



The Role of Employee Engagement in Mediating the Relationship between Work-Life Balance and Organizational Culture on Job Performance among Generation Z Employees at State-Owned Bank Enterprises

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Abstract

Background: Global employee engagement remains critically limited; in Indonesia, only 25.28% of employees were categorized as engaged. The increasing participation of Generation Z in state-owned financial institutions makes it important to determine how workplace conditions are converted into performance.

Objective: The study investigates whether employee engagement mediates the associations of work-life balance and organizational culture with job performance among Generation Z personnel in Indonesian state-owned financial institutions (SOEs).

Methods: A quantitative cross-sectional survey was conducted using purposive sampling. An online questionnaire yielded data from 370 Generation Z employees at Bank Mandiri, Bank Rakyat Indonesia, Bank Negara Indonesia, Bank Tabungan Negara, and Bank Syariah Indonesia. Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS 4 was used for analysis.

Results: Work-life balance was not directly related to job performance at a significant level, although it had a positive significant relationship with employee engagement. Engagement positively and significantly predicted performance. Organizational culture showed positive significant relationships with both engagement and performance. Employee engagement completely mediated the work-life balance-performance relationship and partially mediated the organizational culture-performance relationship.

Conclusion: The model accounted for 61.2% of the variance in job performance and 62.8% of the variance in employee engagement.

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INTRODUCTION

In a volatile and highly competitive business environment, employees have become an essential foundation of organizational success (Ismail, 2023; Testa D'Amato A. Singh G. & Festa G., 2023). The extent to which an organization achieves its objectives depends greatly on employees' commitment and enthusiasm when performing their duties (Akgunduz et al., 2023). Consequently, organizations need to recognize and cultivate the determinants of employee performance to sustain their competitive position (Benítez-Márquez et al., 2022). Globally, human resource management has grown more challenging as employee engagement remains limited.

Gallup (2024) reported that only approximately 25.28% of Indonesian employees were engaged, a situation that may impede organizational productivity and long-term sustainability.

The growing participation of Generation Z in employment makes this issue increasingly prominent. Deloitte (2024) projects that this generation will represent the largest segment of the global workforce by 2030. Because its members grew up in a fully digital setting, their priorities and values differ from those of earlier generations (Chan & Lee, 2023; Sharma & Akram, 2024). Although Generation Z employees are commonly described as adaptable, creative, and flexible, they are also considered more inclined to move between jobs (Serravalle & Pantano, 2022). These attributes complicate efforts to establish supportive and sustainable workplaces (Benítez-Márquez et al., 2022). Within Indonesia, the stability of employment and formalized organizational systems make State-Owned Enterprises (SOEs) particularly attractive to Generation Z (Firman, 2025).

Financial-sector SOEs occupy a strategically important position in Indonesia's economy through banking, insurance, and related financial services (Pratama, 2024). Banks are especially influential in economic activity and are therefore expected to maintain continuous performance improvement (BPS, 2023; Santoso, 2021). Competition has also intensified as state-owned and private banks pursue wider networks and greater market share (Astuti et al., 2022). Global economic instability and accelerated digitalization consequently require this sector to employ capable, adaptable, and competitive personnel (Destiana, 2023; OJK, 2025; OJK, 2021). Under VUCA conditions (Volatility, Uncertainty, Complexity, and Ambiguity), survival amid disruption depends on innovative and responsive work systems (Lingga & Pasaribu S., 2025). The Ministry of SOEs sought to reinforce human resource management through Circular Letter Number SE-7/MBU/07/2020, which established AKHLAK *Amanah*/Trustworthy, *Kompeten*/Competent, *Harmonis*/Harmonious, *Loyal*, *Adaptif*/Adaptive, and *Kolaboratif*/Collaborative as the common culture for all SOEs (Viantik, 2023). Organizational culture is thereby positioned as a strategic means of directing workplace conduct and sustaining employee performance.

Career development in the financial services sector is essential to supporting individual growth while enhancing organizational competitive advantage. The complex and high-risk characteristics of this sector require special education and training to ensure regulatory compliance and maintain employee competence (Bani, 2024). Lestari (2023) emphasized that human resource planning and the provision of professional development opportunities are key factors in attracting and retaining talent in financial institutions. Thus, improving performance becomes an important factor for organizational success in the financial services industry, particularly in managing Generation Z talent.

Job performance constitutes a major concern within human resource management that reflects the achievement of employee tasks and responsibilities, both quantitatively and qualitatively (Nurtjahjani et al., 2020; Paul, 2024). In the post-pandemic SOE environment, performance demands have increased due to efficiency pressures, digitalization, and national strategic targets (Lingga & Pasaribu S., 2025). For Generation Z, a work environment that aligns with their characteristics is believed to support performance improvement (Kumar et al., 2021; Xiang et al., 2025). Therefore, understanding the factors that influence Generation Z employee performance is an urgent need.

Earlier studies have examined connections among the variables considered here. In Bangladesh's private banking industry, Ahmed et al. (2025) identified positive effects of work-life balance on employee engagement and job performance, together with an indirect effect on performance through engagement. Research by Joon et al. (2025) in the financial sector likewise indicated that organizational culture shapes engagement and performance and that engagement may mediate these associations either completely or partially. In contrast, Irfan et al. (2023) concluded that work-life balance is not invariably associated with better performance because greater attention to personal life can reduce concentration on professional responsibilities. The evidence is therefore inconclusive regarding how work-life balance and organizational culture relate to job performance through the psychological process of engagement, particularly for Generation Z employees, who may regard work-life balance as an expected condition rather than an incentive to perform (Chillakuri, 2020; Parihar & Singh, 2025).

This inquiry is necessary to explain how workplace conditions lead to optimal performance among Generation Z personnel in financial-sector SOEs during rapid digital change

and persistently low national engagement. Its novelty lies in concurrently examining employee engagement as the mechanism connecting both work-life balance and organizational culture with job performance. The model is tested specifically among Generation Z employees at five Indonesian financial SOEs Bank Mandiri, BRI, BNI, BTN, and Bank Syariah Indonesia a setting that remains underrepresented in previous scholarship, particularly in relation to AKHLAK values as an expression of organizational culture.

The study seeks to determine whether employee engagement mediates the associations of work-life balance and organizational culture with the job performance of Generation Z employees in Indonesian financial-sector SOEs. It assesses the direct paths from work-life balance and organizational culture to engagement and performance, as well as the indirect paths transmitted through employee engagement.

The study provides both conceptual and managerial value. Conceptually, it advances human resource management scholarship by clarifying employee engagement as a mediating process within Social Exchange Theory for Generation Z workers. Managerially, the evidence can guide financial-sector SOEs in formulating work-life balance arrangements and cultivating an adaptive culture that supports stronger engagement and performance.

These implications supply empirical grounds for strategic decisions concerning Generation Z talent. Once engagement is recognized as the principal mechanism, organizational initiatives can address employees' psychological and emotional experience in addition to structural working conditions, thereby helping financial-sector SOEs sustain performance.

METHOD

This study applied a descriptive quantitative method. Cooper and Schindler (2014) and Bell et al. (2022) define a research design as the structure and plan that guide measurement, data collection, and analysis. A quantitative approach permits objective examination of theory by deductively testing proposed hypotheses and variable relationships, after which the findings are compared with earlier evidence (Creswell & Creswell, 2017; Weyant, 2022).

A causal-explanatory design was used to test the proposed model and hypotheses concerning the effects of work-life balance and organizational culture on job performance, with employee engagement specified as the mediator. The research also adopted a cross-sectional survey, meaning that the observations were collected once within a defined period. This design supports numerical description of population trends, attitudes, and perceptions while enabling relationships among variables to be tested using sample observations (Creswell & Creswell, 2017; Weyant, 2022).

The target population consisted of Generation Z personnel employed by financial-sector State-Owned Enterprises (SOEs), including banks, insurers, and other providers of financial services. Generation Z comprises individuals born from 1997 to 2012 who have begun participating in employment and display characteristics distinct from earlier cohorts (Chan & Lee, 2023). Data originated from questionnaire responses, while three prospective respondents with comparable characteristics participated in a readability test.

Participants were recruited using non-probability purposive sampling according to criteria established before data collection (Bell et al., 2022; Cooper & Schindler, 2014). Inclusion required respondents to (1) belong to Generation Z (born in 1997–2012), (2) be employed by a financial-sector SOE, and (3) have worked for at least one year, allowing sufficient familiarity with their duties and workplace. Exclusion applied to respondents outside the Generation Z age range, those not employed in a financial-sector SOE, those with less than one year of service, and those who failed the attention check or displayed careless response patterns.

The required sample size was established with the Cochran (1977) and Adeoye (2023) for large populations that cannot be precisely determined, as follows:

$$n_0 = (Z^2 \times p \times q) / d^2$$

With a 95% confidence level ($Z = 1.96$), a 5% margin of error ($d = 0.05$), and maximum proportion $p = 0.50$ and $q = 0.50$, $n_0 = (1.96^2 \times 0.50 \times 0.50) / 0.05^2 = 384.16$, yielding a rounded minimum survey requirement of 384 respondents. This size is also adequate for PLS-SEM analysis as it is well above the minimum requirement for a structural model containing several latent

constructs, direct paths, and mediation paths (Hair et al., 2022). In implementation, the author obtained 409 respondents; after the screening process (12 respondents failed the attention check and 27 respondents did not meet criteria), the final data used amounted to 370 respondents.

The questionnaire used a seven-point Likert response format ranging from 1 (strongly disagree) to 7 (strongly agree). Work-life balance was captured through indicators adapted from its corresponding instrument. Organizational culture followed three dimensions from Denison (1990), Luu et al. (2026) model involvement, consistency, and adaptability (Abou-Moghli, 2024). Employee engagement used the nine UWES-9 items covering vigor, dedication, and absorption (Kristiana et al., 2019; Tatha et al., 2024), whereas job performance covered task and contextual performance. Before administration, every item was translated into Indonesian and subjected to a readability assessment.

A pre-test involving 115 respondents was analyzed in IBM SPSS Statistics 26 to assess the instrument's validity and reliability. Validity was determined from component matrix values of 0.50–1.00 and a minimum Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy of 0.50 (Malhotra, 2024; Malhotra & Dash, 2016). Reliability required a Cronbach's Alpha coefficient of at least 0.70 (Hair et al., 2019, 2022). Table 1 presents the resulting instrument assessments.

Table 1

Instrument Validity and Reliability Test Results (Pre-test, N = 115)

Variable/Dimension	KMO	Component Matrix	Cronbach's Alpha	Description
Work-life balance	0.882	0.716–0.912	0.896	Valid & Reliable
Organizational Culture – Involvement	0.826	0.769–0.854	0.880	Valid & Reliable
Organizational Culture – Consistency	0.863	0.831–0.895	0.915	Valid & Reliable
Organizational Culture – Adaptability	0.847	0.631–0.895	0.862	Valid & Reliable
Employee Engagement – Vigor	0.747	0.910–0.936	0.905	Valid & Reliable
Employee Engagement – Dedication	0.742	0.895–0.932	0.903	Valid & Reliable
Employee Engagement – Absorption	0.742	0.895–0.918	0.900	Valid & Reliable

Source: Researcher's processed data (2026)

The Cronbach's Alpha reliability coefficient formula used is as follows:

$$\alpha = (k / (k - 1)) \times (1 - (\Sigma \sigma_i^2 / \sigma_t^2))$$

with k = number of items, $\Sigma \sigma_i^2$ = sum of variances of each item, and σ_t^2 = total score variance. The instrument meets the reliability criterion when the value of $\alpha \geq 0.70$.

An online questionnaire was circulated through Google Forms, social media (LinkedIn and X), as well as respondent networks that met the criteria. The self-administered questionnaire method was selected as an efficient and economical means of collecting respondent feedback (Bell et al., 2022; Cooper & Schindler, 2014). To safeguard data quality, the researcher inserted an attention check statement to test the accuracy and carefulness of respondents in filling out each item; respondents who failed this check were considered for exclusion from further data processing.

IBM SPSS Statistics 26 was used for data screening, descriptive analysis, and preliminary instrument assessment, whereas SmartPLS 4 was employed to evaluate the measurement and structural models. Means, standard deviations, maxima, and minima described the data (Hair et al., 2019, 2022). Hypothesis testing relied on Partial Least Squares Structural Equation Modeling (PLS-SEM), encompassing convergent validity (Standardized Factor Loading/SFL ≥ 0.50 and AVE ≥ 0.50), composite reliability (CR ≥ 0.70), model fit, collinearity (VIF), the coefficient of determination (R^2), and bootstrapped path significance (T-statistic > 1.645 or p-value < 0.05). Specific indirect effects were used to determine mediation (Hair et al., 2019, 2022).

A One-Way ANOVA examined whether average job performance differed significantly among the five SOE bank categories (Malhotra, 2024; Malhotra et al., 2017; Malhotra & Dash, 2016). Its assumptions comprise normality, equal variances, and independence of observations (Hair et al., 2019, 2022). Among the available post hoc alternatives (including Scheffé, Tukey's

HSD, Fisher's LSD, Duncan's multiple range procedure, and Newman-Keuls) the study selected Tukey's Honestly Significant Difference (HSD) to locate statistically different groups (Hair et al., 2019, 2022).

RESULTS AND DISCUSSION

Respondent Description

The final sample comprised 370 respondents who satisfied all eligibility criteria. Women accounted for 201 participants (54.3%), compared with 169 men (45.7%). Most respondents were aged 21–25 years (202; 54.6%), followed by 26–29 years (163; 44.1%) and 17–20 years (5; 1.4%). A Bachelor's degree (D4/S1) was the most common educational qualification, held by 321 respondents (86.8%). The largest tenure category was 1–2 years, representing 139 individuals (37.6%). Participants were distributed relatively evenly among the five financial-sector SOEs. Table 2 reports the complete demographic profile.

Table 2

Respondent Demographic Characteristics (N = 370)

Profile	Classification	Number	Percentage
Gender	Male	169	45.7%
	Female	201	54.3%
Age	17–20 year	5	1.4%
	21–25 year	202	54.6%
	26–29 year	163	44.1%
Education Level	High School/Vocational School	19	5.1%
	Diploma (D3)	20	5.4%
	Bachelor's (D4/S1)	321	86.8%
	Postgraduate (S2/S3)	10	2.7%
Tenure	1–2 year	139	37.6%
	>2–3 year	110	29.7%
	>3–4 year	66	17.8%
	>4 year	55	14.9%
Company Name	PT Bank Mandiri	73	19.7%
	PT Bank Rakyat Indonesia	74	20.0%
	PT Bank Negara Indonesia	68	18.4%
	PT Bank Tabungan Negara	81	21.9%
	PT Bank Syariah Indonesia	74	20.0%

Source: Researcher's processed data (2026)

Descriptive Statistics

Descriptive analysis placed the grand means of all four constructs within the fairly high or high range. The respective values were 5.288 for work-life balance, 5.653 for organizational culture, 5.344 for employee engagement, and 5.947 for job performance. Thus, respondents generally reported favorable perceptions of their work-life balance, organizational culture, and engagement, while rating their performance highly. Table 3 provides the descriptive summary for each construct.

Table 3

Summary of Descriptive Statistics Across Variables

Variable	Grand Mean	Highest Mean	Lowest Mean
Work-life balance	5.288	WLB4 (5.63)	WLB3 (4.98)
Organizational Culture	5.653	OCA4 (5.94)	OCI5 (5.40)
Employee Engagement	5.344	EED3 (5.70)	EEV3 (4.89)
Job Performance	5.947	JC5 (6.15)	JT1 (5.80)

Source: Researcher's processed data (2026)

ANOVA Difference Test

The ANOVA procedure assessed whether mean job-performance scores varied significantly across the SOE banks. Equality of variance was examined first and was established when the significance level exceeded 0.05. For the subsequent ANOVA, a significance level below 0.05 indicated a statistically meaningful difference among groups. The homogeneity and One-Way ANOVA statistics are presented in the following table.

Table 4

Homogeneity of Variance and One-Way ANOVA Test Results

Test	Value
Homogeneity of Variance	
Levene Statistic	1.230
Sig. Levene	0.298
One-Way ANOVA	
F Calculated	0.784
Sig. ANOVA	0.536

Source: Researcher's Processed Data (2026)

After confirming variance homogeneity, the One-Way ANOVA compared mean job performance among Generation Z employees of Bank Mandiri, BNI, BRI, BTN, and BSI. This procedure was appropriate because one outcome variable was compared across more than two independent groups. The decision rule rejected H_0 when Sig. < 0.05, indicating a significant difference, and retained H_0 when Sig. > 0.05.

The Levene Statistic was 1.230 with a significance level of 0.298 (> 0.05), confirming homogeneous job-performance variances across the five groups and permitting the analysis to continue. The One-Way ANOVA yielded $F = 0.784$ and Sig. = 0.536 (> 0.05); therefore, H_0 was retained. Job performance consequently did not differ significantly among Generation Z employees at PT Bank Mandiri, BNI, BRI, BTN, and BSI. Table 5 presents these findings.

Table 5

One-Way ANOVA Test Results of Job Performance by SOE Bank

Nama Bank	N	Mean	Standar Deviation
PT Bank Mandiri	73	5.9192	.69074
PT Bank Negara Indonesia	74	5.8824	.66257
PT Bank Rakyat Indonesia	68	5.7574	.67167
PT Bank Tabungan Negara	81	5.8074	.57528
PT Bank Syariah Indonesia	74	5.8000	.54622
Total	370	5.8338	.62929

Source: Researcher's Processed Data (2026)

As reported in Table 5, the average job performance in each SOE Bank shows relatively close values. PT Bank Mandiri had the highest average (5.9192; $N = 73$), followed by BNI (5.8824; $N = 74$), BTN (5.8074; $N = 81$), BSI (5.8000; $N = 74$), and BRI with the lowest average (5.7574; $N = 68$). Overall, the average job performance of all respondents was 5.8338 ($N = 370$). Standard deviation values ranging from 0.54622 to 0.69074 indicate relatively homogeneous response distribution and consistent respondent perceptions across each bank. Although there are slight differences in averages between banks, the differences are descriptively relatively small, so further testing through One-Way ANOVA is needed to confirm their significance.

Measurement Model Evaluation

SmartPLS was used to assess the PLS-SEM measurement model through Confirmatory Factor Analysis (CFA). Convergent validity required Standardized Factor Loadings (SFL) of at least 0.50 (Hair et al., 2019, 2022). Three work-life balance indicators (WLB1–WLB3) exceeded this threshold, whereas WLB4 (0.48) and WLB5 (0.496) fell slightly below it. All dimensions of the second-order organizational culture, employee engagement, and job performance constructs produced loadings above 0.50 and therefore met the validity criterion. Table 6 reports the

reliability results.

Table 6

Reliability and Convergent Validity Test Results

Variable	CR	AVE	Description
Work-life balance	0.805	0.438	Reliable *
Organizational Culture	0.888	0.733	Reliable
Employee Engagement	0.835	0.632	Reliable
Job Performance	0.869	0.772	Reliable

*AVE value of work-life balance (0.438) is below 0.50, but still acceptable because $CR > 0.60$ (Can & Rosseel, 2025; Fornell & Larcker, 1981). Two indicators, WLB4 (SFL = 0.48) and WLB5 (SFL = 0.496), showed loading values marginally below the 0.50 threshold. These indicators were retained on the basis of content validity and because their removal did not substantially improve the AVE value, consistent with the recommendation by Hair et al. (2019) and Hair et al. (2022) that items with loadings between 0.40 and 0.70 may be retained if deletion does not increase composite reliability or AVE above the threshold.

Source: Researcher's processed data (2026)

Variance Inflation Factor (VIF) testing produced values between 1 and 3.3 for every path. The maximum, 2.199, occurred for employee engagement → job performance and indicated no multicollinearity problem in the structural model (Hair et al., 2019, 2022). The R^2 coefficients were 0.628 for employee engagement and 0.612 for job performance, placing both endogenous constructs in the moderate category. Work-life balance and organizational culture therefore explained 62.8% of employee-engagement variance, while those two constructs together with employee engagement explained 61.2% of job-performance variance.

Hypothesis Testing

Bootstrapping was used to test the hypotheses, with significance defined as a T-statistic above 1.645 or a p-value below 0.05 (Hair et al., 2022). Figure 1 displays the structural model and the paths connecting its latent constructs.

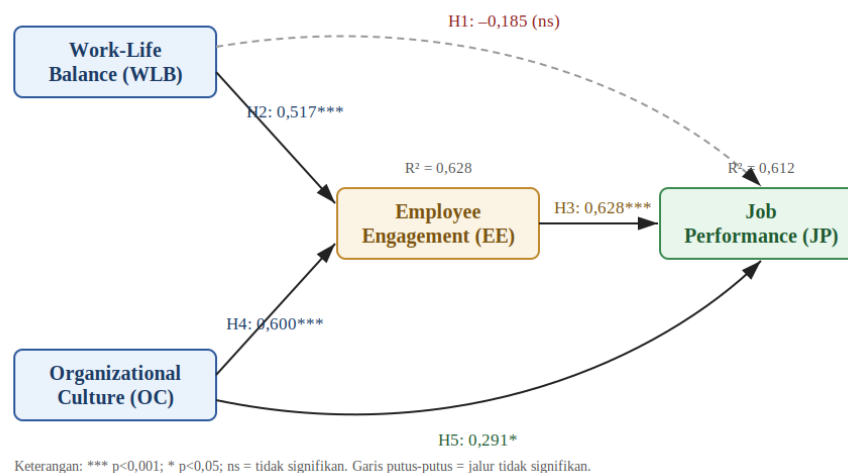


Figure 1. Structural Model Testing Results (Path Coefficients)

Source: Researcher's processed data (2026)

Testing of the direct and mediated paths supported six of the seven proposed hypotheses and rejected one. Table 7 lists the estimated coefficients, T-statistics, and p-values for each path.

Table 7

Hypothesis Testing Results (Path Coefficients)

Hyp.	Path	β	T-value	p-value	Result
H1	Work-life balance → Job performance	-0.185	1.261	0.104	Rejected
H2	Work-life balance → Employee engagement	0.517	5.581	<0.001	Accepted

Hyp.	Path	β	T-value	p-value	Result
H3	Employee engagement $\rightarrow$ Job performance	0.628	3.295	0.001	Accepted
H4	Organizational culture $\rightarrow$ Employee engagement	0.600	7.890	<0.001	Accepted
H5	Organizational culture $\rightarrow$ Job performance	0.291	1.700	0.045	Accepted
H6	WLB $\rightarrow$ EE $\rightarrow$ Job performance (full mediation)	0.325	2.701	0.004	Accepted
H7	OC $\rightarrow$ EE $\rightarrow$ Job performance (partial mediation)	0.377	3.614	<0.001	Accepted

Source: Researcher's processed data (2026)

Interpretation of Test Results

H1 lacked empirical support because work-life balance had a negative yet statistically insignificant association with job performance ($\beta = -0.185$; $p = 0.104 > 0.05$). By contrast, its positive association with employee engagement was significant (H2; $\beta = 0.517$; $p < 0.001$), supporting H2. Employee engagement also had a significant positive relationship with job performance (H3; $\beta = 0.628$; $p = 0.001$) and constituted the model's largest direct coefficient. Organizational culture was positively and significantly related to both employee engagement (H4; $\beta = 0.600$; $p < 0.001$) and job performance (H5; $\beta = 0.291$; $p = 0.045$), providing support for H4 and H5.

The mediation analysis supported H6: employee engagement completely transmitted the relationship between work-life balance and job performance (indirect effect $\beta = 0.325$; $p = 0.004$), while the direct H1 path remained insignificant. H7 was also supported because employee engagement partially carried the effect of organizational culture to job performance; the indirect effect was significant and the direct effect remained significant ($p = 0.045$). These results identify engagement as the principal psychological process through which workplace conditions relate to Generation Z employees' performance.

Discussion

Analysis of Results

Work-life balance was not directly associated with job performance at a statistically significant level ($\beta = -0.185$; $p = 0.104$). Among Generation Z employees in financial-sector SOEs, achieving work-life balance alone therefore did not raise performance. Members of this generation may treat balance as a normal employment expectation rather than as an added source of motivation, meaning its presence need not improve output by itself (Chillakuri, 2020; Ngoc et al., 2022). Nevertheless, work-life balance was strongly related to employee engagement ($\beta = 0.517$), which in turn had the largest effect on job performance ($\beta = 0.628$). The pattern indicates a psychological sequence in which balance-oriented policies first deepen engagement and subsequently contribute to performance.

Organizational culture was positively associated with employee engagement ($\beta = 0.600$) and job performance ($\beta = 0.291$). Adaptability contributed most strongly to the culture construct (SFL = 0.864), followed by consistency (0.861) and involvement (0.843). This prominence is pertinent because ongoing digital transformation requires financial-sector SOEs to adapt. Vigor was the strongest component of employee engagement (SFL = 0.835), showing the particular importance of energy and enthusiasm for Generation Z employees. Task performance contributed most to job performance (SFL = 0.891), indicating that fulfillment of core duties was its predominant element.

Comparison with Previous Research

The rejection of H1 differs from Ahmed et al. (2025), who documented a positive work-life balance–performance relationship in banking, but agrees with Irfan et al. (2023), who observed that greater work-life balance does not invariably correspond to improved performance. Differences in organizational setting and the characteristics of Generation Z may account for this contrast. Support for H2 is compatible with and Jaharuddin and Zainol (2019), who associated better work-life balance with stronger engagement. The H3 result concurs with Ahmed et al. (2025), and Ribeiro et al. (2018), who identified engagement as an important predictor of employee performance. Evidence for H4 and H5 is consistent with Joon et al. (2025), Parent & Lovelace (2018), and Oyemomi et al. (2019), whose findings connect constructive organizational cultures with higher engagement and performance. The mediation patterns in H6 and H7 also

correspond to those reported by Ahmed et al. (2025) and Joon et al. (2025).

Practical Implications

The results carry several managerial implications for financial-sector SOEs. Work-life balance initiatives (including flexible arrangements, remote work, and proportionate workloads) should account for employees' psychological responses instead of functioning only as structural provisions. Because engagement is the pivotal mechanism, organizations should emphasize programs that sustain Generation Z employees' energy, enthusiasm, and concentration, particularly while national engagement remains low (Gallup, 2024). Reinforcing AKHLAK-based cultural transformation can also serve as a strategic means of improving engagement and performance concurrently.

Theoretical and Conceptual Implications

The findings reinforce the use of Social Exchange Theory (Ahmad et al., 2023; Blau, 1964; Cropanzano et al., 2017) to explain why employee-supportive policies may enhance performance only after they generate emotional engagement. Full mediation by employee engagement between work-life balance and performance clarifies the psychological process through which workplace resources become behavior, consistent with Kahn (1990) and Heman et al. (2024) account of physical, emotional, and cognitive involvement. The study further broadens the application of Denison (1990), Luu et al. (2026) culture model by connecting it with AKHLAK values in Indonesian SOEs and with the distinctive attributes of Generation Z.

Research Limitations

Four limitations qualify the findings. First, purposive sampling is non-probabilistic, so extrapolation to the wider population requires caution. Second, collecting cross-sectional observations at a single point prevents assessment of changes in the variable relationships over time. Third, WLB4 and WLB5 had SFL values below 0.50 and the work-life balance AVE did not reach 0.50, indicating scope to refine this construct's measurement. Fourth, restricting respondents to financial-sector SOEs limits the applicability of the results to other organizational types and industries.

Bank Syariah Indonesia (BSI) differs from conventional state-owned banks because sharia compliance shapes its governance, culture, operating mechanisms, and workplace values. Such distinctions may influence how employees perceive organizational culture, engagement, and performance. Interpretation of the findings should therefore recognize heterogeneity among the participating SOE banks.

Suggestions for Future Research

Subsequent research could address these limitations through longitudinal observations that reveal how relationships evolve over time. It could also include respondents from additional sectors or industries and compare generational cohorts to clarify characteristic differences. Refining the work-life balance measures and introducing variables such as leadership, compensation, or job satisfaction may further increase the model's capacity to explain variation in job performance.

CONCLUSION

Using PLS-SEM in SmartPLS 4, this study assessed employee engagement as a mediator linking work-life balance and organizational culture with job performance among 370 Generation Z employees in Indonesian financial-sector SOEs. Work-life balance had no direct effect on performance; instead, employee engagement fully carried this relationship. Organizational culture was positively related to engagement and performance, while engagement partially mediated its relationship with performance. Overall, six of the seven hypotheses received empirical support.

The model explained 61.2% of job-performance variance and 62.8% of employee-engagement variance. Collectively, the evidence establishes engagement as the central pathway through which work-life balance and organizational culture translate into stronger performance. Financial-sector SOEs should accordingly reinforce an adaptive culture and formulate work-life

balance arrangements that cultivate engagement and sustain the performance of Generation Z employees.

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AUTHOR CONTRIBUTION STATEMENT

Naura Shafa Khalisha and Aryana Satrya contributed collaboratively to all stages of this research. Naura Shafa Khalisha was responsible for conceptualization, data collection, data analysis, interpretation of findings, and manuscript preparation. Aryana Satrya contributed to research supervision, methodological guidance, critical review, and refinement of the manuscript. Both authors reviewed and approved the final version of the manuscript.

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