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The Impact of Work Stress, Work Environment and Organizational Climate on Employee Performance: Empirical Evidence from an Emerging Region

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Abstract: In recent years, the demand placed upon today's workforce has increased while the expectations of today's organization have changed. Therefore, managing an employee's performance is still a major challenge facing many organizations. This study examines the relationship between employee performance and work stress, work environment, and organizational climate among employees in an emerging region which is Southern Sarawak, Malaysia. A quantitative cross-sectional research methodology was utilized in this study. Data collection occurred utilizing structured questionnaires completed by 221 government employees working in Kuching Sarawak utilizing convenience sampling. A multiple regression analysis model was developed for each of the six dimensions: workload; role conflict; role ambiguity; physical work environment; psychological work environment; and organizational climate. The results indicate that none of the work stress variables (i.e., workload, role conflict, role ambiguity) or the physical work environment had a statistically significant relationship with employee performance. However, the psychological work environment and organizational climate demonstrated a statistically significant positive relationship with employee performance. Furthermore, Organizational Climate emerged as the strongest predictive variable. These empirical results demonstrate that psychosocial and organizational support systems provide greater leverage in promoting employee performance than either the physical or structural aspects of the workplace. Thus, this study provides additional empirical evidence to the growing body of literature in the developing regional area of Sarawak, Malaysia, which supports the notion that organizations should develop and implement proactive employee wellness initiatives and supportive leadership and communication strategies to maintain superior levels of employee performance.

Keywords: *Employee Performance, Organizational Climate, Workload, Role Ambiguity, Role Conflict, Physical work environment, Psychological work environment*

1. Introduction

The ability for an organization to be successful and sustainable in either the public or private sectors depends on the quality of an employee's performance. Modern workplaces today ask for much more from an employee than just performing a standard task associated with his or her position (Dumitriu et al., 2025). Today's positions require employee adaptability, team collaboration, creativity, and continued productive output. As such, many organizations are encountering challenges related to employee performance. The majority of challenges stem from increasing pressures associated with increased job expectations, changes in organizational structure and design, and increased pressure on employees to perform at increasingly higher levels. These challenges create stress in the workplace, changing working conditions, and continually changing organizational culture (Sharma et al., 2025).

Each type of organization experiences unique obstacles because of varying institutional environments created by geography, industry, and different types of leadership. These variations lead to differences in employee performance in part due to the presence of psychological and organizational stressors that remain unaddressed (Kamarudin, Zulkafaly, & Hassan, 2018). Moreover, it is likely that a negative work environment (both psychologically and physically) will increase problems associated with performance even further than would

be expected based upon role conflict and role ambiguity (Dumitriu et al., 2025).

An individual's work environment is made up of two categories: tangible and intangible. The tangible aspects of an employee's work environment include things like physical space, lighting, and noise levels that can affect an employee's comfort level and concentration (Kazlauskaitė, 2023). On the other hand, intangible aspects of a work environment relate to psychological comfort and can be affected by things like management support, communication style, and work-life balance (Gilbert & Karanika-Murray, 2023). Additionally, organizational climate is defined as how employees perceive their organization through its leaders, policies, and practices. An organizational climate that has been established positively will foster a sense of constructive ownership among employees along with high morale (Tsoni et al., 2025). However, a lack of positive ownership and/or a lack of support in the organizational climate can become destructive and hinder an organization's overall functioning. Although there have been previous studies concerning work stress, organizational climate, and work environment individually, there is little, if any, research investigating the relationship of all three constructs collectively in a regional setting similar to Sarawak, Malaysia.

This study uses the JD-R Model (Demerouti et al., 2001) and the Transactional Model of Stress (Lazarus & Folkman, 1984) to investigate the joint effect of work-related stress, workplace settings, and organizational climate on employee performance in Sarawak, Malaysia. By using an integrated approach, this study seeks to close the existing gap in performance by providing actionable recommendations to enhance the psychosocial work environment, leading to long-term organizational success.

2. Literature Review

Employee Performance

Employee performance is a multidimensional construct that encompasses an individual's productivity, motivation, and overall contribution to an organization's strategic goals. In the modern workplace, effective performance requires more than just the completion of standard tasks; it involves adaptability, consistent output, and a strong sense of engagement. However, an employee's ability to maintain high performance levels is heavily dependent on the balance between their job demands and the resources provided to them. When demands exceed an individual's capacity, it directly impedes their productivity, dampens motivation, and negatively affects their overall sense of well-being, which are all critical components of performance (Chen et al., 2022).

Furthermore, an employee's performance output is highly sensitive to systemic organizational factors, such as workload management and competing expectations (Diestel, 2022). There is substantial evidence demonstrating that when employees operate under chronic strain, they experience a sharp decline in productivity, reduced decision-making capabilities, and ultimately, severe disengagement from their work (Maslach, 2016). To optimize and sustain employee performance, organizations must provide adequate workplace resources to counterbalance these demands. According to Sharma et al. (2025), key resources that drive positive performance include job autonomy, role clarity, and perceived managerial support. Overall, employee performance is not an isolated individual trait but a responsive outcome that significantly declines when employees perceive little to no support from their management in navigating their daily responsibilities (Sharma et al., 2025).

Work Stress

When employees' job demands exceed their capacity to manage them or provide adequate resources to handle these demands, then work-related stress emerges. In addition to being a source of mental and physical fatigue, this excessive stress affects an employee's productivity, motivation, and overall sense of well-being (Chen et al, 2022). While there are many sources of work-related stress, including too much work and conflicting expectations (Diestel, 2022), two major types of stressors are role conflict and role ambiguity. Role conflict exists when employees have competing expectations from different parties. Employees who experience conflicting expectations may be asked to simultaneously meet several different sets of expectations. For example, one manager may tell an employee to focus on sales, but another manager wants him or her to focus on customer service. An employee experiencing role conflict cannot satisfy either party. Role ambiguity exists when employees do not understand what is expected of them. In ambiguous situations, employees may receive

no clear definition of their roles and responsibilities. They may know they need to accomplish certain things, but they do not know exactly how they are supposed to accomplish these things. Like role conflict, ambiguity can lead to confusion, frustration and ultimately to dissatisfaction with the job and the employer.

There is substantial evidence demonstrating that chronic stress leads to decreased productivity, burnout, and eventually disengagement from the job (Maslach, 2016). Chronic stress is very debilitating for both employees and employers. It creates a negative cycle where the longer an employee experiences stressors related to his or her job, the less productive he or she becomes. Over time, this can result in a variety of negative emotions, including emotional exhaustion, anxiety, poor decision-making skills, and low job satisfaction.

Sharma et al. (2025) stated that workplace resources are insufficient to counterbalance excessive job demands, and then employees develop work-related stress. Resources included in this model are job autonomy (the degree to which an employee feels independent in completing his or her job), role clarity (an employee understands what he or she is expected to do), and support (employees feel they receive sufficient assistance). Overall, work-related stress negatively impacts employee performance in general, especially when employees perceive little or no support from management.

Work Environment

The work environment represents both a physical space and a psychological space. Physical characteristics of a workspace include design features (e.g., layout), lighting, temperature, ergonomics (how furniture fits the body), and noise levels. All of these physical factors contribute to employee comfort and focus (Kazlauskaitė, 2023; Abdul Hamed et al., 2026).

Conversely, psychological characteristics represent how employees think about their emotional connection to their workplace and their supervisor(s). Psychological aspects of the work environment include how much emotional support employees receive from supervisors or managers, communication quality (both upward and downward), perceived leadership behavior, and work-life balance (Gilbert & Karanika-Murray, 2023). A physically comfortable workplace contributes positively toward increasing focus and productivity while reducing distractions caused by discomfort. A mentally comfortable workplace promotes loyalty to the company and improves performance.

On the other hand, an uncomfortable workplace contributes negatively to productivity and employee engagement. Poor communication, lack of input and control over decisions made regarding employees' jobs, and inadequate recognition of employees' contributions can contribute positively toward increased stress levels and lowered performance levels. In recent years, it has become apparent that psychological aspects of a workplace are more important than physical aspects in terms of producing effective performance outcomes. As such, companies should pay attention to designing workplaces that promote a positive psychological environment, as providing employees with a supportive environment will promote employees' commitment to the company and their desire to produce effective work.

Organizational Climate

Organizational climate is a conceptualization of collective perceptions among employees of a company's policies/practices, management styles and methods of interacting with employees, and interpersonal relationships among employees (Tsoni et al., 2025; Schneider et al., 2017). Essentially, organizational climate defines the "personality" of an organization. It influences the day-to-day experiences of its employees.

An organization's climate provides context for understanding why some employees thrive in an organization while others do not. Organizations with climates characterized by trusting relationships between managers and subordinates, open communication between superiors and subordinates, equitable treatment of all employees based on merit, and supportive supervisory behaviors tend to foster environments conducive to learning and innovation. Conversely, organizations with climates that exhibit poor leadership practices and limited opportunities for growth and development will undermine employee motivation and commitment.

Climate can play a buffering role against job-related stressors; climates can help individuals frame challenging job demands as developmental opportunities instead of threats (Schneider et al., 2017). More importantly,

research has indicated that organizational climate is a significant determinant of organizational effectiveness (Rozman et al., 2021). Additionally, organizational climate is found to be more influential on organizational performance than other organizational environmental factors, including physical factors.

Underpinning Theory

The two models used in this study are the Job Demands-Resources (JDR) model and the Transactional Model of Stress.

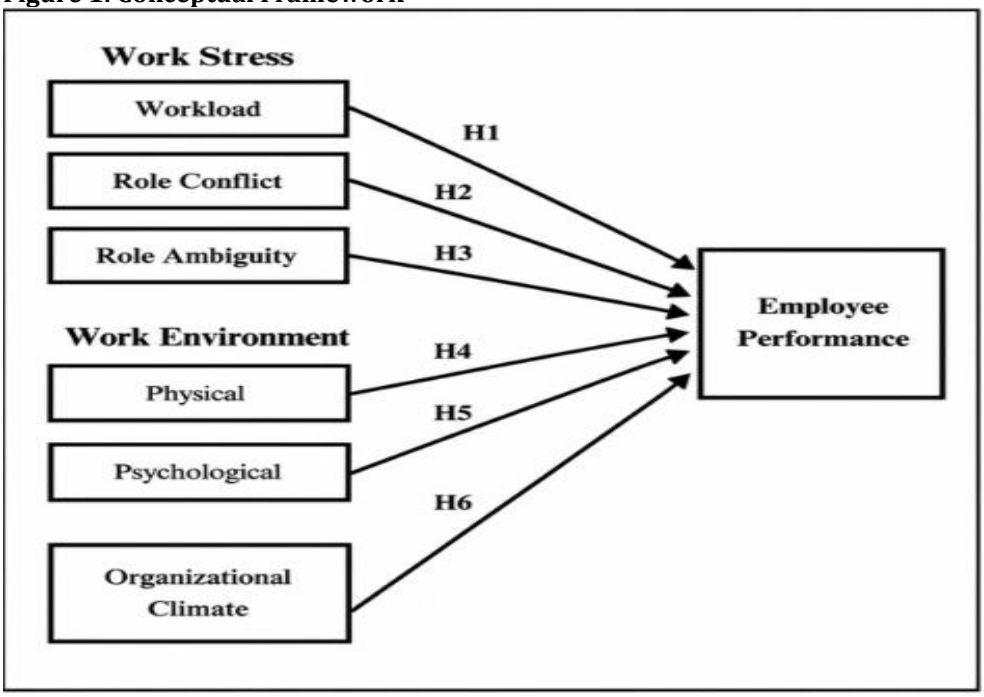
According to Bakker et al. (2023) and Schaufeli (2004), the JDR model states that employees' outcomes are determined by the balance between job demands and resources. For example, when an employee has too much work or has conflicting roles, these create demands that lead to lower performance due to reduced energy. On the other hand, there are many resources that can help increase motivation and decrease stress. These include supportive leaders, a good team dynamic, and a positive organizational culture.

The Transactional Model of Stress focuses on how individuals appraise their own level of stress at a particular time, which then determines what they will do to cope with it. Rizal et al. (2025) explain that the amount of stress in a workplace will determine how well employees perform. When combined, the JDR Model and the Transactional Model of Stress allow for a better understanding of how employee performance, the workplace environment, and the organizational climate interact.

Conceptual Framework

The conceptual framework for this study is grounded in the Job Demands-Resources (JD-R) model and the Transactional Model of Stress, supported by empirical evidence from recent organizational studies (Bakker et al., 2023; Chen et al., 2022; Park & Park, 2021; Galanakis et al., 2022). The framework posits that employee performance is not an isolated outcome but is driven by the dynamic interplay between job demands, workplace resources, and the broader organizational context. The model categorizes the independent variables into three main constructs that directly influence the dependent variable, employee performance, as shown in Conceptual Framework Figure 1.

Figure 1: Conceptual Framework



Work Stress (Job Demands): This construct captures the varying facets of job demands, specifically workload, role conflict, and role ambiguity. According to the JD-R model, high job demands drain an employee's physical and psychological resources, which can elevate strain and exhaustion, ultimately diminishing their ability to concentrate, stay motivated, and perform tasks effectively.

Work Environment (Job Conditions): This is divided into physical and psychological environments. The physical environment includes the design of workspaces, lighting, and equipment, which affect comfort and efficiency. The psychological environment encompasses emotional support, interpersonal relationships, and perceived fairness. When employees are psychologically supported and secure, they become more adaptable and capable of sustaining elevated performance levels.

Organizational Climate (Macro Context Resources): This encompasses the macro social and managerial environment, including the quality of leadership, communication structures, and levels of trust. A positive organizational climate acts as a critical job resource that reinforces employee belongingness and commitment, enabling them to manage work stress effectively. Conversely, a negative climate amplifies stress and demotivates employees, even within well-designed physical workspaces.

Rather than viewing these elements in isolation, the framework captures their interrelated effects, illustrating how organizational and environmental contexts either strengthen or cushion the impact of job demands on employees. Based on this framework, the following hypotheses were developed and tested:
H1: There is a significant relationship between workload and employee performance.
H2: There is a significant relationship between role conflict and employee performance.
H3: There is a significant relationship between role ambiguity and employee performance.
H4: There is a significant relationship between the physical work environment and employee performance.
H5: There is a significant relationship between the psychological work environment and employee performance.
H6: There is a significant relationship between organizational climate and employee performance.

3. Method

Research Design

A cross-sectional design (quantitative) was employed to investigate how workplace conditions, organizational climate, and employee performance are related. Workload, role conflict, role ambiguity, physical work environment, psychological work environment, organizational climate, and employee performance were studied by completing a structured self-report questionnaire that employees completed in their workplaces in Sarawak. A convenience sampling procedure was used due to limited access. Of the 350 government organizational workers surveyed, 221 surveys provided usable information. Participants ranged in age from 18 to 60 and represented a variety of job roles in the organization, such as managerial, administrative, and operational. The number of participants was adequate for conducting multiple regression analyses.

Measures

Demographics collected via the first part of the survey included gender, age, educational attainment, years of service, and management level. The second section of the survey consisted of measures developed to represent the constructs of interest in this study. Each construct was operationalized using a definition. Work-related stress was operationalized with reference to three aspects of work-related stress: workload, role conflict, and role ambiguity. Both the physical and psychological aspects of the work environment were also assessed. Organizational climate and employee performance were each assessed based upon perceptions about these constructs. For all constructs of interest in this study, responses were elicited using a 5-item Likert-type scale. Responses were elicited using the following anchors: 1 = Strongly Disagree; 5 = Strongly Agree. Instrument adapted from previous study which work Load (Paarima et al., 2024), role conflict (Homayed et al., 2025), role ambiguity (Hill et al., 2015), physical work environment (Anasi, 2020) and psychological work environment (Sari et al., 2021). Organizational climate (Pradoto et al., 2022) and employee performance (Sari et al., 2021).

Data Collection Process

Data collection occurred when employees completed an electronic survey using Google Forms at their place of

employment within designated geographic areas. Employees who chose to complete the survey gave informed consent prior to beginning the survey. Throughout the data collection process, participant anonymity and confidentiality were ensured. The data collection process took six months to provide ample opportunity for participation by employees from a variety of backgrounds and organizations. The survey links and QR code were disseminated through multiple organizational sources.

Data Analysis

Following data collection, responses entered electronically into Google Forms were exported and stored in a .csv file for analysis using IBM SPSS. Demographic data were converted to numerical form to facilitate statistical analysis; however, the five-point Likert scales were preserved. Following exportation of the data into a spreadsheet program, the data were processed and cleaned to eliminate missing or inconsistent responses. Statistical analysis involved multiple procedures:

Descriptive Statistics: Used to summarize the demographic profiles of the respondents.
Reliability Analysis: Cronbach's Alpha was utilized to evaluate the internal consistency of the measurement items.
Normality Testing: Skewness and kurtosis values were examined to confirm that the data met the assumptions for parametric testing.
Pearson Correlation Analysis: Conducted to explore the strength and direction of the relationships between the independent variables and employee performance.
Multiple Regression Analysis: Employed to assess the predictive relationship and determine the relative contribution of each independent variable to employee performance.
All statistical analyses were conducted at a 0.05 significance level.

4. Findings and Discussion

Reliability Analysis

A reliability analysis was conducted to evaluate the internal consistency of the measurement instruments used in this study. In social science and organizational research, a Cronbach's alpha coefficient exceeding 0.60 is generally considered to indicate an acceptable and reliable level of internal consistency (Hair et al., 2022). The results demonstrated strong reliability across all constructs, confirming that the scales accurately measured the intended variables and were sufficiently robust for subsequent statistical analyses.

Normality Test

The first step taken before conducting correlation analysis and multiple regression was to perform a normality test to determine if there was adequate adherence to the assumptions necessary for using parametric statistics. Violations of these assumptions could cause issues in the interpretation of results produced by inferential statistical procedures such as correlation and multiple regression analysis.

A variety of tests exist that can be used to assess normality, including graphical and statistical tests. Graphical assessments included creating histograms, Normal Probability (P-P) Plots, and scatterplots using SPSS. Histograms are generally used to visually evaluate the shape of distributions. In this case, the histogram appeared fairly symmetrical. The Normal P-P Plots are used to graphically compare the standardized residuals against a perfect straight line. In this study, the residuals were very close to being on a perfectly straight line. Scatter plots are used to examine whether there is any pattern to residuals.

Since all residuals were randomly dispersed without any obvious patterns or clustering, it appears that homoscedasticity has been met. Statistically, skewness and kurtosis values were used to assess normality. All of the variables in the study had skewness and kurtosis values within an acceptable range of -2 to +2. Many researchers have determined that when skewness and/or kurtosis are less than or equal to +2/-2, there is sufficient support for the use of parametric statistical analyses (George & Mallery, 2020; Hair et al., 2022).

Table 1: Reliability Test

Variables	*Cronbach's Alpha*	*No of Items*	*Strength*	*Result*
Employee Performance (EP)	0.974	6	Excellent	Reliable
Workload (WL)	0.629	6	Moderate	Reliable
Role Conflict (RC)	0.757	6	Good	Reliable
Role Ambiguity (RA)	0.815	5	Very Good	Reliable
Physical Work Environment (PHY)	0.844	5	Very Good	Reliable
Psychological Work Environment (PSY)	0.806	5	Very Good	Reliable
Organizational Climate (OC)	0.844	5	Very Good	Reliable

Demographic Profile of Respondents

A total of 221 respondents participated in this study. The sample comprised 53.4% males and 46.6% females. Most respondents were young, with 38.0% aged 18 to 25 years and 22.2% aged 26 to 30 years. In terms of education, the majority held a Diploma/STPM qualification (42.5%), followed by SPM/SPV certificates (25.8%) and Bachelor's degrees (23.5%). Regarding work experience, 35.3% had less than one year of experience, while 23.5% had between one and two years. However, 24.9% had more than five years of work experience. In terms of organizational position, most respondents were in middle management (51.6%), followed by lower management (32.6%) and top management (15.8%). Overall, the sample represents employees from diverse educational backgrounds, experience levels, and management positions.

Table 2: Demographic Profile of Respondents (N = 221)

	N	**Percentage (%)**
1) Gender		
Male	118	53.4%
Female	103	46.6%
2) Age		
18 – 25	84	38%
26 – 30	49	22.2%
31 – 35	41	18.6 %
36 – 40	16	7.2%
40 - 44	9	4.1%
45 & Above	22	10%
3) Highest Education Level		
PT3 / PMR or equivalent with it	5	2.3%
SPM / SPV or equivalent with it	57	25.8%
Diploma / STPM	94	42.5%
Bachelor's Degree	52	23.5%
Master or PHD	13	5.9%
4) Work Experience		
Less than 1 year	78	35.3%
1 – 2 years	52	23.5%
3 – 4 Years	36	16.3%
More than 5 Years	55	24.9%
5) Management Level		
Low	72	32.6%
Middle	114	51.6%
Top	35	15.8%

Correlation Analysis

A Pearson correlation analysis was conducted to examine the strength and direction of the linear relationships among the study variables: Workload (WL), Role Conflict (RC), Role Ambiguity (RA), Physical Work Environment (PHY), Psychological Work Environment (PSY), Organizational Climate (OC) and the dependent variable, Employee Performance (EP).

Table 3: Correlation Analysis

Variables	EP	WL	RC	RA	PHY	PSY	OC
Employee Performance (EP)	1						
Workload (WL)	−0.082	1					
Role Conflict (RC)	−0.064	0.412**	1				
Role Ambiguity (RA)	−0.071	0.386**	0.451**	1			
Physical Work Environment (PHY)	0.093	−0.115	−0.102	−0.088	1		
Psychological Work Environment (PSY)	0.462**	−0.198*	−0.213*	−0.176*	0.322**	1	
Organizational Climate (OC)	0.531**	−0.224*	−0.247*	−0.201*	0.341**	0.568**	1

*** Correlation is significant at the 0.01 level (2-tailed).*

The results reveal that only psychosocial and organizational factors possess a statistically significant relationship with employee performance. Specifically, Organizational Climate (OC) demonstrated the strongest positive correlation with Employee Performance ($r = 0.531$, $p < 0.01$), indicating that a supportive and transparent organizational culture is closely associated with higher employee performance levels. Similarly, the Psychological Work Environment (PSY) exhibited a strong and significant positive correlation with employee performance ($r = 0.462$, $p < 0.01$).

Conversely, the traditional job stressors examined in this study did not show any significant relationship with employee performance. Workload ($r = -0.082$), Role Conflict ($r = -0.064$), and Role Ambiguity ($r = -0.071$) all displayed weak, non-significant negative correlations. Furthermore, the Physical Work Environment (PHY) also showed a weak and non-significant positive relationship with performance ($r = 0.093$). These results suggest that basic physical infrastructure and isolated job stressors do not directly dictate performance outcomes, and that organizational and psychosocial factors affect employee performance far more than traditional stress factors and the physical work environment.

Table 5: Summary of Hypothesis Results

Hypothesis	Statement	Result
H1	There is a significant relationship between workload and employee performance.	Not Supported
H2	There is a significant relationship between role conflict and employee performance.	Not Supported
H3	There is a significant relationship between role ambiguity and employee performance.	Not Supported
H4	There is a significant relationship between physical work environment and employee performance.	Not Supported
H5	There is a significant relationship between psychological work environment and employee performance.	Supported
H6	There is a significant relationship between organizational climate and employee performance.	Supported

Multiple Regression Analysis Results

A multiple linear regression analysis was conducted to examine the extent to which workload, role conflict, role ambiguity, physical work environment, psychological work environment, and organizational climate predict employee performance. Prior to interpreting the results, a visual inspection of the standardized residuals histogram was performed. The histogram exhibited an approximately normal, bell-shaped distribution without

extreme outliers, confirming that the assumptions of normality for the regression analysis were satisfactorily met.

Table 6: ANOVA Results

Model	Sum of Squares	df	Mean Square	F
Regression	182.734	6	30.456	34.116
Residual	196.812	214	0.920	
Total	379.546	220		

Table7: Regression Coefficients

Predictor	B	Beta	t	Sig.
Workload	–0.041	–0.052	–0.812	0.418
Role Conflict	–0.038	–0.047	–0.734	0.464
Role Ambiguity	–0.046	–0.058	–0.901	0.369
Physical Work Environment	0.062	0.071	1.102	0.272
Psychological Work Environment	0.287	0.331	4.982	0.000
Organizational Climate	0.354	0.402	5.913	0.000

Model Summary:
R = 0.694
R^2 = 0.482
Adjusted R^2 = 0.468

The overall regression model was statistically significant ($F(6, 214) = 34.116$, $p < .001$), indicating that the combined independent variables reliably predict employee performance. The model summary revealed an R^2 of .482, meaning that the six predictors collectively explain 48.2% of the variance in employee performance (Adjusted R^2 = .468).

In evaluating the individual contributions of each predictor, the analysis revealed that only psychosocial factors significantly influenced performance. Organizational climate emerged as the strongest and most significant positive predictor of employee performance (β= .402, t = 5.913, p < .001). This was closely followed by the psychological work environment, which also demonstrated a significant positive effect (β = .331, t = 4.982, p < .001).

Conversely, traditional job stressors and physical workplace conditions failed to reach statistical significance in this model. Specifically, workload (β = -.052, p = .418), role conflict (β = -.047, p = .464), role ambiguity (β = -.058, p = .369), and the physical work environment (β = .071, p = .272) did not significantly predict employee performance.

In summary, the regression results indicate that when employees operate under favorable psychological and organizational conditions, traditional job stressors and the physical work environment become irrelevant as predictors of performance. The data strongly suggest that fostering a supportive, transparent organizational climate and a psychologically safe workspace are the most critical drivers of employee performance.

5. Contribution and Implications

This study offers significant theoretical and practical contributions to the understanding of employee performance, particularly within the Sarawak organizational context.

Theoretical Contributions

The findings of this research are significant for both theory and practice regarding employee performance in the Sarawak organization. Theoretically, the data provide strong evidence that supports the JD-R model from an empirical perspective in a regionally specific setting. By demonstrating that the strength of the relationship between psychosocial/structural work environment resources and employee performance is significantly

greater than the strength of relationships with workload-related stress, or physical environmental aspects of the workplace, the research supports the underlying premise of the JD-R model (Demerouti et al., 2001; Bakker & Demerouti, 2017; Schaufeli, 2004). More specifically, by providing clear evidence that organizations can mitigate the potential psychological and operational damage resulting from employees experiencing high levels of job demands through organizational resource allocation such as active management support, open communication, and positive work environments, the research has direct implications for employee performance enhancement.

Managerial and Practical Implications

Given that organizational climate is the most important factor associated with performance, this study's results suggest that companies must take an integrated, resource-based approach to human resources to develop an appropriate climate within which employees can perform at their best. The development of a climate where employees feel psychologically safe and supported requires organizations to have good quality leadership, establish transparent and open lines of communication, and provide fair and equitable treatment to all employees (Schaufeli, 2004; Lukić Nikolić, 2024) while providing opportunities for recognition and validation of their efforts through employee contributions (Bakker & Demerouti, 2017). Organizations need to move away from using only quantitative performance measures to evaluate employee performance. Human Resources departments must incorporate metrics into their standard assessment process to measure both the organizational climate and overall employee well-being (Maslach, 2016). As part of this transition, organizations will need to establish formalized systems of feedback so managers have the diagnostic information required to continually improve the employees they supervise (Aguinis, 2009). Strategic investment in supporting the psychological working environment is essential for promoting employee wellness. It also promotes resilience and productivity among employees who are exposed to high levels of demands in their jobs (Gilbert & Karanika-Murray, 2023).

Conclusion

The study demonstrates how work stress and the work environment affect employee performance. The empirical data show that there is a statistically significant positive correlation between employee performance and the psychological work environment, as well as organizational climate. However, the data do not show a statistically significant relationship between physical aspects of the work environment (including workload, role conflict, and role ambiguity) and employee performance. In essence, while the quality of the physical space may have an indirect effect on employee performance due to its impact on the quality of the psychological work environment, the psychological factors are much more important than the physical ones.

Although this study offers insight into many aspects of workplace dynamics, numerous methodological and contextual limitations must be acknowledged. First and foremost, the sample size used for this study was limited to only certain geographical areas within Sarawak. Therefore, the generalizability of the findings from this study will likely be very low if compared to organizations operating in different areas or in completely different sectors. Second, since this study relied solely on self-reporting through surveys, it has the same problems of measurement error (i.e., common method variance) and social desirability bias as all self-report studies. Lastly, since this study was cross-sectional in nature, it does not allow for the analysis of causality in terms of how some variables relate to others.

Future studies can use longitudinal research designs to assess changes in employee performance over time and to establish causal connections between variables. It would be wise for subsequent studies to utilize larger samples from a variety of different industries located throughout multiple states or countries. Additionally, by extending their conceptual frameworks to include more independent variables such as leadership style, job satisfaction, employee engagement, and perceived organizational support, researchers will develop a better understanding of the various ways in which employee performance is influenced by factors outside of those related to job requirements.

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