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The Impact of Work-Life Balance and Employee Engagement on Performance Mediated by Digitalization

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ABSTRACT

This study aims to analyze the influence of Human Resource Management (HRM), Work-Life Balance (WLB), and employee involvement on employee performance, with digitalisation as a mediating variable. The digital era has transformed the paradigm of HR management, requiring organisations to become more adaptive to technological developments. This research was conducted at PT XYZ, Bekasi Regency, using a quantitative approach with purposive sampling involving 148 respondents. The findings show that HRM and employee involvement do not have a direct impact on employee performance, while WLB has a positive and significant effect. Moreover, digitalisation significantly mediates the relationship between the three independent variables and employee performance. These results highlight the importance for organisations to prioritise work-life balance policies and integrate digital technologies into HR practices such as performance appraisal systems, employee training programs, and digital communication platforms—to enhance employee performance. This study contributes to the theoretical development of HRM in the digital age and provides practical implications for strategic decision-making in human resource management.

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INTRODUCTION

Performance is the level of achievement shown by an organisation in carrying out its activities within a certain period, usually one year. It reflects how successful or unsuccessful the organisation is in achieving its goals. According to Silva et al. (2020), performance includes four aspects: task performance, contextual performance, adaptive performance, and counterproductive work behaviour. These aspects are based on an individual's competence, contribution to the organisation, ability to adapt to the work environment, and actions that may harm the organisation or its members.

Digitalisation plays an important role in shaping more efficient work processes, which in turn helps employees improve their performance. Rather than focusing solely on traditional methods, organisations are encouraged to adopt digital-based approaches to enhance both individual and organisational outcomes (Sulistianingtiyas & Djastuti, 2022). As technology rapidly advances, it brings about significant changes in how organisations operate and how employees carry out daily tasks. Previously, investing in human resources was seen as essential, but now, increasing employee productivity through digital innovation has become a key strategy (Farrel Shidqi et al., 2023).

In this case, the role of HRM, Work Life Balance and employee performance is needed in the corporate industry and if there is support for digitalisation, it will facilitate all aspects of the work process carried out. Many companies have implemented various HRM practices in the digital environment. The most popular digital HRM practices among companies are using chatbots, QR code-based job application acceptance, mobile HRM applications, dashboard-based data analysis, and artificial intelligence in recruitment procedures (Alqudah et al., 2022) . This analysis investigates important aspects of the digital revolution in HRM, which include digital workplaces, digital procedures for HRM, and digital employee services (Yang & Li, 2023) .

Work-life balance is generally defined as the balance between an employee's work life and personal life. In today's digital world, keeping a healthy balance between work and personal life is becoming more challenging. The rise of technology makes it easier for employees to stay connected and work outside regular office hours. While this brings flexibility, it also blurs the line between professional responsibilities and personal time—making it harder for people to truly disconnect from work (Parkes & Langford, 2018). In the digital era, this concept is becoming increasingly important because the boundaries between work and personal life are increasingly blurred with the presence of technology that allows employees to work from anywhere and anytime (Dwitanti et al., 2023).

Employee involvement is a participatory process that uses employee input to increase their commitment to organisational success (Agus et al., 2020) . Employee involvement includes cognitive, emotional, and physical aspects directed at achieving organisational goals. Actively engaged employees tend to show higher commitment, greater job satisfaction, and better performance (Ropa et al., 2020) .

PT.XYZ is a manufacturing company engaged in the production of motorcycle components, PT.XYZ has experienced a decline in performance by

looking at employee attendance and from outputs that are still in the manual stage so that monitoring employee performance is a reason for the company to make changes and efforts to increase digitalisation to facilitate employee monitoring at work. PT XYZ is therefore not yet accustomed to digitalisation, for employee attendance attendance still uses manual attendance with paper which is easy to manipulate and takes one day because it has to re-enter all data, so that with the new system by implementing digitalisation as a communication that must be used by making a breakthrough in reporting via Whatsapp grub in each section, thereby minimising direct contact with superiors, with digitalisation making it easier to do work and improve employee performance.

Based on the results of a survey conducted by PT XYZ, there are differences before and after digitalisation, including the work process becoming faster and easier, the range of communication is easier to help get the job done, it is interesting to study to find out the extent to which the influence of HRM, *Work Life Balance*, and *Employee Involvement* on employee performance is mediated by.

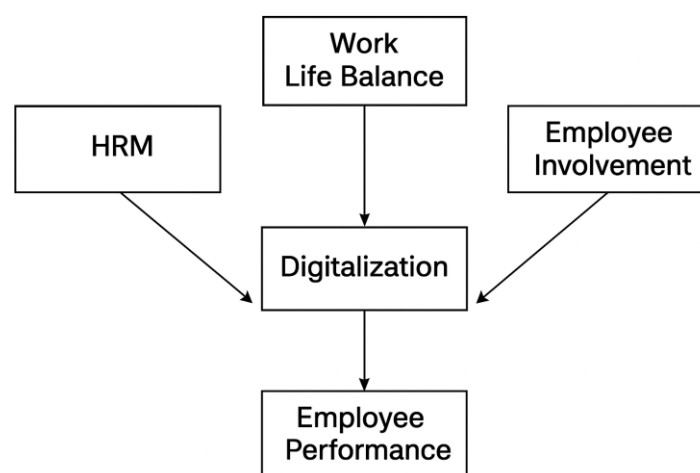


Figure 1.
Draft Framework

RESEARCH METHOD

Study Design

This research adopts a quantitative method using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) technique, processed through SmartPLS 3.0 software. The use of PLS-SEM is considered suitable because it works well for complex models, even when the sample size is relatively small, and does not require the data to follow a normal distribution (Hair & Ringle, 2022). The analysis was carried out in three main steps:

- a. Testing the measurement model (outer model),
- b. Assessing the structural model (inner model), and
- c. Analyzing the mediating effect (Sarstedt et al., 2021).

Population and Sampling

The study focused on all employees of PT XYZ in Bekasi Regency, with a total of 148 respondents. The sampling approach used was purposive sampling, where participants were selected based on specific conditions to fit the research objectives. The criteria were:

- a. The employee holds a permanent position,
- b. Has worked for at least one year, and
- c. Actively uses digital technology in their daily tasks.

Data Collection

The primary data was collected through an online questionnaire distributed via Google Forms. The questionnaire was structured into five sections, each measuring one of the following variables:

- a. Human Resource Management (HRM),
- b. Work-Life Balance (WLB),
- c. Employee Engagement,
- d. Digitalisation, and
- e. Employee Performance.

Each item was rated using a five-point Likert scale, from 1 (*strongly disagree*) to 5 (*strongly agree*). In addition to that, secondary data such as internal company documents and supporting literature were used to enrich the analysis.

Data Analysis Technique

Measurement Model Evaluation (Outer Model)

In the first stage, the reliability and validity of the questionnaire items were tested. This includes:

- a. Ensuring indicator reliability with factor loadings above 0.70,
- b. Measuring internal consistency using Cronbach's Alpha and Composite Reliability, both expected to be over 0.70,
- c. Confirming convergent validity via Average Variance Extracted (AVE), which should be above 0.50,
- d. Checking discriminant validity using the Fornell-Larcker criterion and the HTMT ratio, with a threshold below 0.90.

Structural Model Evaluation (Inner Model)

Once the measurement model was confirmed to be reliable, the next step involved testing the relationships between variables. The main indicators in this phase included:

- Path coefficients to show the strength and direction of influence,
- T-statistics and p-values to confirm the significance of each relationship,
- R-squared (R^2) to see how well the independent variables explain the dependent variable,
- Effect size (f^2) to measure the impact of each predictor.

RESULTS AND DISCUSSION

The following is the model tested in this study and the calculation results of the entire model using SmartPLS 3.0 are as follows:

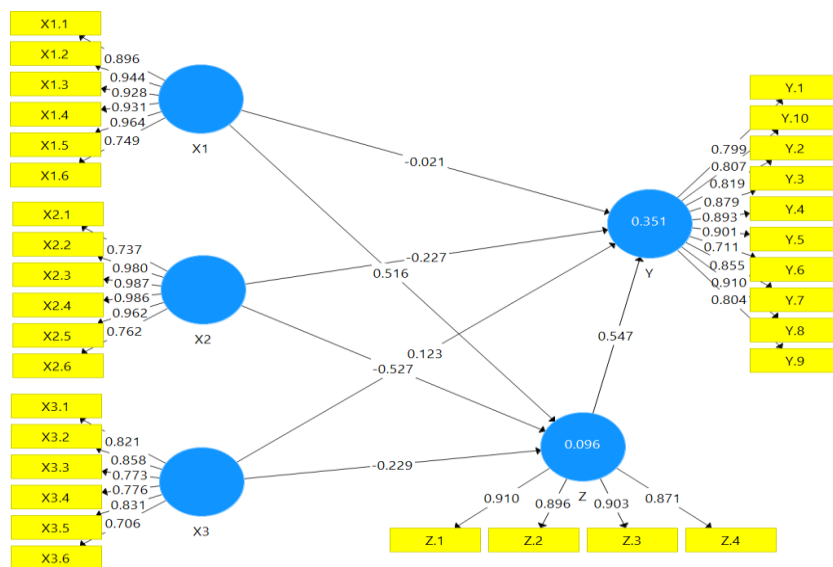


Figure 2.
Path diagram of indicator loading factor value

Source: Smartpls output, 2025

Based on the picture above, the results of the SEM results testing indicators with PLS are carried out by looking at the results of the measurement model (*Outer model*) and the results of the structural model (*inner model*) of the model under study.

Table 1.
Outer Loading Table

	X1	X2	X3	Y	Z
X1.1	0,896				
X1.2	0,944				
X1.3	0,928				
X1.4	0,931				
X1.5	0,964				
X1.6	0,749				
X2.1		0,737			

X2.2		0,980			
X2.3		0,987			
X2.4		0,986			
X2.5		0,962			
X2.6		0,762			
X3.1			0,821		
X3.2			0,858		
X3.3			0,773		
X3.4			0,776		
X3.5			0,831		
X3.6			0,706		
Y.1				0,799	
Y.10				0,807	
Y.2				0,819	
Y.3				0,879	
Y.4				0,893	
Y.5				0,901	
Y.6				0,711	
Y.7				0,855	
Y.8				0,910	
Y.9				0,804	
Z.1					0,910
Z.2					0,896
Z.3					0,903
Z.4					0,871

Based on Table 1, the outer loading values for all indicators under the variables X1, X2, X3, Z, and Y are above 0.70. This means each indicator has a strong correlation with its respective latent variable and can effectively reflect the concept it is intended to measure.

In simple terms, these results confirm that all indicators used in this study are valid and reliable. The fact that all loading values exceed the recommended threshold supports the quality of the measurement model. This gives confidence that the data collected is appropriate and accurate, allowing the analysis to proceed to the structural model stage with a solid foundation.

Table 2. AVE Value

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
X1	0,954	0,971	0,964	0,818
X2	0,960	1,009	0,966	0,826
X3	0,889	0,906	0,912	0,633

Y	0,953	0,959	0,960	0,705
Z	0,917	0,923	0,942	0,801

Based on the results, it can be concluded that all the variables in this study meet the criteria for convergent validity. The AVE (Average Variance Extracted) values are as follows: HRM = 0.818, Work-Life Balance = 0.826, Employee Engagement = 0.633, Employee Performance = 0.705, and Digitalisation as a moderating variable = 0.801. Since all AVE values are above the threshold of 0.5, this indicates that each construct is able to explain a sufficient portion of the variance in its indicators. In simple terms, each variable is considered valid and strong enough to represent the concept being measured, making them suitable for further analysis in the structural model.

Structural Model Test Results (Inner Model)

The structural model test results show that the R² value for the employee performance variable is 0.333, which means that 33.3% of the variation in employee performance can be explained by the role of HRM, work life balance, employee engagement, and digitalisation as a moderating variable. The results of hypothesis testing using the bootstrapping method with 5000 samples can be seen in the following table:

Table 3.
R Square Test Results

	R Square	Adjusted R Square
Y	0,351	0,333
Z	0,096	0,777

Based on the figure above, it can be seen that the adjusted R square model in the study has a value of 0.333, meaning that the ability of exogenous variables to explain Y is 33.3% (weak) so that it is said that the ability of the *employee* performance variable has less influence on HRM, WLB, and *Employee involvement*, as for digitalisation as a moderating variable, it explains that it has a strong influence related to digitalisation, namely 77.7%, while the remaining 33.3% is the influence of other independent variables not measured in this study.

Table 4.
Hypothesis Testing Results

Hypothesis	Relationship	Path Coefficient	T-Statistic	P-Value	Decision
H1	X1 -> Y	0,231	1,133	0,258	Rejected
H2	X2 -> Y	0,244	2,110	0,035	Accepted
H3	X3 -> Y	0,090	0,025	0,980	Rejected

H4	X1->Z->Y	0,114	2,468	0,014	Accepted
H5	X2->Z->Y	0,116	2,489	0,013	Accepted
H6	X3->Z->Y	0,050	2,501	0,013	Accepted

Based on the analysis, the study found that Human Resource Management (HRM) does not directly impact employee performance. This result, reflected in Hypothesis 1 (H1), suggests that simply applying HR practices alone may not immediately improve how employees perform. Likewise, Employee Involvement (H3) also showed no significant direct relationship with performance, indicating that engagement efforts might need other supporting factors to be effective.

On the other hand, Work-Life Balance (WLB) (H2) proved to have a meaningful and positive influence on employee performance. Employees who can manage their personal and professional lives more effectively are more likely to stay motivated, focused, and productive at work.

Interestingly, although HRM and employee involvement did not have strong direct effects, the study found that all three variables—HRM, WLB, and employee involvement—can still contribute to better performance when digitalisation is present. The mediating role of digital tools and systems was shown to be statistically significant across all three relationships (H4, H5, and H6).

This means that digitalisation acts as a kind of “bridge” that helps turn good HR practices, work-life initiatives, and employee engagement into real performance gains. In today’s work environment, where technology plays a central role, the integration of digital solutions in HR appears to be a key factor in supporting employee productivity and organisational effectiveness.

CONCLUSION

The results show that digitalisation mediates the relationship between HRM, WLB, and Employee Involvement on employee performance. This finding is consistent with the Technology-Organisation-Environment (TOE) Framework theory which states that technology adoption can strengthen the relationship between organisational practices and performance (Naser et al., 2022 in Tornatzky & Fleischer, (1990)).

The partial mediating effect of digitalisation on the HRM-performance relationship (VAF = 54.5%) suggests that digital technology is an important pathway in optimising HRM practices. This is in line with research (Bondarouk & Brewster, 2023) which found that digital HRM can improve the effectiveness of human resource management practices through process automation and

more sophisticated analytics. The mediation of digitalisation on the WLB-performance relationship ($VAF = 32.7\%$) indicates that digital technologies facilitate work-life balance through flexibility of work time and place.

The mediating effect on the Employee Involvement-performance relationship ($VAF = 58.2\%$) suggests that digitalisation strengthens employee engagement through digital collaboration platforms and more effective communication systems. This is consistent with research (Saks, 2021) which found that digital technology can increase engagement through social recognition platforms and collaborative tools.

Based on the results of the research and discussion, it can be concluded as follows: Based on the results of the study, it can be concluded that:

1. Work Life Balance has a direct and significant effect on employee performance, while HRM and Employee Involvement do not show a significant direct effect.
2. Digitalisation proved to partially mediate the relationship between all independent variables (HRM, WLB, Employee Involvement) with employee performance, indicating the important role of digital technology as organisational performance.
3. The research model showed moderate predictive ability ($R^2 = 0.447$), indicating that the variables studied can explain almost half of the variation in employee performance.

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