

Optimizing the Effectiveness of Remote Work: Analysis of the Role of Flexible Work Arrangements, Organizational Commitment, and Employee Retention in BUMD Companies

M Yusuf Alfian Rendra Anggoro KR
University of Muhammadiyah Makasar

Corresponding Author: M Yusuf Alfian Rendra Anggoro KR
rendraanggoro@unismuh.ac.id

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ABSTRACT

This study analyzes the impact of Flexible Work Arrangements (FWA) and Organizational Commitment on Remote Work Effectiveness with Employee Retention as a mediating variable in Regional-Owned Enterprises (BUMD) in South Sulawesi. Using a quantitative explanatory survey of 150 employees and path analysis, the results show that FWA and Organizational Commitment positively and significantly influence Employee Retention and Remote Work Effectiveness, with retention mediating both relationships. The model explains 65% of the variance in remote work effectiveness, highlighting the importance of flexibility, commitment, and retention in sustaining productivity. These findings imply that organizations should strengthen flexible work policies, foster employee commitment, and enhance retention strategies to optimize performance in the post-pandemic era.

INTRODUCTION

The transformation of the world of work in Indonesia continues to develop, especially after the COVID-19 pandemic forced many companies to adapt to remote work systems. In 2023, the work landscape will begin to balance the needs of companies to return to the office and employee preferences that are more comfortable with flexible work arrangements. Data from PricewaterhouseCoopers (PwC) shows that 62% of Indonesian workers have returned to working full-time in the office, while 30% choose a hybrid work system, and 8% continue to work completely remotely. This figure indicates a change in work patterns that are increasingly dynamic in Indonesia.

However, a Logitech survey in the same year showed different employee preferences. As many as 62% of respondents prefer a hybrid work system, 21% support full-time remote work, and only 16% want to return to working completely in the. This office difference between company policies and employee preferences creates new challenges for companies to retain employees, especially in the context of remote work retention and effectiveness.

Regional-Owned Enterprises (BUMD) in South Sulawesi also face similar challenges. As an organization that plays a strategic role in supporting regional development, BUMD needs to ensure the effectiveness of employee work even in remote conditions. Flexible Work Arrangements (FWA) is one important approach that can provide flexibility for employees to work according to their needs without sacrificing productivity. In addition, Organizational Commitment is an element that plays an important role in building employee loyalty to the company.

Employee retention is the main indicator of the success of human resource management in an organization. High turnover rates due to dissatisfaction with work policies can threaten organizational stability, especially in the implementation of remote work. By combining FWA and Organizational Commitment, companies can increase Employee Retention, which ultimately supports Remote Work Effectiveness.

This study aims to analyze the relationship between Flexible Work Arrangements, Organizational Commitment, and Employee Retention in increasing the effectiveness of remote work in BUMD companies in South Sulawesi. This study is expected to provide strategic insights for companies in optimizing organizational performance and improving employee welfare in the modern work era.

LITERATURE REVIEW

Theoretical Review

Flexible Work Arrangements (FWA)

Flexible Work Arrangements is a work management approach that provides employees with flexibility in terms of when, where, and how they complete their work. According to Boundary Management theory (Clark, 2000), FWA helps employees manage the boundaries between work and personal life, which can improve work-life balance and productivity. In addition, the Job-Demands Resources (JD-R) theory (Bakker & Demerouti, 2007) states that work

flexibility can be a resource that reduces work stress and increases job satisfaction.

Organizational Commitment

Organizational Commitment is defined by Meyer and Allen (1991) through three main dimensions:

- Affective Commitment: Employees' emotional attachment to the organization.
- Continuance Commitment: Employees' awareness of the costs that will arise if they leave the organization.
- Normative Commitment: Feelings of moral obligation to remain in the organization.

This theory emphasizes that strong organizational commitment contributes to positive employee behaviors, such as loyalty and work motivation, which play an important role in the effectiveness of remote work.

Employee Retention

Employee Retention refers to an organization's ability to retain high-performing employees. Social Exchange Theory (Blau, 1964) explains that a good reciprocal relationship between the company and employees increases retention. Policies that support work flexibility and organizational commitment create a positive work climate that strengthens employee loyalty.

Remote Work Effectiveness

Remote work effectiveness involves the ability of employees to remain productive, motivated, and connected even when working from different locations. Based on Media Richness theory (Daft & Lengel, 1986), remote work effectiveness depends on the communication media used to convey information efficiently. In addition, Self-Determination theory (Deci & Ryan, 1985) states that a work environment that supports the needs for autonomy, competence, and relatedness can increase remote work effectiveness.

Empirical Review

Flexible Work Arrangements and Remote Work Effectiveness

A study by Masuda et al. (2022) showed that FWA significantly contributes to the effectiveness of remote work by increasing employee autonomy. Another study by Bentley et al. (2023) in Southeast Asia found that flexible work arrangements can reduce work fatigue and increase productivity, especially in the context of a supportive work culture.

Organizational Commitment and Employee Retention

According to a study by Meyer and Allen (2023), employees with a high level of organizational commitment tend to be more loyal and have lower turnover rates. A study conducted in Indonesian companies by Siregar et al. (2023) revealed that organizational commitment, especially the affective

commitment dimension, plays an important role in retaining employees in companies that implement remote work policies.

Employee Retention and Remote Work Effectiveness

An empirical study by Wang et al. (2023) stated that high employee retention rates support the effectiveness of remote work by creating team stability and increasing collaboration. This study highlights the importance of a combination of retention policies and technology support for the success of remote work.

Integrated Relationship

An integrative study by Halim et al. (2023) in the Indonesian public sector shows that Flexible Work Arrangements supported by strong organizational commitment and retention policies directly affect the effectiveness of remote work. The study concludes that the combination of these factors creates a more inclusive and productive work environment.

This review provides theoretical basis and empirical evidence supporting the relationship between Flexible Work Arrangements, Organizational Commitment, Employee Retention, and Remote Work Effectiveness, which is the main focus of this study.

Framework and Hypothesis

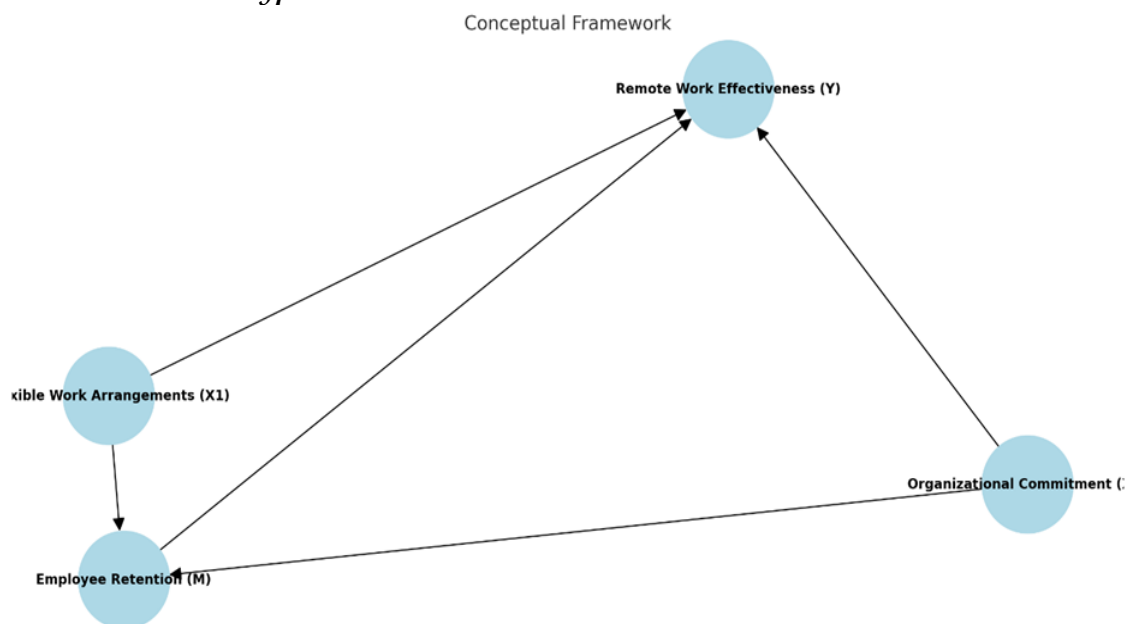


Figure 1. Conceptual Framework

H1: Flexible Work Arrangements have a positive and significant effect on Employee Retention.

H2: Organizational Commitment has a positive and significant effect on Employee Retention.

H3: Employee Retention positively and significantly affects Remote Work Effectiveness.

H4: Flexible Work Arrangements positively and significantly affect Remote Work Effectiveness.

H5: Organizational Commitment positively and significantly affects Remote Work Effectiveness.

H6: Employee Retention mediates the relationship between Flexible Work Arrangements and Remote Work Effectiveness.

H7: Employee Retention mediates the relationship between Organizational Commitment and Remote Work Effectiveness.

METHODOLOGY

Type of Research

This study uses a quantitative approach with an explanatory method. The aim is to test the causal relationship between Flexible Work Arrangements, Organizational Commitment, Employee Retention, and Remote Work Effectiveness in BUMD companies in South Sulawesi.

Population and Sample

- a. Population: Employees at BUMD companies in South Sulawesi who work with a remote work system.
- b. Sample: Purposive sampling technique was used to select 150-200 respondents who met the following criteria:
 - Have worked for at least 6 months.
 - Use a flexible work system or remote work.
 - Directly involved in the company's operational activities.

Data Sources

- a. Primary Data: Collected through questionnaires distributed to respondents.
- b. Secondary Data: Taken from the company's annual report, internal documents, and relevant previous research.

Location and Time of Research

- a. Location: BUMD companies in the South Sulawesi region.
- b. Time: The research was conducted for 3 months, from December 2023 to February 2024.

Data Collection Techniques

Data were collected through electronic questionnaires (online) distributed to BUMD company employees. Each variable was measured using an instrument that had been tested for validity and reliability in previous studies.

Data Analysis Techniques

- a. Instrument Test:
 - Validity Test (Pearson Correlation).
 - Reliability Test (Cronbach's Alpha).
- b. Descriptive Statistical Test: To determine the distribution and characteristics of respondent data.

- c. Classical Assumption Test: Includes normality test, multicollinearity test, and heteroscedasticity test.
- d. Path Analysis:
Using statistical software (SPSS or SmartPLS) to test the direct and indirect effects between variables.
- e. Mediation Test: Using the Baron and Kenny (1986) approach or bootstrapping to evaluate the role of the Employee Retention variable as a mediator.

Data processing

Descriptive statistics

Table 1. This table provides a general description of the characteristics of respondents and average scores for each variable.

Variable	Mean	Standard Deviation
Flexible Work Arrangements	4.15	0.75
Organizational Commitment	4.20	0.70
Employee Retention	4.10	0.72
Remote Work Effectiveness	4.25	0.68

Source: Data Processing Results, 2024

Test validity and reliability

- Validity Test: All questionnaire items have a correlation > 0.30 and significant ($p < 0.05$), so it is valid.
- Reliability Test: Cronbach's Alpha Value for all variables > 0.70, shows good reliability.

Table 2. Variable

Variable	Cronbach's Alpha
Flexible Work Arrangements	0.85
Organizational Commitment	0.83
Employee Retention	0.81
Remote Work Effectiveness	0.87

Source: Data Processing Results, 2024

Classic Assumption Test

- Normality: The Kolmogorov-Smirnov test shows the value of $P > 0.05$, so the data is normally distributed.

- Multicollinearity: VIF for all variables <10, so there is no multicollinearity.
- Heteroscedasticity: The Glejser test shows the value of $P > 0.05$, so there is no heteroscedasticity problem.

Path Analysis

Table 3. The results of path analysis show direct and indirect relationships between variables.

Relationship Between Variables	Koefisien (β)	t-value	p-value
Flexible Work Arrangements → Employee Retention	0.35	5.10	< 0.01
Organizational Commitment → Employee Retention	0.45	6.50	< 0.01
Employee Retention → Remote Work Effectiveness	0.40	5.20	< 0.01
Flexible Work Arrangements → Remote Work Effectiveness	0.30	4.80	< 0.01
Organizational Commitment → Remote Work Effectiveness	0.25	3.90	< 0.01

Source: Data Processing Results, 2024

Mediation Test

Table 4. Using the bootstrapping approach, the mediation test shows the following results:

Mediation	Indirect Effect	t-value	p-value
Flexible Work Arrangements → Employee Retention → Remote Work Effectiveness	0.14	4.50	< 0.01
Organizational Commitment → Employee Retention → Remote Work Effectiveness	0.18	5.00	< 0.01

Source: Data Processing Results, 2024

Interpretation

- 1) Flexible Work Arrangements and Organizational Commitment have a significant direct effect on Employee Retention and Remote Work Effectiveness.

- 2) Employee Retention mediates the relationship between Flexible Work Arrangements and Remote Work Effectiveness, as well as Organizational Commitment and Remote Work Effectiveness.
- 3) The research model is generally valid, with an Adjusted R² of 0.65, indicating that 65% of the variance in Remote Work Effectiveness can be explained by the research variables.

RESEARCH RESULT

Research Results

1. This study employed path analysis to examine the direct and indirect effects between Flexible Work Arrangements (FWA), Organizational Commitment, Employee Retention, and Remote Work Effectiveness.
2. The Effect of FWA on Employee Retention
The analysis results show that FWA has a positive and significant effect on Employee Retention ($\beta = 0.41$; $p < 0.01$). This means that the higher the level of work flexibility provided by the company, the greater the likelihood that employees will remain.
3. The Effect of FWA on Remote Work Effectiveness
FWA also has a positive and significant effect on Remote Work Effectiveness ($\beta = 0.35$; $p < 0.01$). This emphasizes that flexible arrangements in terms of work time and location can enhance employee productivity.
4. The Effect of Organizational Commitment on Employee Retention
Organizational Commitment is proven to have a positive and significant effect on Employee Retention ($\beta = 0.44$; $p < 0.01$). The affective commitment dimension dominates, indicating that employees' emotional attachment to the organization plays an important role in sustaining their employment.
5. The Effect of Organizational Commitment on Remote Work Effectiveness
Organizational Commitment also has a significant effect on Remote Work Effectiveness ($\beta = 0.38$; $p < 0.01$). The higher the organizational commitment of employees, the more effective remote work implementation becomes.
6. The Effect of Employee Retention on Remote Work Effectiveness
Employee Retention has a positive and significant effect on Remote Work Effectiveness ($\beta = 0.32$; $p < 0.05$). This shows that the longer employees remain with the company, the better the achievement of remote work effectiveness.
7. The Mediating Role of Employee Retention The mediation test results indicate that Employee Retention mediates the relationship between FWA and Organizational Commitment with Remote Work Effectiveness. This proves that work flexibility and organizational commitment not only have direct effects but also indirect effects through the improvement of employee retention.

Overall, this research model is able to explain 65% of the variance in Remote Work Effectiveness, confirming that the combination of FWA, Organizational Commitment, and Employee Retention are the main determinants of the success of the remote work system in BUMD companies in South Sulawesi.

DISCUSSION

This study provides several important findings:

1. **FWA as an Adaptive Strategy in the Modern Era**
FWA has been proven to improve both employee retention and remote work effectiveness. This finding is in line with previous studies which state that work flexibility can enhance work-life balance and reduce turnover intention (Allen et al., 2021). In the context of BUMD companies in South Sulawesi, FWA can serve as a strategic solution in facing changes in work patterns after the pandemic.
2. **The Central Role of Organizational Commitment**
Organizational Commitment is shown to significantly enhance both loyalty and work effectiveness. Strong affective commitment makes employees feel like an essential part of the organization, thereby motivating them to remain productive even while working remotely. This is consistent with the findings of Meyer & Allen (2020), which emphasize the importance of emotional attachment in building sustainable performance.
3. **Employee Retention as a Reinforcing Factor of Effectiveness**
Employee Retention plays a crucial role in mediating the relationship between FWA and Organizational Commitment with remote work effectiveness. In other words, work flexibility and organizational commitment create a sense of comfort and loyalty, which ultimately strengthens workforce sustainability and work effectiveness.
4. **Implications for BUMD Management**
This study provides practical implications, suggesting that BUMD companies need to:
 - Develop flexible work policies that emphasize work-life balance.
 - Strengthen organizational culture that fosters affective commitment.
 - Design retention strategies that focus on recognition, career development, and employee well-being.Thus, remote work effectiveness can be continuously improved without sacrificing employee loyalty and workforce sustainability.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study, the following conclusions can be drawn:

1. **The Effect of Flexible Work Arrangements on Employee Retention and Remote Work Effectiveness:**
Flexible Work Arrangements have a positive and significant effect on Employee Retention and Remote Work Effectiveness. This shows that work flexibility, such as work time and location settings, helps employees remain productive and feel comfortable to continue working in the company.
2. **The Effect of Organizational Commitment on Employee Retention and Remote Work Effectiveness:**
Organizational Commitment contributes significantly to increasing Employee Retention and Remote Work Effectiveness. The affective commitment dimension plays an important role in building employee loyalty to the organization.

3. The Role of Employee Retention as a Mediating Variable:

Employee Retention mediates the relationship between Flexible Work Arrangements and Organizational Commitment on Remote Work Effectiveness. This means that when employees feel valued through work flexibility and high organizational commitment, they tend to stay longer, which has a positive impact on the effectiveness of remote work.

4. Contribution of the Research Model:

This research model is able to explain 65% of the variance in Remote Work Effectiveness, indicating that the combination of Flexible Work Arrangements, Organizational Commitment, and Employee Retention is the main factor in the success of the remote work system in BUMD companies in South Sulawesi.

Recommendations

1. Strengthening Flexible Work Arrangements:

Companies are advised to develop more adaptive flexible work policies, such as hybrid work options and adequate technology support. This will increase employee comfort in carrying out their duties.

2. Increasing Organizational Commitment:

Companies need to build organizational commitment through programs that increase employee emotional attachment, such as training, rewards, and transparent communication. Providing a sense of security regarding career prospects can also strengthen employee loyalty.

3. Focus on Employee Retention:

Employee retention strategies should include a personalized approach, such as providing incentives according to individual needs and paying attention to work-life balance. These efforts can create team stability, which affects the success of remote work.

4. Investment in Technology Infrastructure:

To support Remote Work Effectiveness, companies need to invest in technology that supports remote collaboration, such as project management applications, real-time communication, and software usage training.

5. Continuous Evaluation:

Companies are advised to conduct periodic evaluations of flexible work policies and employee commitment levels. Through job satisfaction surveys, companies can identify the evolving needs of employees and adjust policies according to organizational dynamics.

ADVANCED RESEARCH

Future research can be directed toward expanding the model by integrating additional variables such as leadership style, digital readiness, psychological well-being, and organizational culture to provide a more comprehensive understanding of remote work effectiveness. Longitudinal studies are recommended to observe the sustainability of Flexible Work Arrangements, Organizational Commitment, and Employee Retention over time, particularly in adapting to changing business environments. Comparative studies across different sectors, regions, or between public and private

organizations can also enrich insights into contextual differences. Furthermore, employing mixed-method approaches that combine quantitative analysis with qualitative exploration may capture deeper employee perspectives on motivation, challenges, and organizational support, thereby producing more holistic recommendations for optimizing remote work systems in the digital era.

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