding the relationship between work environment, work flexibility, job satisfaction, and employee performance. It strengthens existing theories on job satisfaction and work motivation by showing that working conditions and flexibility are important determinants in shaping employees' attitudes and behaviors.

However, this study has several limitations. It was conducted within a single department, which limits the generalizability of the findings. Additionally, the data used was cross-sectional, meaning it does not capture the long-term dynamics of employee behavior. The study was also limited to analyzing only the work environment, work flexibility, job satisfaction, and employee performance, leaving other potential factors influencing performance unexamined. Future research could address these limitations by expanding the research scope to include other departments or organizations, incorporating additional variables such as work motivation, organizational commitment, or work culture, and adopting a longitudinal approach to provide a more comprehensive understanding of the subject.

For future researchers, it is recommended to broaden the research focus by including more variables and conducting studies over a longer period to capture behavioral changes over time. For practitioners, particularly those in human resource management, the findings emphasize the importance of continuously improving both the physical and non-physical work environment and developing flexible work policies that are adaptable and measurable to further enhance employee satisfaction and performance. This study is expected to serve as a valuable reference for the advancement of human resource management studies, especially in the public sector, contributing to the efficient management of employee performance in government institutions.

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