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Linking Flexible Working Arrangement and Employee Performance in Post-pandemic Era: Mediating Role of Motivation

Claudya Hutabarat[1]*, Amelia Naim Indrajaya[2], Husain Nurisman[3]

[12]Sekolah Tinggi Manajemen IPMI, Jakarta, Indonesia
[3]Sekolah Tinggi Ilmu Ekonomi Indonesia

Author E-mail: husain_nurisman@stei.ac.id

A B S T R A C T

In a world characterized by evolving work paradigms and changing employee expectations, the adoption of flexible working arrangements has gained prominence across various industries including financial services. However there has been limited study exploring the dynamic interplay between flexible working arrangements and employee performance, with a specific focus on the mediating role of motivation. This study aims to unravel how flexible work arrangements influence employee performance, and how motivation serves as a crucial mechanism in this relationship. By examining the connections between these variables, the research seeks to contribute to a more comprehensive understanding of the modern workplace landscape. The research is a quantitative study, analyzed using structural equation modeling (SEM) that was conducted using SmartPLS4 and a purposive sampling technique. The data were collected from 113 employees working in financial services companies in Greater Jakarta Area. The results found that FWA have significant effect on employee performance and so does motivation on employee performance. Although, as in mediating role, the findings in this study show that motivation does not mediate the relationship between FWA and employee performance.

Keywords: *Flexible Working Arrangement, Employee Performance, Motivation, Financial Services Industries, Post-Pandemic.*

INTRODUCTION

Nearly three years after the COVID-19 outbreak forced most offices to close. Currently, we are beginning to see the light at the end of the tunnel and hope for optimism. More people are now vaccinated, and the number of new COVID cases is declining compared to the winter high. As the world reopens and organizations gear up for a post-pandemic environment, flexible work is gaining significance beyond being just a safety

measure to protect employees. Organizations are trying to incorporate a culture of trust by offering employees flexibility in the workplace. (Expert Group Meeting, United Nations Entity for Gender Equality and Empowerment of Women (UN Women), 2010).

Flexible working arrangements (FWA) refer to the policies and practices adopted by organizations to allow their employees some level of flexibility in terms of their working hours and/or location, deviating from the traditional working hours. Some examples of these are flexitime, part-time or reduced hours, job sharing, career breaks, leaves related to family or other reasons, compressed workweeks, and teleworking (Lewis, 2003).

FWA is not a new concept. It has a long history and has traditionally been implemented predominantly to satisfy employer requirements for adaptability or to cut expenses, although they might have also fulfilled the necessities and requests of employees (Dalton & Mesch, 1990); (Krausz, Sagie, & Bidermann, 2000); (Kate, Hogarth, & Simm, 1999); (Ralston, 1989). Other flexible options are also implemented under the guise of family-friendly employment policies, ostensibly to cater to employees' needs for flexibility in balancing work and family obligations (Harker, 1996; Lewis & Cooper, 1995; Lim & Teo, 2000). Other contemporary drivers of change include increased emphasis on high trust working practices and the thrust toward gender equity and greater opportunities for working at home because of new technology (Evans, 2000). The current advancement in telecommunications technology allows workers to be independent of fixed work schedules and locations (Abendroth & Reimann, 2018).

When implemented effectively, flexible work is essentially a balancing act that can benefit both employers and employees. It enables employers to meet their business objectives by managing fluctuations in demand, reducing costs, and making their company more appealing to prospective employees (Bohle, 2016). Previous studies also found that the benefits of flexible work arrangements may also impact other aspects of the organization outcomes such as job satisfaction, productivity, performance, organizational commitment, absenteeism and retention rates (Kossek & Ozeki, 2008; Abid & Barech, 2017; Bal & De Lange, 2014; de Menezes & Kelliher, 2011; Baltes, Briggs, Huff, Wright, & Neuman, 1999; Russell, O'Connel, & & McGinnity, 2007).

However, it is essential to acknowledge that not all occupations can accommodate flexible work arrangements. Some jobs necessitate physical presence at the workplace, while others rely heavily on close collaboration and teamwork, making remote work more challenging. The debate about industries that are better suited for flexible work arrangements has been ongoing for some time. For instance, certain roles like programming may allow for remote work, but professions such as doctors or nurses may not have that option, although the emergence of telemedicine technology could disrupt traditional healthcare practices. Moreover, employee preferences for flexible work arrangements vary across different industries (ManpowerGroup Solutions, 2019). Employers have also noted that certain flexible work arrangements may be more practical and feasible for employees in specific job roles compared to others (Triparte Alliance for Fair & Progressive Employment Practices, 2021).

The financial sector has seen an evolution in leadership mindsets on concerning the perceived value and practicality of adopting FWAs. Faced with persistent business challenges, leaders have embraced a new approach to work within the sector, which now includes a more open attitude towards various types of FWAs, particularly remote working (Triparte Alliance for Fair & Progressive Employment Practices, 2021).

According to The FlexIndex (2023) in its Financial Services Deep Dive report on an in-office requirements, only 20% of US Financial Services companies that require fully onsite work while the remaining 80% offer work location flexibility such as full flexible work and structured hybrid. The number is higher than the US industry average which weighed at 51%.

Fintech are leading the equation on the flexibility by financial services sub-sector, where almost 80% of companies in the industry is offering full-flexible work, followed by Investment management (33%) and Insurance (31%). Banking sector become the least flexible since 32% companies still require fully on-site work. Structured hybrid is by far the most popular approach for more traditional financial services companies. At least half of the industry sub-sectors are implementing structured hybrid. Structured hybrid companies typically require employees to spend half of their time on-site (The FlexIndex, 2023).

The universal factors driving the need for schedule flexibility are undeniable; the nature of the work, the desired outcomes, and how performance is measured all play crucial roles in aligning flexible work arrangements with the needs of both employers and employees (ManpowerGroup Solutions, 2019).

Variables Used in this Research.

Flexible Working Arrangement: Flexible working arrangements are characterized by the ability of employees to easily adjust their work schedule and location (Selby, Wilson, Korte, & Millard, 2001). According to van Steenbergen et al. (2018), the Activity Based Working by using five items scale.

Motivation: to measure motivation, the author is using the The Multidimensional Work Motivation Scale (MWMS) developed by Gagne, et al. (2015). The MWMS evaluate work motivation at the domain level of analysis using 19-item scale. This 19-item scale assesses the five types of regulation proposed by the Self-Determination Theory as proposed by Deci & Ryan (1985) such as amotivation, external, introjected, and identified regulation, as well as intrinsic motivation.

Employee Performance: Koopman's The Individual Work Performance Questionnaire (Koopmans, 2015) is an 18-item scale developed in The Netherlands to measure the three main dimensions of job performance: task performance, contextual performance, and counterproductive work behavior. All items have a recall period of three months and a 5-point Likert scale representing 1= strongly disagree, 2= disagree, 3= neutral which neither agree or disagree, 4= agree, 5= strongly agree. The complete items of these three variables are shown in Table 1.

METHODS

For this study, quantitative data would be more suitable as the main objective is to examine the impact of flexible working arrangement and motivation on employee performance in financial services industry in Indonesia. By using the recommended statistical procedures, this quantitative data will be used to test the hypotheses, interpret the results, and draw conclusions.

This study focuses on the workforce in Financial Service Industry from Greater Jakarta Area (Jabodetabek area) who have flexible working arrangement policy and have worked for at least three months as the desired nonprobability purposive sampling criteria. The questionnaires were distributed in a week to the samples via personal messaging apps like WhatsApp and social media blast via Instagram and Twitter. A total of 115 responds were collected and since the number has exceeded the requirement, researchers decided to use this as the final number. Some of the respondents who completed the questionnaire did not meet the criteria in

terms of FWA. As a result, the researcher discarded several samples that did not meet the criteria. The total data is 113 to proceed, which account for 98% of all responses after outlier exclusion.

The questionnaire consists of two parts – part A and part B. Part A contains questions about the respondent's sociodemographic profile (age, gender, company type, job position and education level). While section B contains questions related to descriptive analysis using the operational variables of this study, as follows:

Table 1. Operationalization of Variables

Variable	Dimension	Measurement Item
Flexible Working Arrangement	Activity Based Working (ABW1)	I decide for myself where (office, home, elsewhere) I work
		I decide for myself when I work
		I do not have my own personal desk (flex-desk concept)
		In the office, I work in an 'activity-related' manner (e.g., using spaces for concentration, communication, meetings)"
		I use information technology (e.g., smartphone, laptop), so I can work at any chosen location or time
		I regularly work remotely with my colleagues
Motivation	Amotivation (MO1)	I don't, because I really feel that I'm wasting my time at work.
		I do little because I don't think this work is worth putting efforts into.
		I don't know why I'm doing this job, it's pointless work.
	Extrinsic regulation (MO2)	To get others' approval (e.g., supervisor, colleagues, family, clients …)
		Because others will respect me more (e.g., supervisor, colleagues, family, clients …)
		Because others will reward me financially only if I put enough effort in my job (e.g., employer, supervisor …)
		Because others offer me greater job security if I put enough effort in my job (e.g., employer, supervisor …)
		Because I risk losing my job if I don't put enough effort in it
	Introjected Regulatory (MO3)	Because I have to prove to myself that I can
		Because it makes me feel proud of myself
	Identified Regulation (MO4)	Because I personally consider it important to put efforts in this job
		Because putting efforts in this job aligns with my personal values
	Intrinsic Motivation (MO5)	Because I have fun doing my job
		Because the work I do is interesting
Employee Perfomance	Task Performance (EP1)	I managed to plan my work so that I finished it on time
		I kept in mind the work result I needed to achieve
		I was able to distinguish main issue from side issues
		I was able to carry out my work efficiently
		I managed my time well
	Contextual Performance Scale (EP2)	On my own initiative, I started new task when my old tasks were completed
		I took on challenging tasks when they were available
		I worked on keeping my job-related knowledge up-to-date
		I came up with creative solutions for new problems
		I took on extra responsibilities
		I actively participated in meetings and/or consultations

	Counterproductive Work Behavior (EP3)	I made problems at work bigger than they were
		I focused on the negative aspects of situation at work instead of the positive aspects
		I talked to colleagues about the negative aspects of my work
		I talked to people outside the organization about the negative aspects of my work

In terms of survey collection, an online survey using Google Form. The survey URL is distributed using electronic communications such as e-mail, WhatsApp and on social media like Twitter and Instagram. In addition, a guideline stating the purpose of the study and the questionnaire response method is included with the questionnaire form to improve the respondents' understanding. The full survey took approximately 15 minutes.

RESULTS AND DICUSSIONS

Females dominated the respondent profile by 68% compared to male which account for 32% only. In terms of working tenures, it varies between 3 months – 1 year 19%, 1 – 2 years 29%, 2 – 3 years 24% and more than 3 years is showing as 28% of the population. The sub-industry span is dominated by Insurance by 51% followed by Fintech by 19%, banking by 14% and the smallest portion is shared between Investment Company (8%), Multifinance (7%) and Rating Agency (0.8%). Respondents also comes from various job titles and job function. For job titles, majority of the respondents are Staff level (48%) followed by Managerial/Supervisory level (44%), Middle Management (10%), Senior Management (10%) and Individual Contributor (0.8%). While the job function is a spread of Sales, Marketing and Business Development by 38%, Operations by 13%, Finance and Accounting 12%, IT 9%, Legal and Compliance 9%. Human Resources 8%, Customer Services 7% and General Administration 4%.

Instrument Validity and Reliability

The pilot test, which took place from July 28th to July 31st, 2023, received 43 responses out of a target of 30. As a result, the researcher utilized the study's validity based on the number of respondents (N=43, Alpha = 95%, and r-table 0.2940). Based on the questionnaire feedback received, data showed that the majority of the variable in both the validity and reliability test achieved a minimum number of the requirement which was above 0.3 for Pearson's Correlation and above 0.7 for Cronbach's alpha (Sekaran & Bougie, 2014). Except for the Amotivation dimension (MO1.1 to MO1.3) that showing < 0.3 for Pearson's Correlation and showing invalid result and need to be excluded in further process. Therefore, the pilot study indicated that the findings of the validity and reliability of the two-tailed test were reliably shown in Table 2.

Table 2. Validity and Reliability Test Result

Variable	Dimension	Code	Validity (if Pearson's Correlation >0.3)		Reliability (if Cronbach's Apha >0.7)	
			Value	Result	Value	Result
Flexible Working Arrangement	Activity Based Working (ABW1)	ABW1.1a	0.743	Valid	0.719	Reliable
		ABW1.1b	0.788	Valid		
		ABW1.2	0.685	Valid		
		ABW1.3	0.573	Valid		
		ABW1.4	0.479	Valid		
		ABW1.5	0.741	Valid		

Motivation	Amotivation (MO1)	MO1.1	-0,011	Invalid	0.740	Reliable
		MO1.2	0,108	Invalid		
		MO1.3	0,171	Invalid		
	Extrinsic regulation (MO2)	MO2.1	0.600	Valid		
		MO2.2	0.573	Valid		
		MO2.3	0.341	Valid		
		MO2.4	0.676	Valid		
		MO2.5	0.556	Valid		
	Introjected Regulatory (MO3)	MO3.1	0.317	Valid		
		MO3.2	0.610	Valid		
	Identified Regulation (MO4)	MO4.1	0.663	Valid		
		MO4.2	0.512	Valid		
	Intrinsic Motivation (MO5)	MO5.1	0.427	Valid		
		MO5.2	0.405	Valid		
Employee Performance	Task Performance (EP1)	EP1.1	0.617	Valid	0.911	Reliable
		EP1.2	0.717	Valid		
		EP1.3	0.738	Valid		
		EP1.4	0.833	Valid		
		EP1.5	0.843	Valid		
	Contextual Performance Scale (EP2)	EP2.1	0.643	Valid		
		EP2.2	0.622	Valid		
		EP2.3	0.545	Valid		
		EP2.4	0.572	Valid		
		EP2.5	0.524	Valid		
		EP2.6	0.789	Valid		
	Counterproductive Work Behavior (Ep3)	EP3.1	0.768	Valid		
		EP3.2	0.835	Valid		
		EP3.3	0.619	Valid		
		EP3.4	0.642	Valid		

Source: Author, 2023

Descriptive Statistics

For all variables, the independent variable is Flexible Working Arrangement (FWA), while the dependent variables are Employee Performance (EP), and Motivation (MO) as the mediating role. All variables were measured on 5-point Likert scales.

Table 3 above shows that no 'N' is missing because each indicator has 113 responses. According to the respondent profile, the frequency of individuals filling out the questionnaire came from Gen Z with 1 to 2 years of work experience (29%), indicating that they have sufficient experience in flexible working in their organization. The mean and median are used to calculate the data's central tendency. As shown in Table 3, EP 1.3, EP 3.1 has the highest mean (4.425), while MO 2.4 has the lowest mean (2.310). Meanwhile, the median of the majority of indicators is 5, indicating that the majority of respondents agreed with the question on a scale of 1 to 5. The entire indicator's standard deviation factor is discovered to be above 0, which allows us to say that the data set has any correct spread response at all. The received data of responses in Table 3 shows that all values are between -1 to 1, indicating that the distribution of variables is positively skewed toward the left tail. As none of the skewness values is larger than 1 means the data is considered normal (Hair et al. 2010).

Table 3. Descriptive Statistics

Name	Type	*N*	Mean	Median	Standard Deviation	Excess Kurtosis	Skewness
ABW1.1a	ORD	113	4.053	5	0.636	3.253	-1.092
ABW1.1b	ORD	113	3.832	5	0.891	0.773	-1.027
ABW1.2	ORD	113	3.177	5	1.278	-1.332	-0.235
ABW1.3	ORD	113	3.522	5	0.913	-0.756	-0.385
ABW1.4	ORD	113	4.389	5	0.488	-1.821	0.460
ABW1.5	ORD	113	4.053	5	0.622	1.254	-0.484
EP1.1	ORD	113	4.345	5	0.494	-1.267	0.435
EP1.2	ORD	113	4.292	5	0.455	-1.161	0.927
EP1.3	ORD	113	4.425	5	0.512	-1.527	0.107
EP1.4	ORD	113	4.345	5	0.475	-1.593	0.660
EP1.5	ORD	113	4.354	5	0.496	-1.311	0.398
EP2.1	ORD	113	4.053	5	0.495	1.112	0.116
EP2.2	ORD	113	4.035	5	0.623	0.396	-0.247
EP2.3	ORD	113	4.407	5	0.543	-1.002	-0.127
EP2.4	ORD	113	4.142	5	0.608	-0.362	-0.082
EP2.5	ORD	113	4.009	5	0.587	-0.052	-0.002
EP2.6	ORD	113	3.903	5	0.728	-0.149	-0.265
EP3.1	ORD	113	4.425	5	0.494	-1.940	0.308
EP3.2	ORD	113	4.416	5	0.544	-1.005	-0.160
EP3.3	ORD	113	4.274	5	0.641	-0.683	-0.326
EP3.4	ORD	113	4.354	5	0.637	-0.656	-0.475
MO2.1	ORD	113	2.425	5	1.054	-0.913	0.454
MO2.2	ORD	113	2.345	5	0.957	-0.310	0.666
MO2.3	ORD	113	2.310	4	0.932	-0.482	0.603
MO2.4	ORD	113	2.460	4	1.031	-1.100	0.305
MO2.5	ORD	113	2.619	5	1.083	-1.107	0.216
MO3.1	ORD	113	4.327	5	0.571	8.348	-1.308
MO3.2	ORD	113	4.239	5	0.553	1.459	-0.282
MO4.1	ORD	113	4.265	5	0.549	1.466	-0.283
MO4.2	ORD	113	4.062	5	0.614	1.432	-0.502
MO5.1	ORD	113	4.372	5	0.641	1.658	-0.939
MO5.2	ORD	113	4.230	5	0.665	0.883	-0.667

Source: PLS-SEM Report by Author, 2023

Factor Loading

The author tested the loading factor for each indicator using PLS-SEM software. Factor loading show how well an item represents the underlying construct. The findings in indicate that the majority of the requirements have been met and supported by outer loading factors more than 0.70, reflecting indicators, and variables that demonstrate the model's internal consistency. Although, indicator of Flexible Working Arrangement ABW1.2, ABW1.4, and some of the motivation dimension of extrinsic regulation (MO2.1, MO2.2, MO2.3, MO2.4 and MO2.5) have loading factor of less than 0.4 meaning that these indicators are not valid and needed to be eliminated (Hair et al., 2014). Author also decided to eliminate some indicator on Employee Performance on some of the contextual performance (EP2.2, EP2.4, EP2.5, EP2.6) and some indicators for counterproductive work behavior (EP 3.3 and EP 3.4) because it appears to be unimportant factor for employees doing FWA.

Reason of removing these two indicators also because they have less than <0.5 on AVE value. Given the other evaluation criteria and the indication's low outer loading factor value, these indicators was likely invalid. Removing these indicators can also help improve the AVE value, which currently at sitting at <0.5 for all three variables. AVE value <0.50 means that those variables have low convergent validity (Hair Jr, Sarstedt, Hopkins, & Kuppelwieser, 2014).

On the constructs of Flexible Working Arrangement (ABW), Employee Performance (EP) and Motivation (MO) are internally consistent and reliable with Cronbach's alpha values and Composite reliability (rho_a) for three variables being greater than 0.70. Table 4 below summarizes the evaluation criteria for the construct validity and reliability of the initial research model and Table 5 shows the updated model in which the invalid indicators have been eliminated and the author will use this model for further process of the study.

Table 5 above summarized the evaluation criteria and shows that outer loading almost all have value greater than 0.70. There are some indicators like EP2 for Contextual Performance and Counterproductive Behavior that have loading factor value lower than 0.70 but the author decides to retain the indicator since it is important to be evaluated and eliminating it will leave employee performance with only one reflective dimension and it is unlikely to have only one dimension. Also, some of them have value >0.5 which already fulfilled the minimum acceptable value for factor loading (Al-Khamaiseh et al., 2019; Baistaman et al., 2020; Chan & Idris, 2017; Ehido et al., 2020; Hair et al., 2014; Rahlin et al., 2020; Zulkepli et al., 2017)

Cronbach's alpha values that are greater than 0.70 for all indicators and variables indicating that the model has internal consistency. The Composite Reliability (CR) values are above 0.6 for the three variables, indicating that the measurement model had very high reliability. Convergent Validity, which happens when one measurement of a variable has positive correlation with another measurement of the same variable, is the second prerequisite. The convergent validity was tested using the extracted average variance (AVE). AVE must be higher than 0.50 to demonstrate convergent validity (Hair Jr et al., 2014). After dismissing some invalid indicators, the AVE are now improved and showing value >0.50 for all variables, as shown in Table 5, proving that these constructs have convergent validity.

Table 4. Construct Validity and Reliability (Initial Research Model)

Variable	Dimension	Indicator	Outer Loading >0.4	Cronbach's alpha >0.70	Composite reliability (rho_a) >0.70	Average variance extracted (AVE) >0.5
Flexible Working Arrangement	Activity Based Working (ABW1)	ABW 1.1a	0.784	0.726	0.761	0.424
		ABW 1.1b	0.769			
		ABW 1.2	0.486			
		ABW 1.3	0.615			
		ABW 1.4	0.473			
		ABW 1.5	0.705			
Employee Performance	Task Performance (EP1)	EP 1.1	0.610	0.889	0.899	0.395
		EP 1.2	0.660			
		EP 1.3	0.712			
		EP 1.4	0.792			
		EP 1.5	0.815			

	Contextual Performance Scale (EP2)	EP 2.1	0.632			
		EP 2.2	0.604			
		Ep 2.3	0.593			
		EP 2.4	0.508			
		EP 2.5	0.531			
		EP 2.6	0.616			
	Counterproductive Work Behavior (EP3)	EP 3.1	0.622			
		EP 3.2	0.653			
		EP 3.3	0.445			
		EP 3.4	0.526			
Motivation	Extrinsic regulation (MO2)	MO 2.1	-0.566	0.746	0.842	0.367
		MO 2.2	-0.601			
		MO 2.3	-0.485			
		MO 2.4	-0.523			
		MO 2.5	-0.347			
	Introjected Regulatory (MO3)	MO 3.1	0.536			
		MO 3.2	0.663			
	Identified Regulation (MO4)	MO 4.1	0.733			
		MO 4.2	0.614			
	Intrinsic Motivation (Mo5)	MO 5.1	0.765			
		MO 5.2	0.712			

Source: PLS-SEM Report by Author, 2023

Table 5. Construct Validity and Reliability (Modified Version)

Variable	Dimension	Indicator	Outer Loading >0.4	Cronbach's alpha >0.70	Composite reliability (rho_a) >0.70	Average variance extracted (AVE) >0.5
Flexible Working Arrangement	Activity Based Working (ABW1)	ABW 1.1a	0.817	0.72	0.735	0.548
		ABW 1.1b	0.820			
		ABW 1.3	0.633			
		ABW 1.5	0.671			
Employee Performance	Task Performance (EP1)	EP 1.1	0.700	0.882	0.899	0.523
		EP 1.2	0.718			
		EP 1.3	0.820			
		EP 1.4	0.859			
		EP 1.5	0.877			
	Contextual Performance Scale (EP2)	EP 2.1	0.577			
		Ep 2.3	0.601			
	Counterproductive Work Behavior (EP3)	EP 3.1	0.649			
		EP 3.2	0.639			
Motivation	Introjected Regulatory (MO3)	MO 3.1	0.624	0.855	0.863	0.586
		MO 3.2	0.800			
	Identified Regulation (MO4)	MO 4.1	0.897			
		MO 4.2	0.688			
	Intrinsic Motivation (MO5)	MO 5.1	0.799			
		MO 5.2	0.755			

Source: PLS-SEM Report by Author, 2023

Discriminant Validity shows that a concept has been experimentally shown to be different from other constructs (Hair Jr et al., 2014). A construct measure's discriminant validity assures that it depicts phenomena of interest that other measures in a structural equation model do not adequately capture. In terms of technical requirements, "a test not too highly correlate with measurements from which it is designed to differ". As a result, "researchers cannot be certain results confirming hypothesized structural paths are real or whether they are the result of statistical discrepancies," because "constructs have an influence on the variation of more than just the observed variables to which they are theoretically related." (Henseler et al., 2015).

Structural Model

Evaluating the structural model could be accessed with collinearity (VIF), path coefficient β, coefficient of determination (R2), and effect sizes (f2) (Murti et al., 2022). The variance of the dependent variable in relation to the change in the independent variable is measured by the coefficient of determination, or R Squared (R2). An increase in the R2 number, which runs from 0 to 1, indicates a higher level of precision. For an endogenous variable, R2 values of 0.25, 0.5, or 0.75 might be characterized as weak, moderate, or significant (Murti et al., 2022) (Hair Jr et al., 2014).

Table 6. Coefficient of Determination (R^2)

Variable	R-square	R-square adjusted	Remarks
EP	0.277	0.264	Weak
MO	0.019	0.010	Weak

Source: PLS-SEM Report by Author, 2023

As seen in Table 6 the R2 of Employee Performance (EP), has a weak precision level (0.277), but because there is more than one connected line, the r square used is the r square adjusted version with the precision level (0,264). With adjusted R2, it is shown as an indication of weak prediction accuracy to evaluate the structural model. This means 34% of Employee Performance (EP) was influenced by Flexible Working Arrangement (FWA) variables. Meanwhile, the R2 of Motivation (MO) has a weak precision level (0.019), which means only around 0.01% of MO was influenced directly by Flexible Working Arrangement (FWA) and the remained percentage is affected by the variables that are not included in this research.

After the R Squared, the second standard for evaluating structural models is the path coefficient, which illustrates the link between two variables. The path coefficient has a value between -1.00 and 1.00. A correlation of 0 implies no association at all, 1.0 indicates a perfect positive correlation, and -1 indicates a perfect negative correlation.

Table 7. Path Coefficient

Effect	Path Coefficient	P Value
FWA -> EP	0.359	0.000
FWA -> MO	0.135	0.269
MO -> EP	0.427	0.000

Source: PLS-SEM Report by Author, 2023

As shown in Table 7, Flexible Working Arrangement (FWA) to Employee Performance (EP), Flexible Working Arrangement (FWA) to Motivation (MO) and Motivation (MO) to Employee Performance (EP) indicates positive path coefficient correlations.

The third criterion for evaluating structural models is multicollinearity. If VIF is less than 5, the predictor variables are highly correlated, indicating significant levels of multicollinearity. The f2 values, which measure a predictor variable's relative impact on an independent variable, are the fourth evaluation criterion for structural models (Hair Jr et al., 2014). Table 8 below is showing that there are no collinearity issues because all the inner VIF values of the variables are less than 5.

Table 8. Inner VIF

	EP	FWA	M
EP			
FWA	1.019		1.000
M	1.019		

Source: PLS-SEM Report by Author, 2023

The fourth criterion in structural model evaluation is the f2 values, which look at a predictor variable's relative effect on an independent variable (Hair et al., 2022). According to Cohen, the f2 value can be classified into three different effect sizes: small (0.02), medium (0.15), and large impact (0.35) respectively (Cohen, 1988).

Table 9. f Square

	EP	Remark	MO	Remark
EP				
FWA	0.121	Medium	0.019	small
MO	0.211	Medium		

Source: PLS-SEM Report by Author, 2023

The results in Table 10 reveal that the model has a medium impact on the effect of Flexible Working Arrangement (FWA) and Employee Performance (EP) in the current study with an f2 value of (0.121). Flexible Working Arrangement (FWA) had a small influence on Motivation (MO) with an f2 value of (0.019), while Motivation (MO) had a medium impact on Employee Performance (EP) with an f2 value of (0.211)

Hypothesis Testing

This study used the following critical values for two-tailed tests in which the T-value is 1.65, and the P value 0.05 (significance level= 5%). As an initial study, the following direct hypothesized relationships were tested:

H1: Flexible Working Arrangement affects Employee Performance in financial services industry

H2: Flexible Working Arrangement affects motivation in financial services industry

H3: Motivation significantly affects Employee Performance

H4: Motivation mediates the relationship between Flexible Working Arrangement and Employee Performance whereby the relationship between FWA affects EP more significantly when motivation is higher

The above hypothesis was tested using the bootstrapping test and the result are as follows:

H1 represents the effect of FWA on Employee Performance with a path coefficient (β) value of (0.359) and a t-value of (4.263) that is greater than 1.65 and a p-value of (0.000) that is lower than 0.05. The findings show that FWA has a positive and significant effect on EP. Thus, H1 is accepted.

While H2 refers to the direct effect of FWA on MO and is represented by a path coefficient (β) of 0.135 and indicates weak effect, with a t-value of (1.104) which is lower than 1.65 and a p-value of 0.269, greater than 0.05. The result shows that FWA does not affect Motivation therefore the hypothesis of H2 is rejected.

The following arrow in the research model is H3, which describes how MO affects EP. It has a positive effect with a path coefficient (β) value of 0.427, while the t-value 4.980 is more than 1.65 and the p-value 0.000 is smaller than 0.05 (at α =5%). As a result, the influence of MO is significant to EP and H3 is accepted.

The next stage is to investigate the mediating effect of MO in the relationship between FWA and EP, which is represented by H4. The path coefficient (β) value is 0.058 which indicates weak effect, while the t-value is 0.989 is less than 1.65 and the p-value (0.323) is greater than 0.05. The result indicates that MO does not have a mediation effect between Flexible Working Arrangement and Employee Performance. Therefore, the hypothesis of H4 is rejected.

With all the above findings, the researcher found

that not all hypotheses in Chapter 2 were proven to be accepted as shown in Table 4.12. In summary, H1 and H3 is accepted while the remaining H2 and H4 is rejected.

DISCUSSION OF THE FINDINGS

The effect of Flexible Working Arrangement (FWA) on Employee Performance (EP)

The research aims to understand how Flexible Working Arrangement (FWA) affect Employee Performance (EP). The SmartPLS4 study found that the influence of Flexible Working Arrangement (FWA) on Employee Performance (EP) was moderate and significant, as evidenced by the value of a path coefficient (β) value of (0.359) and a t-value of (4.263) that is greater than 1.65 threshold and a p-value of 0.000. With that researcher conclude the Flexible Working Arrangement (FWA) have direct effect on Employee Performance (EP) on Financial Services Industry workers in Greater Jakarta Area. This result agrees with the prior studies by Sekhar & Patwardhan (2021) and Ipsen et al. (2021) which showed a significant and positive effect of FWA on EP. De Menezes and Kelliher (2017) also observed that FWA affects not only affects employee performance but also employee attitudes, health, employee welfare, and job satisfaction.

The effect of Flexible Working Arrangement (FWA) on Motivation (MO)

The next direct effect hypothesis is between Flexible Working Arrangement (FWA) on Motivation (MO). As the mediating effect to the study, researcher also examined the significance of direct effect of Motivatin (MO). The SmartPLS found that path coefficient (β) between the two is weak (0.135), with a t-value of (1.104) and p-value (of 0.269). Based on this, the result indicates that FWA have positive but insignificant effect on MO. Given the findings of this study, we can conclude that the use of flexible work or FWA does not automatically have impact on employee motivation who work in financial services industry in Greater Jakarta Area. FWA is not the factor that drives employee motivation to work. There could be other factor that relates significantly to motivation that is not explored within this research. This finding is in-contrast with previous study by Fahlepi, Baga, & Affandi (2023) who found that FWA in this case as workplace flexibility such as working from home has a positive effect on work motivation among Directorate General of Tax (DGT) employees, especially Account Representative at the Regional Office of DJP West Java III. Although this study are taking time during COVID-19 pandemic where working from home policy were carried out as part of health priorities, therefore employees in DGT didn't not have much choice to choose in terms of workplace.

In this study, researcher found out that the low impact between FWA on motivation could be attributed to several reasons: First, that could be a mismatched expectations whereby employees in this industry might have had unrealistic expectations regarding the benefits FWA could offer in terms of improved motivation. When the actual outcomes of FWA do not meet these expectations, motivation could remain unaffected. There are also times that employees do not fully understand how FWA can contribute to their work-life balance or how it aligns with their personal and professional goals, the perceived benefits might not translate into increased motivation.

Second, the nature of work itself. Certain tasks or roles might require close collaboration, immediate feedback, or a structured environment. In this study, majority of respondents are coming from Sales, Marketing and Business Development function where FWA might not impact them as much as people on other divisions. Hence, it is important to note that the impact of FWA on work motivation can vary greatly depending on the individual, the nature of the job, the organization's culture, and the implementation of FWA itself.

The effect of Motivation (MO) on Employee Performance (EP)

The next calculation continues to understand how Motivation (MO) affects Employee Performance (EP) after assessing the hypothesis of the direct impact of Flexible Working Arrangement (FWA) on Motivation (MO). The SmartPLS is showing that the path coefficient (β) value (of 0.427), while the t-value (4.980) the p-value (0.000). Hence it can be concluded that the Motivation has significant impact to Employee Performance.

This result is in line with previous research by Setyawan & Soliha (2022) who studied workers in agencies within the Ministry of Finance, including KPP Pratama Demak and found that motivation has a significant and positive effect on the performance of KPP Pratama Demak employees during. Same result is drawn from study by Gitongu, Kingi, & Uzel, (2016) where there is direct positive relationship between motivation and employees' performance.

Milapo (2001) who notes that motivation is an important factor which describes employees' performance because even employees with the required knowledge, skills and abilities will perform poorly if they are not motivated to devote their time and effort to work. Mullins (2007) notes that motivation is significant as a driving force contained by the employees. The results corroborates with the findings of Gebregziabher (2009) who argues that absence of motivation has powerful and adverse effect on employees' performance through time. Stella (2008) states that employees who are highly motivated are much likely to be high performers.

The Mediating Effect of Motivation (MO) on the relationship between Flexible Working Arrangement (FWA) and Employee Performance (EP)

The initial novelty proposed by the author was that Motivation (MO) on mediates the relationship between Flexible Working Arrangement (FWA) and Employee Performance (EP) as very few literature actually drill down on the relationship between said variables. The author suspected and proven by SmartPLS that Flexible Working Arrangement (FWA) may potentially affect the Employee Performance (EP) in financial services industry workers in Greater Jakarta Area. The same way, separately, MO also contributes positively to EP because the higher employee motivation would create a higher performance level (Stella, 2008). While the relationship between FWA and MO is rejected meaning FWA doesn't have significant effect on employees' working motivation. Further down to the mediating effect of Motivation (MO) on the relationship between Flexible Working Arrangement (FWA) and Employee Performance (EP), it is found that the path coefficient is weak with value only 0.058, while the t-value is 0.989 the p-value of 0.323. Therefore, it can be concluded that MO doesn't mediate the relationship between FWA and EP. MO will likely have more impact to EP if it operates independently as shown is H3.

The Importance Performance Map Analysis (IPMA)

It is found that Flexible Working Arrangement dimension represents by time flexibility (ABW1.1b), location flexibility (ABW1.1a) and activity-based work (ABW1.3) are ones that have higher importance scores towards EP. Author also discovers that the indicator with the lowest importance effect score is identified regulation as "Because putting efforts in this job aligns with my personal values". This indicator should be highlighted because improving it could have substantial impact on EP. Increasing identified regulation in employees involves fostering a sense of autonomy, competence, and relatedness in their work. Identified regulation is a type of intrinsic motivation where individuals perceive the value and importance of their tasks, even if they don't necessarily find the tasks inherently enjoyable.

CONCLUSION

The findings in this research agree with the hypothesis that there in fact a significant effect of FWA towards EP. Same with previous studies conducted by different scholars in the past, the respondents believe that the FWA increases their performance. Time flexibility, location flexibility and activity-based working are found to be the most important factors that affect EP.

The research also found that there is weak relationship between FWA and MO and no significant impact between FWA and MO. Meaning that FWA is not the factor that drives employee motivation to work. There could be other factor that relates significantly to motivation that is not explored within this research. This result is in contrast with the previous research that found FWA can increase work motivation. While MO has a considerable beneficial effect on EP. Any kinds of motivation, especially intrinsic motivation where people start doing an activity for its inherent satisfaction rather than for some separable consequence is playing significant role in increasing EP.

The study revealed that MO doesn't mediate the relationship between FWA and EP. The results discovered there is a weak insignificant relationship of FWA toward EP with MO as mediating factor. In conclusion, the researcher discovered that MO has no impact if it becomes a mediating role to FWA and EP on workers in financial services industry, on the other hand it turns to be significant when it is operates independently. With that being said, this research has partially filled the gap left by earlier findings by focusing on financial services industry. The author also found that this study can be used to debunk the myth of financial services industry which was previously known as rigid industry due to its adherence to established regulations, traditional practices, and a historical resistance to change. This study shows that financial service industry in Indonesia also has the ability to embrace flexibility.

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