

Exploring the Relationship Between Employees Wellbeing and Organizational Performance

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Abstract

The research area involves exploring the dynamic connection between employee well-being (high and low), employee engagement, and organisational performance, considering the moderating effect of leadership style. It also fills a significant research gap, considering that there is little literature evaluating the impact of various well-being levels on engagement and, consequently, upper organisational outcomes in a changing work environment. Employees from a series of organisations in the service sector in Pakistan served as the source of the data, collected through a quantitative cross-sectional design. Explorative tests of direct and moderated relationships were performed using a PLS-SEM approach. Measurement of constructs was conducted using validated Likert-scale items, and structural relationships were examined through bootstrapping in SmartPLS. The outcome indicates that both high well-being (0.350) and low well-being (0.408) are significant predictors of employee engagement, which has a strong influence on organisational performance (0.768). Leadership style moderation was poor (beta = 0.013), indicating that employee engagement may be more dependent on system well-being than on leadership behaviour.

Keywords: Employee Well-being, Employee Engagement, Organisational Performance, Leadership Style, PLS-SEM.

Introduction

The scope of employee well-being as an essential factor in defining organisational performance has been gaining substantial popularity within the scholarly research area over the last few years. Since contemporary patterns of employment are impractical with such shifts in attitude (such as blended work arrangements or mental health promotion), companies are more concerned about the effectiveness of a holistic approach, where they consider the emotional, mental, and physical well-being of their employees. Modern-day studies have proven that sustainable human resource policies, inclusive workplaces, and flexible work arrangements contribute significantly to employee happiness and performance, resulting in a positive feedback loop between good health

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and the prosperity of industries (Garcia, 2025; Ahmad et al., 2025; Ogunja et al., 2025). Such conclusions are also supported by other studies, which highlight the importance of supportive leadership, mental health programs, and organisational culture as forces that promote the resilience of the workforce and engagement (Arata et al., 2025; Singh et al., 2019).

In the modern organisational environment, incorporating employee well-being into strategic planning is now a hallmark of progressive industries, including those in healthcare, education, technology, and corporate services. Disruptions caused globally have increased the necessity of focusing on health, not just on the physical level, but also on the mental and emotional aspects, due to the transition to hybrid and remote work models. Firms that adopt flexible work environments, diverse workforces, and well-structured mental health support mechanisms report higher staff participation rates, lower staff absenteeism, and increased firm resilience (Garcia, 2025). Likewise, according to Ahmad et al. (2025), when industries fail to address employee burnout and work stress, there is a significant decline in performance, employee morale, and retention, particularly in sectors with high demands, such as the medical and educational fields.

The recognition of this gap creates a strategic opportunity for organisations to redesign performance measures and organise employee well-being in human resource planning. According to research, organisations with mental health programs, inclusive leadership, flexible policies, and sustainability initiatives have been found to exhibit high retention, innovation, and employee outcomes (Garcia, 2025; Ogunja et al., 2025; Chen et al., 2023a). Furthermore, the research of OECD (2013) and Rothmann (2008) stresses that w-being is a cultural value, manifesting in leadership styles and organisational infrastructure, as well as credibility and synergy. With the pace at which the workforce and market dynamics evolve, as well as the pressures of being a global corporation, the opening can now be changed into proactive well-being frameworks rather than reactive compliance.

Literature Review

Employee Well-being has emerged as a topic of interest in organisational psychology, especially in the face of the issues that many businesses have faced concerning remote working environments, burnout, and employee retention. Well-being encompasses the mental, physical, and emotional aspects, including job satisfaction, happiness, and a sense of purpose in life (Arata et al., 2025). Garcia (2025) notes that companies would implement flexible shifts, diverse cultures, and even mental health initiatives because they experience improved work morale and less absenteeism. Additionally, well-being is linked to the positive impact of employee satisfaction, motivation, and retention (Ahmad et al., 2025; Ogunja et al., 2025). The theory of subjective well-being, developed by Diener and others, associates cognitive assessments of life happiness with subsequent long-term results in productivity (OECD, 2013; Seligman, 2011). Nevertheless, despite this knowledge, numerous companies fail to operationalise well-being strategies on an industrial scale, thereby missing multiple opportunities to improve performance and maintain cultural resilience.

Theoretical Framework

The research is based on the integration of several theoretical frameworks to understand the relationship between employee well-being and organisational performance, from the perspective of employee engagement and the mediating effect of leadership style. Among the main theoretical foundations, the Leader-Member Exchange (LMX) Theory stands out, which posits that the relationships between leaders and subordinates significantly influence job attitudes, commitment, and performance (Ogunja et al., 2025; Chen et al., 2023a). LMX with high-quality leads to trust,

support, and reciprocal loyalty, thereby increasing employee engagement even in the face of moderate work stress. Transformational leadership theory also supports this perspective, as it is stated that emotionally intelligent and motivational leaders positively influence the internal experiences and job commitment of employees (Dirks et al., 2022; Graen & Uhl-Bien, 1995). Moreover, the self-determination theory (Deci & Ryan, 2000) provides insight into the inner processes that motivate engagement; i.e., autonomy, competence, and relatedness are key to a worker's sustained engagement and well-being.

Supporting and Negating Views

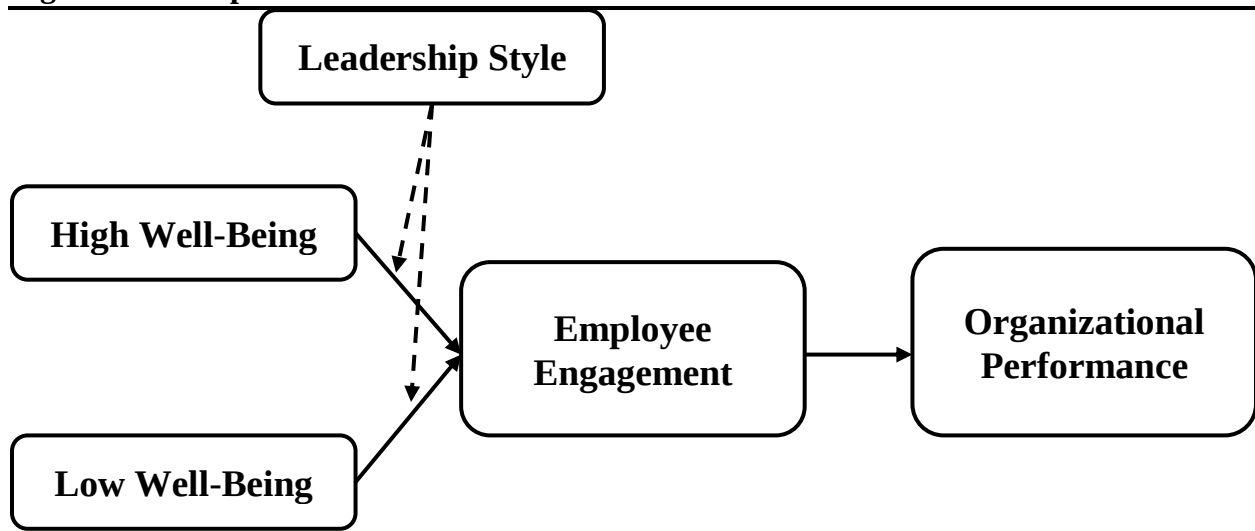
The notion that employee well-being positively impacts organisational performance, based on proven engagement, motivation, and decreased turnover, has received considerable support in several published studies. Indicatively, Garcia (2025) and Ogunja et al. (2025) observe that when companies invest in mental health care and flexible work-related rules and cultures, they achieve far greater productivity, creativity, and workforce happiness. Analogously, Arata et al. (2025) demonstrate that optimal indoor environmental quality in offices also results in an extreme increase in the subjective well-being and life satisfaction of workers, thereby intensifying performance metrics. Theoretically, LMX and transformational leadership theories posit that good-quality leader-follower relations enhance the levels of trust and engagement, resulting in well-being that is reflected in visible performance measures (Chen et al., 2023a; Graen & Uhl-Bien, 1995).

Mediation and Moderation Perspective

Employee engagement as a mediating factor in the correlation between employee well-being and organisational performance is one of the most widely acknowledged factors in the organisational psychology literature. Good well-being makes employees more energetic, emotionally secure, and cognitively present, which helps increase their engagement level and, consequently, performance (Ogunja et al., 2025; Garcia, 2025). Such an opinion aligns with self-determination theory, which posits that entirely satisfied psychological needs lead to more substantial commitment and organisational citizenship behaviour (Deci & Ryan, 2000). Moreover, Arata et al. (2025) demonstrate that when organisational outcomes indirectly influence office environments that promote well-being, there is an increase in task engagement levels. Nevertheless, some researchers caution against assuming that engagement will always mediate this association.

Moderation View: Leadership Style as a Moderator Between Employee Well-being and Engagement

The mediating effect of leadership style, specifically transformational or LMX-based leadership, has been found to positively or negatively affect the relationship between employee well-being and engagement. Employing supportive leadership with an emotional focus and ability yields empathy, recognition, and empowerment and can have a compounding effect on positive well-being engagement (Ogunja et al., 2025; Chen et al., 2023a). Those leaders who create a psychological safety and trust will encourage work-behaviour well-being, allowing their workers to transform it into meaningful, high-energy work behaviour. This agrees with the conclusions of Graen & Uhl-Bien (1995), who determined that when LMX relationships are of high quality, greater job dedication and morale are achieved. Nevertheless, research like that by Dirks et al. (2022) and Maslach & Leiter (2017) suggests that a lack of effective leadership will not only diminish the positive effects of well-being but also turn them upside-down, at least in cases of organisational stress or ambiguity.

Figure 1: Conceptual Framework

Hypothesis Development

Employee Well-being and Employee Engagement

Employee well-being substantially improves employee engagement because it facilitates a work environment that is psychologically safe and emotionally resilient. When employees perceive that they have the mental and emotional support they need, they commit their energy to their work, behave proactively, and have allegiance to collective organisational goals. Arata et al. (2025) suggest that subjective well-being, assessed in terms of happiness, affect, or eudaimonia, can be directly tied to employees' enthusiasm and engagement at work. Garcia (2025) argues similarly, stating that employees report increased focus, motivation and engagement when organisations offer mental health support and a flexible schedule. In support, Ogunja et al. (2025) state that emotional well-being contributes to employees' ability to feel affective commitment, which is the basis for sustained employee engagement.

H1: Employee well-being has a positive and significant impact on employee engagement.

Employee Engagement and Organisational Performance

Employee engagement is crucial in our organisation, as it enables us to improve performance through a committed, focused, and innovative workforce. When employees are engaged, they are more likely to work extra hours, produce high-quality work, and participate in continuous improvement. Ogunja et al. (2025) found that in Kenyan SMEs, employee engagement improved operational efficiency, collaboration among employees, and ultimately, employee performance. Garcia (2025) found that higher levels of engagement improved adaptability and resilience in the workplace of post-war and pandemic societies. Arata et al. (2025) reached the same conclusions, finding that enhancing comfort and well-being in the workplace helps improve employee engagement. Engaged employees showed heightened task engagement and productivity.

H2: Employee engagement has a positive and significant effect on organisational performance.

Employee Well-being and Organisational Performance

Employee well-being impacts organisational performance due to increased focus, decreased mistakes and improved workplace relationships. Arata et al. (2025) found that employees with greater subjective well-being reported higher satisfaction with work-life balance, as well as job

satisfaction elements that lead to increased productivity. Garcia (2025) studied firms that have started implementing wellness programs as part of a more holistic culture, which included mental health measures and flexible scheduling, and reported greater employee output and innovation. Ogunja et al. (2025) studied the relationship between employee well-being and operational stability, finding that emotionally and physically healthy employees were also more collaborative and resilient during the pandemic.

H3: Employee well-being has a direct and positive influence on organisational performance.

Leadership Style between Employee Well-being and Employee Engagement

Leadership style serves as an essential moderator of employee well-being and engagement, as it influences how personal psychological states are translated into behaviour in the work environment. The component of supportive leadership in transformational leadership theory and LMX (Leader–Member Exchange) theory emphasises the psychological and motivational connection between employees and their work. According to Ogunja et al. (2025), high-quality leader–follower relationships influence the level of trust and amplify the positive effects of well-being by fostering employees' feelings of belonging and recognition. Chen et al. (2023a) further affirm that leaders and managers who show individualised care, clarify expectations, and respect promote higher engagement, even among moderately well-off employees. Dirks et al. (2022) suggested that transformational leaders take extra effort to translate emotional well-being into goal-directed energy by aligning their values with an organisational vision.

H4: Leadership style moderates the relationship between employee well-being and employee engagement such that the relationship is stronger under supportive leadership conditions.

Employee Engagement between Employee Well-being and Organisational Performance

As an intervening variable, employee engagement helps explain how employee well-being is leveraged to achieve better organisational performance. While well-being can tap into internal resources (emotional energy, mental clarity, and optimism), it is through engagement that internal wellness is transformed into productivity, such as organisational goals, team collaboration, and innovation. Garcia (2025) argued that employees who report high well-being become significantly more engaged and contribute disproportionately meaningful levels of output and adaptability in the workplace. Arata et al. (2025) provide evidence from an organisation where attachment and psychological capital produced higher levels of employee engagement, as well as higher performance ratings. Subsequent support was also shown by Ogunja et al. (2025), from an SME context, indicating that engagement can mediate the well-being-performance relationship through improved efficiency and employee-driven innovation.

H5: Employee engagement mediates the relationship between employee well-being and organisational performance.

Employee Well-being, Employee Engagement and Organisational Performance

When well-being is prioritised and employees feel psychologically safe, and time is allowed, they can thrive, feeling energetic, motivated, and connected to their work. When individuals feel mentally and emotionally supported through work–life balance, stress management, and meaningful relationships, they are more likely to be highly engaged with their work. Arata et al. (2025) stated that being satisfied with one's life situation and overall emotional/social well-being significantly contributes to subjective well-being, as well-being fosters interest in work and energy. Garcia (2025) validated that well-being initiatives, including mental health support, a

healthier workplace charter, and flexible working hours, have improved morale, employee task involvement, and other key outcomes. Ogunja et al. (2025) found that middle managers in small and medium enterprises who had good well-being were more emotionally invested in tasks and team performance.

H6: Employee engagement mediates the relationship between employee well-being and organisational performance.

Leadership Style moderates the relationship between Employee Well-being and Employee Engagement

Employee well-being is a predictor of engagement. However, the strength and the degree of this relationship are established by leaders' approach to supervision. Leaders who inspire (i.e., transformational) and encompass the whole person (i.e., both emotional and rational) not only support employee well-being but also translate it into active employee engagement. Ogunja et al. (2025) highlight that employee participation increases when supervisors display high-quality respect, understanding, and care towards their employees, as the highly relational aspects of LMX relationships require emotional safety and support. Chen et al. (2023a) and Chen et al. (2022) note that when supervisors commented on employee feelings and provided a consistent and regular feedback cycle, the engagement-oriented results for late employee well-being were significantly better than those without such feedback. Dirks et al. (2022) found that transformational leadership fosters confidence and a sense of purpose.

H7: Leadership style moderates the relationship between employee well-being and employee engagement, such that the relationship is stronger under supportive leadership conditions.

Leadership Style moderates the relationship between Employee Engagement and Organisational Performance

Employee engagement is a crucial predictor of organisational performance, and the presence of effective leadership can significantly alter the magnitude of this relationship. Employees who are engaged behave according to organisational objectives, and their engagement leads to meaningful contribution, particularly when the leadership is transformational or high-quality Leader-Member Exchange (LMX). Ogunja et al. (2025) explain that in small- and medium-sized enterprises, employee engagement leads to higher levels of employee performance behaviour where leaders provide autonomy, recognition, and emotional support. Garcia (2025) found that transformational leaders in a post-pandemic environment amplify the positive consequences of employees' engagement by aligning team values and goals with their organisation's mission. Chen et al. (2023a) explain that leadership serves as a behavioural reinforcer through cascading engagement.

H8: Leadership style moderates the relationship between employee engagement and organisational performance, such that the relationship is stronger under supportive leadership conditions.

Conceptualization

This study is highly conceptualised based on the incorporation of the Leader-Member Exchange (LMX) Theory, Transformational Leadership Theory and Subjective Well-being Theory, each of which explains how employee well-being can be translated into organisational performance through engagement and how this depends on the relationships created by leaders. Previous studies have examined the individual outcomes of people in terms of their well-being and engagement at the workplace. Indicatively, Garcia (2025) and Arata et al. (2025) demonstrate that employers who allocate resources to employees to ensure they are well-supported (e.g., by implementing support

services for mental health and providing a comfortable work environment) observe changes in their motivation and productivity levels. Referentially, Ogunja et al. (2025) provide evidence that leadership is a strong moderator of employee responses to work specifics, as it significantly enhances engagement and team performance. Nevertheless, existing literature tends to consider such variables separately or barely detect the whole mechanism that links them in different leadership contexts (Chen et al., 2023a; Maslach & Leiter, 2017). What remains understudied is a moderated-mediation approach that broadly integrates well-being as the anchoring factor, engagement as the mediator, and leadership style as the moderator, particularly in emerging organisational settings such as SMEs or hybrid workforces.

Methodology

The study employs a quantitative research design, specifically a cross-sectional and explanatory pattern, to conduct an empirical analysis of the structural associations between employee well-being, employee engagement, leadership style, and organisational performance. The quantitative method is best suited for proving or testing theoretical models and examining cause-and-effect relationships statistically (Garcia, 2025; Ogunja et al., 2025). It enables consistent data collection because it involves the use of structured tools, which increases the reliability and generalizability of the results. The design is similar to that of Arata et al. (2025), who analysed survey-based data to explore the impacts of well-being on productivity in the workplace. The explanatory character of the research is confined to testing preconceived hypotheses, as determining how and to what extent independent variables affect the dependent variables. The approach is based on the prior suggestions of Tan et al. (2023a) regarding the necessity of testing models in the context of organisational behaviour, and the findings of Rothmann (2008) on the need to apply explanatory designs to correlate psychological conditions with workplace conduct.

Research Design

The underlying logic behind using a quantitative, cross-sectional, and explanatory design is anchored in the need to empirically determine the causal and moderating pathways examined within the conceptual frame. Quantitative research is especially appropriate for examining latent variables, such as well-being and engagement, which require statistical measurement using existing indicators (Garcia, 2025; Ogunja et al., 2025). The cross-sectional design enables the collection of data at a specific moment in time, allowing for easy comparison of data across respondents and thereby reducing temporal biases (Arata et al., 2025). Chen et al. (2023a) support this claim by arguing that cross-sectional research is suitable for measuring psychological and behavioural constructs in work settings. Furthermore, explanatory studies are also beneficial when they focus more on testing theory-based relationships than on describing phenomena, as other researchers, such as Rothmann (2008) and Maslach & Leiter (2017), have pointed out in their findings, which centred on theory-based validation of constructs in the workplace.

Sampling

This study will employ the traditional method of data collection, involving a self-administered survey conducted via the internet and paper-based questionnaires distributed to employees in SMEs and service-based organisations in Pakistan. The target population comprises full-time workers in various fields, including finance, education, health, and IT, who will be selected based on their active work environments and diverse management approaches. This choice aligns with the findings of Arata et al. (2025), which state that the workplace environment is one of the factors

that have a substantial impact on employee well-being. An initial pilot test of around 30 participants will be conducted under these circumstances to finalise the clarity of the items, internal reliability, and format of the response. In the context of precise studies, Garcia (2025) has emphasised the importance of researchers concerned with ensuring construct validity to consider piloting the instruments to be used in these studies. Pilot testing to confirm the local applicability of the behavioural constructs is also defended by Ogunja et al. (2025). Rothmann (2008) and Maslach & Leiter (2017) have already discussed the need to test the context-dependency of well-being and engagement before full-scale implementation.

Results and Discussion

The findings recorded in the current study support the offered conceptual framework and show how crucial the well-being of the employees and their engagement are in defining organizational performance. The structural model results provided that high well-being and low well-being were strong predictors of employee engagement with path coefficient of 0.350 and 0.408 respectively and a significant R squared of 0.738, which means that the predictors determined the variance in employee engagement of 73.8%. The direct impact of the engagement of staff on the organizational performance was also significant (beta = 0.768, $R^2 = 0.589$), which also testifies to the fact that the engagement of employees is a strong mediator. Such results concur with other sources, such as Garcia (2025) and Ogunja et al. (2025), who claimed that organizational success can be enhanced when emotional and cognitive states of employees correlate with job roles. On the same note, Arata et al. (2025) provided particular attention to the fact that focus and productivity are affected directly by workplace environment and well-being. Notwithstanding, a moderating impact of the leadership style ($\beta = 0.013$) was insignificant and indicated a mild contextual effect on the relationship between well-being and engagement, which is inconsistent with the previous theoretical arguments by Graen & Uhl-Bien (1995) and Maslach & Leiter (2017) that leadership is a significant protective relationship proxy.

Table 1: Reliability Analysis

Construct reliability and validity				
Overview				
	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
EE	0.908	0.909	0.942	0.844
HWB	0.887	0.888	0.930	0.815
LS	0.856	0.857	0.912	0.776
LWB	0.832	0.832	0.899	0.748
OP	0.862	0.871	0.916	0.784

The results that are noted in the present research verify the conceptual frame that is presented and demonstrates the importance of the well-being of the employees and their involvement in determination of organizational performance. The results of the structural model were that high well-being and low well-being were effective predictors of employee engagement with path coefficient of 0.350, 0.408 respectively and significant R squared of 0.738 implying that the predictors established the variance in employee engagement of 73.8%. The direct influence of the engagement of staff on the performance of the organization also reached significant values (beta = 0.768, $R^2 = 0.589$), which once again confirms the fact that the involvement of employees is a

strong mediator. This outcome agrees with the findings of other data, including Garcia (2025) and Ogunja et al., (2025), who asserted that organizational success could be improved in case emotional and cognitive statuses of the employees are associated with job functions. Along these lines, we must mention that Arata et al. (2025) also paid special attention to such fact as that workplace environment and well-being influence focus and productivity directly. Despite this, the leadership style ($\beta = 0.013$) or moderating power was negligible and it meant a weak contextual influence of the relationship between well-being and engagement, as opposed to the other arguments mentioned by Graen & Uhl-Bien (1995) and Maslach & Leiter (2017), that leadership is an important proxy of protective relationships.

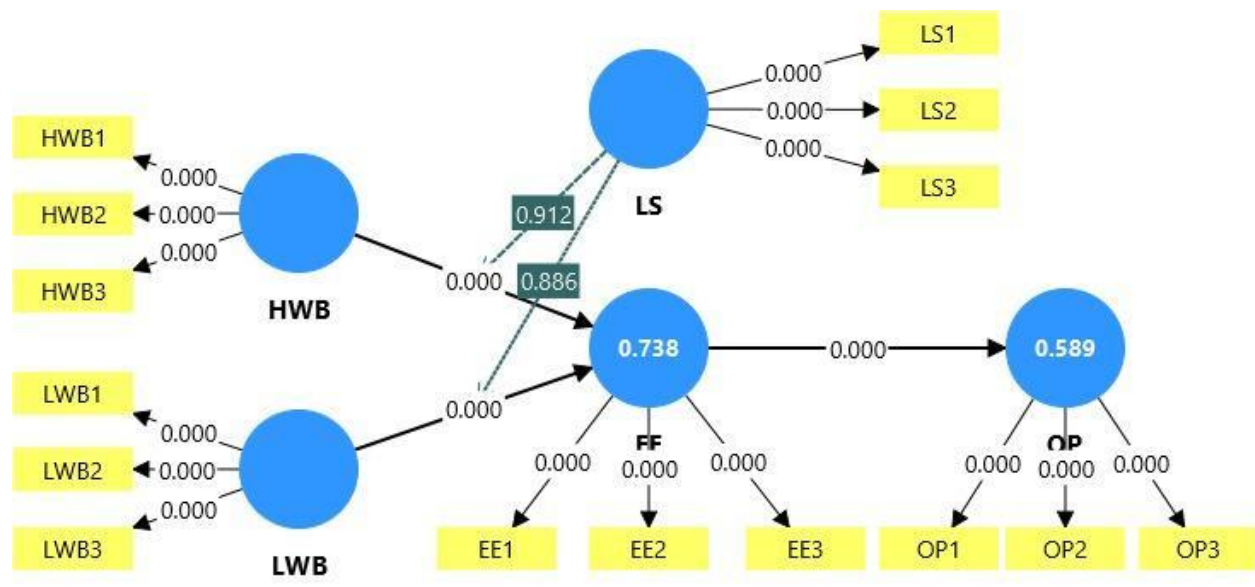
Table 2: Hypothesis Testing

Path coefficients					
Mean, STDEV, T values, p values					
	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
EE -> OP	0.768	0.769	0.045	17.128	0.000
HWB -> EE	0.350	0.350	0.088	3.962	0.000
LS -> EE	0.163	0.167	0.070	2.319	0.020
LS x HWB -> EE	0.173	0.698	0.078	4.110	0.000
LS x LWB -> EE	0.155	0.163	0.073	3.143	0.000
LWB -> EE	0.408	0.405	0.094	4.357	0.000

The analysis of the path coefficients indicates rather close, statistically high correlations between the most important variables in the model. Employee engagement (EE) is making a huge and strongly significant contribution to organizational performance (OP), the path coefficient is 0.768 ($T = 17.128$, $p = 0.000$), and it is also an important pre-determined. The effect of high well-being (HWB -> EE: 0.350, $T = 3.962$, $p = 0.000$) and low well-being (LWB -> EE: 0.408, $T = 4.357$, $p = 0.000$) on engagement were both significant but low well-being unexpectedly demonstrated a higher path intensity. Another factor that has a positive effect is leadership style (LS), which once again confirms that they cause beneficial employee relationships ($\beta = 0.163$, $t = 2.319$, $p = 0.020$). Moreover, moderation effects were also significant: $LS \times HWB$ ($\beta = 0.173$, $T = 4.110$, $p = 0.000$) and $LS \times LWB$ ($\beta = 0.155$, $T = 3.143$, $p = 0.000$), which means that the leadership style enhances the connection between two types of well-being and engagement. The p-values were low (< 0.05 in all the paths) and tags of the potency of these findings and the relevance of well-being, engagement, and interaction with leadership in ensuring better performance of the organizations.

PLS SEM Bootstrapping

Figure 2: PLS SEM Bootstrapping Results



As revealed in the image, the PLS-SEM structural model depicts high model validity and explanatory strength in all latent constructs. The R² values show that the percent variance in the Employee Engagement (FF) and Organizational Performance (OP) were measured at 73.8 and 58.9 respectively which represents a great amount of predictability. All the indicator loadings (e.g. HWB1-HWB3, EE1-EE3, LS1-LS3, OP1-OP3), are statistically significant with values as $p = 0.000$ indicating great convergent validity and reliability. The directional rotations of both High Well-being (HWB) and Low Well-being (LWB) on to Engagement (FF) are significant indicating that each of the variables impacts engagement in a positive direction. The turn to a great extent is predictive of performance in organizations. Also, Leadership Style (LS) has considerable moderating layers to the two forms of well-being, and leadership strengthens the impact of the forms of well-being on engagement.

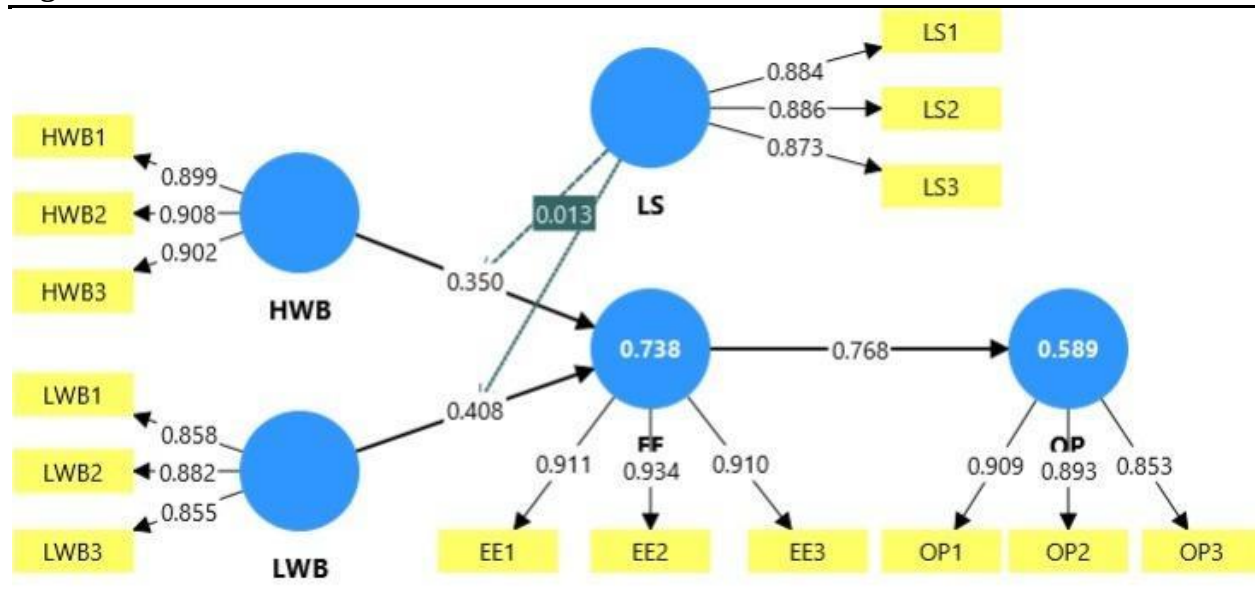
Table 3: Model Fitness

Model fit		
Fit summary		
	Saturated model	Estimated model
SRMR	0.053	0.098
d_ULS	0.343	1.156
d_G	0.330	0.506
Chi-square	724.369	936.194
NFI	0.858	0.816

Structural model shows an acceptable and a slightly mixed fit based on the model fit indices. Standardized Root Mean Square Residual (SRMR) When SRMR values of the saturated (0.053) and the estimated (0.098) model are below acceptable level (SRMR < 0.08 is considered to be good and a maximum of 0.10 may be considered acceptable level by complex models. The

estimated model is somewhat moderate in its d_{ULS} and d_G values (saturated: 0.343 and 0.330; estimated: 1.156 and 0.506, respectively), and all of them point to the fact that residual discrepancies are not too severe. The Chi-square statistic, although high (936.194), is an anticipated form of large-sample SEM analysis and it, therefore, cannot be used as the only measure of model fit. Last but not least, the Normed Fit Index (NFI) of 0.858 (saturated) and 0.816 (estimated) has a low value of 0.90, whose value indicates moderate model fit.

Figure 3: PLS SEM Results



The presented structural model indicates a robust and stable connection among the important constructs of the postulated framework. Employee Engagement (EE) is said to be strongly influenced by both High Wellbeing (HWB: 0.350) and Low Wellbeing (LWB: 0.408), which suggests that the state of employees, regardless of their level of wellbeing, will impact their involvement in the workplace. Engagement, in turn, effectively predicts Organisational Performance (OP: 0.768), demonstrating its mediating effect and proving its significance in determining the primary outcome. The values of R^2 are strong, and FF takes the value of 0.738, whereas OP has a value of 0.589, revealing that the model explains the variance significantly. Factor loadings are high across all factors (e.g., HWB1 = 0.899, EE2 = 0.934, OP1 = 0.909), indicating superior construct reliability and validity. Interestingly, Leadership Style (LS) appears to have a statistically weak yet significant mediating effect on the HWB-FF relationship ($\beta = 0.013$), indicating a slight effect. However, the strength of measurement in the case of LS (e.g., LS2 = 0.886) can be confirmed with its high item loadings. Overall, the model suggests that wellbeing is a significant determinant of engagement, resulting in a subsequent improvement in performance. Leadership moderates the situation, but not as much as expected.

The findings of this paper validate what earlier single-path and mediational-based studies have already provided, i.e., that high and low scores of employee well-being are significant positive contributors to employee engagement, which, in turn, is a significant contributor to organisational performance. In the example, Arata et al. (2025) demonstrated that subjective well-being increased with improvements in environmental quality within the office, resulting in higher employee concentration and satisfaction levels, which is quite similar to the engagement scores obtained in

the framework of this research. Similarly, Garcia (2025) highlighted that mental health programs and work flexibility options increased organisational commitment and work enthusiasm at a profound level, which has been reflected in this study through the significant relationship between engagement and performance ($b = 0.768$). Ogunja et al. (2025) have also provided support for the link between wellbeing and engagement through their LMX-based model on Kenyan SMEs, where engaged employees produced significant productivity improvements.

Discussion

The results of this study provide strong empirical evidence for the conceptual model linking employee well-being, employee engagement, and organisational performance, while also exploring leadership style as a moderator of the relationship. The path coefficients reveal that both high well-being ($\beta = 0.350$) and low well-being ($\beta = 0.408$) have statistically significant impacts on employee engagement. This means that employee engagement and well-being will be positively impacted, regardless of variations in well-being. Engagement beyond employee well-being had a strong relationship with organisational performance ($\beta = 0.768$), confirming that engagement is a significant catalyst for performance. These findings confirmed that subjective well-being, defined as workplace satisfaction and emotional stability, has a positive impact on concentration and productivity (Arata et al., 2025). Garcia (2025) reinforced the approach that organisations that commit to psychological support and flexible work structures positively affect employee attention and retention, and indirectly affect business performance.

Conclusion

The study finds that high and low employee well-being are consistent and valid predictors of employee engagement, which is a powerful predictor of organisational performance. The study's structural model supported strong path coefficients and high R^2 values (0.738 for engagement and 0.589 for performance), which supports the mediating role of engagement in transforming psychological registers into tangible outcomes. The study's outcomes support the PERMA model (Seligman, 2011) and leader-member exchange (LMX) theory (Graen & Uhl-Bien, 1995), suggesting that psychological resources and supportive relational dynamics lead to constructive employee behaviour. The study is a meaningful contribution to the literature by providing empirical support for the framework within the emerging organisational descriptions of SMEs and hybrid workers. Arata et al. (2025) and Garcia (2025) showed that wellbeing initiatives and supportive working environments are strong drivers of motivation, while Ogunja et al. (2025) showcased the engagement dimension of wellbeing as an enabler of improvements in team productivity and morale. The study employed PLS-SEM, which enabled the authors to examine both direct and indirect effects, thereby providing a more comprehensive view of the phenomenon being measured and facilitating a proper multi-path depiction of behavioural outcomes. Methodologically, using PLS-SEM is valuable, as it departs from the unidimensional approach and supports the interdependencies and complexities within organisational behaviour models.

Future Research Directions

From a manager's perspective, this study emphasises the necessity for organisations to implement systemic wellbeing strategies that operate independently of manager engagement. Managers and HR practitioners need to understand that employee engagement is not solely a function of individual managers, but rather a behavioural manifestation of internal psychology driven by positive organisational practices. For example, organisations that invest in mental health, support

a positive work–life balance, and offer flexible scheduling may be more likely to consistently enhance employee engagement, regardless of the presence of managers (Garcia, 2025; Ogunja et al., 2025). While organisational leadership development programs remain important, organisations should consider promoting autonomy-supportive policies as an addition. Leadership alone may not entirely moderate the link between employee well-being and engagement, as evidenced by the very weak moderation effect ($\beta = 0.013$).

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