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Role of Project-Based Work Environment on Employee Well-Being and Employee Performance

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ABSTRACT

Purpose of this research is to gain insight into how variations in project work environment and employee psychological wellbeing influence performance outcomes in project-driven work settings. Additionally, this study has tested the mediating role of employee psychological wellbeing between project work environment and employee performance in a project-based organization. The model is tested empirically over a sample size adhered to the 10-times rule, with ten respondents per item in the 16-item questionnaire, ensuring a total of 160 respondents working in project-based organizations. Smart PLS 4 is used for applying partial least square-based structural equation modelling (SEM) and SPSS 24 software is used for descriptive data analysis. Findings from SEM revealed that altogether project work environment and employee psychological well-being explain a higher percentage of variance in employee performance and that there is a partial and significant mediating effect of psychological wellbeing between work environment and employee performance in a project-based organization. This research seeks to contribute valuable insights to both academia and organizational practitioners, for enhancing employee performance, and wellbeing in project-based organizations.

INTRODUCTION

In today's dynamic business environment, project-based organizations have emerged as a prevalent model for executing tasks and achieving strategic objectives. While early project management focused on individual projects, research since the 1990s has recognized that projects often occur in groups such as programs, portfolios, networks, and project-based organizations (Miterev et al., 2017; Turner & Miterev, 2019). A key success factor for project-based organizations is effective resource management, ensuring that human and material resources are allocated based on team members' strengths and project requirements

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(Iqbal et al., 2024). However, beyond technical expertise, employee performance in these settings is heavily influenced by the project work environment and employees' psychological wellbeing. The work environment in project-based organizations extends beyond physical space, encompassing organizational culture, leadership styles, team dynamics, and job design (Surma et al., 2021). A supportive work environment can enhance employee satisfaction, motivation, and performance. Psychological wellbeing, including both hedonic (pleasure, satisfaction) and eudaimonic (purpose, fulfilment) dimensions, is also critical to performance (Robertson & Cooper, 2010). Employees with high psychological wellbeing tend to be more resilient, engaged, and productive. Even though the effects of the workplace and psychological health on workers' performance are widely known, their combined effect, particularly the mediating role of wellbeing, remains underexplored in project-based organizations.

The aim of the research is to comprehensively investigate the interrelationships between work environment, psychological wellbeing, employee engagement, and performance within project-based organizations. This study addresses that gap by examining how variations in work environment and psychological wellbeing influence employee performance, providing insights for enhancing employee wellbeing and organizational effectiveness. Hence, this study addresses the following questions:

- How does the work environment in project-based organizations influence employee performance?
- What is the impact of psychological wellbeing on employee performance within project-based organizations?
- Is there any relationship between work environment and psychological wellbeing of employees in a project-based organization?
- Does psychological wellbeing mediate the relationship between work environment and employee performance in project-based organizations?

LITERATURE REVIEW

In most project-based organizations, projects are the lifeblood on which the company survives (Owolabi et al., 2024). Similarly, successful task and process implementation, along with efficient coordination and control, form the foundation of most project work. According to studies, successful project delivery would be greatly aided by the efficient management of these crucial implementation domains (Olawale et al., 2020). One of the distinguishing characteristics of the construction industry has been poor performance in finishing projects within the clients agreed-upon budget, schedule, and specifications (Aghimien et al., 2025). According to Aghimien et al., (2024), the construction industry is project-based and demands lengthy working hours to fulfil deadlines. Because the sector is project-based, employees must travel to several locations, work extremely long hours, and transfer from one site to another. Unlike other management areas, project management not only aims to meet specific goals through systematic planning but also fosters efficiency, cost reduction, and effectiveness throughout the process (Varga & Csiszárik-Kocsir, 2024).

When a suitable "knowledge related project work environment" is established, project teams demonstrate greater capability and motivation to complete the work (Jarvenpaa et al., 1998). It is vitally important to note that the project team may be overly or underly challenged in terms of building trustworthy relationships if the environment in which the project work is conducted is incorrectly evaluated. Projects are now a common way to organize labour due to projectification in both businesses and society (Godenhjelm et al., 2015). Growing worries about the welfare of project workers have coincided with the rise of projects and project-based businesses (Xu & Smyth, 2023). Numerous wellbeing problems, including exhaustion, stress, anxiety, and burnout, have been linked to the project work environment (Pinto et al., 2014). Wellbeing concerns are acknowledged to be handled too low in project organizations' organizational hierarchy (Jones et al., 2021). In individual projects, frontline managers usually don't have the power to implement changes that deal with the underlying causes of wellness issues. They provide difficulties for promoting employee wellness that necessitate a transformational strategy rather than a transactional one to include "care" into management practices across departments, within projects, and at the project-firm interface (Xu & Smyth, 2023).

According to Tsamarah et al., (2024), psychological well-being is the state in which people feel content with their lives and can form wholesome relationships with others to find purpose in them. Positive well-

being is therefore typically promoted by a supportive work environment that fosters employee involvement (Embalsado et al., 2025). High demands and little control over one's work environment have been linked to stress and increased risk of psychological strain and burnout (Black et al., 2011). Psychological and physical consequences stemming from the working conditions and employees' perception of the work environment (Syre et al., 2025). There are implications to understanding and promoting wellbeing in the workplace, and these form the basis of suggestions for interventions to improve the work environment. According to Adah et al., (2025), due to the labour-intensive and project-based nature of the construction industry, workers must put in long hours to meet deadlines. As a result, working long hours is frequently perceived as being more productive and better than neglecting one's family and oneself, which can have negative effects on one's wellbeing.

Theoretical Framework

The theory can be derived from a variety of academic areas, including organizational theory, linguistics, psychology, anthropology, and others. In research, the theoretical framework acts as a lens through which the phenomena are examined. Stretching one's thinking to comprehend the tale of what is happening in the organizations under investigation is beneficial (Anfara & Mertz, 2014). According to Maxwell (2013), the theoretical framework is "the system of concepts, assumptions, expectations, beliefs, and theories that supports and informs your research". Before going into the field to gather data, advised researchers to carry out an initial hypothesis construction. To offer a theoretical hypothesis or hypothetical theory regarding the reasons behind the actions, events, and ideas, theory development is crucial. This makes it easier to "explore what is to be explored, the purpose of the exploration, and the criteria by which the exploration will be judged successful. For this reason, it gives clear hints and pathways.

Based on the issue statement, the conceptual framework "sets the stage" for the presentation of the research question that directs the study being reported, as stated by (McGaghie et al., 2001). A thesis's problem statement outlines the background and problems that motivated the researcher to carry out the investigation. The theoretical framework is a far more comprehensive framework that includes the conceptual framework. The latter is backed by well-established theories that summarize the findings of multiple studies about the mechanisms and causes of a particular occurrence.

Supportive Theories

Self-Determination Theory

Self-Determination Theory (SDT) emphasizes people's intrinsic motivation and contends that good performance and well-being depend on meeting three fundamental psychological needs: relatedness, competence, and autonomy. SDT can be used to examine how the work environment supports employees' psychological needs and intrinsic motivation, thereby influencing their wellbeing and performance in project-based organizations (Ryan, 2009).

Wellbeing Theory

Wellbeing theory takes a holistic approach to understanding human flourishing, encompassing various dimensions such as emotional, psychological, social, and physical wellbeing. This theory allows for a comprehensive examination of employees' overall wellbeing, beyond just psychological aspects (Ryan, 2009).

Conceptual Framework

The figure below shows the suggested conceptual framework.

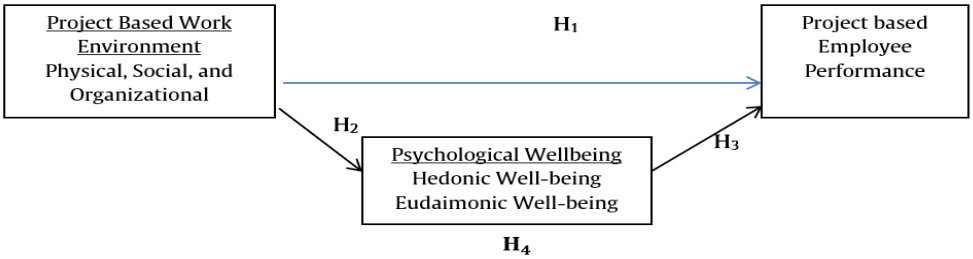

Fig. 1. The Research Model

Hypotheses

H_1: Project Based work environment impacts positively on employee performance.

H_2: Project Based work environment is positively related to Psychological Wellbeing

H_3: Employee Psychological Wellbeing has a positive relationship with Project based Employee Performance

H_4: Wellbeing Psychological mediates the relationship between Project Based work environment and Employee Performance

METHODOLOGY

A quantitative research approach was most suitable for this study since its goals were to assess the work environment, employee wellbeing, and employee performance. This study is based on primary data, and since it is mostly questionnaire-based because they efficiently collect standardized data from a wide range of respondents, surveys are common in quantitative research. They usually included closed-ended designs that facilitate statistical analysis and data processing, multi-choice questions, and Likert-scale questions. In organizational contexts where consistency and comparability are required, surveys are highly dependable for measuring attitudes, views, behaviours, and experiences (Creswell, 2017). This study uses web-based questionnaires that make it possible for employees to participate widely, regardless of where they are located. This is important in situations where employees operate remotely or in hybrid environments.

Targeted Population

This research has a broad target demographic because there are no restrictions on the respondents' associations with any project-based organization. Respondents of various genders, with varying job experiences and work capacities in various project-based organizations, are included. Everyone living in Karachi who works as a supervisor or at a higher level, regardless of age, makes up the research population. All employees of the armed and security forces have been excluded due to the unique nature of their jobs. A sample, according to Sekaran and Bougie (2016), is a subset of the population. Probability sampling and non-probability sampling are the two primary categories of sampling procedures. There is no known likelihood of getting chosen as a sample element in non-probability sampling. By gathering information from pertinent respondents who are readily available, non-probability convenience sampling is carried out (Zikmund et al., 2014).

Research Instrument

Since the target population is the employee working in the project-based organization situated in Karachi, Pakistan primary data is collected in accordance with the relevancy of the respondents. If the data was gathered by the researcher (or a team consisting of the researcher) especially for the study or objective at hand, it is considered primary data. If information was obtained by another person for a different purpose, it is considered secondary data. When it comes to primary data, a research team plans and organizes a study, gathers information intended to answer questions the project poses, conducts their own analysis of the data, and publishes the results. In this instance, the data was gathered to address the questions analyzed, and the individuals working on the analysis had some role in, or at the very least acquaintance with, the research design and data gathering procedure (Boslaugh, 2007).

The 16 closed-end questions were assessed using the five-point Likert-type scale in which 1 means “strongly disagree” and 5 means “strongly agree”. The instrument used in this study was adopted from different sources. The indicators of well-being are derived from Index of Psychological Well-Being (PWB) at Work (IPWBW) designed by (Dagenais-Desmarais & Savoie, 2012). The items of the questionnaire related to well-being were chosen for multiple reasons. First, they show adequate psychometrical properties, second, they represent both inductively and deductively developed indicators or items, cover both hedonic and eudaimonic approaches to PWB. Finally, they are among the most used items for assessing context-free PWB and are parsimonious indicators of the concept they intend to capture. For psychological and social work environment the Danish Psychosocial Work Environment Questionnaire (DPQ), a validated instrument is used which was developed by (Clausen et al., 2019). For Project-based

employee performance the indicators are adopted from.

The questionnaire has two sections. First section covers demographic information while the second section covers Likert-scale based questions. Constructs being studied with total 16 items. Respondents are employees working in project-based organizations mostly based in Karachi. Purposive sampling technique is used for data gathering from respondents belonging to different organizations. For analysis purpose, SmartPLS4, SPSS24, and Microsoft Excel are used.

RESULTS & FINDINGS

Respondents Profile

Table 1

Respondents' Frequency Table

Baseline Characteristics		Frequency	Percentage
Age	18–25 years	6	5.6
	26–35 years	31	28.7
	36–45 years	71	65.7
Gender	Male	56	51.9
	Female	52	48.1
Job Position	Entry-Level Employee	17	15.7
	Mid-Level Employee	45	41.7
	Senior-Level Employee	40	37.0
	Owner	6	5.6
Experience	Less than 1 year	20	18.5
	1–3 years	22	20.4
	4–6 years	27	25.0
	7–10 years	39	36
Educational Qualification	High School	6	5.6
	Diploma	7	6.5
	Bachelor's Degree	60	55.6
	Master's Degree	34	31.5

The demographic characteristics of the participants are shown in Table 1. The respondents' demographic distribution shows a significant presence of both sexes, with a greater proportion of men (51.9%) than women (48.1%). This indicates that there are a lot of men in the project-driven employment. The largest age group of respondents (65.7%) is between the ages of 36 and 45, followed by those between the ages of 26 and 35 (28.7%). This suggests that the workforce is relatively young and may be impacted by the demanding work environment, where all work deliverables are time-bound and the nature of the work is distinct. The workforce is highly educated, as seen by the skewed educational qualification, with a sizable portion of respondents (87.1%) holding bachelor's degrees or more. The distribution of job positions indicates a mid-career workforce, with mid-level employees accounting for the bulk of respondents (41.7%) and senior-level employees (37.00%) coming in second and third, respectively. In terms of experience, most respondents (36%) have between seven and ten years of experience, which suggests a stable workforce. The study's generalizability is enhanced and a comprehensive picture of workers in project-based organizations is provided by the demographic variety.

Table 2
Respondent's crosstab profile

		Experience				Total
		Less than 1 year	1–3 years	4–6 years	7–10 years	
Age	18–25 years	5	0	1	0	6
	26–35 years	1	0	9	21	31
	36–45 years	14	22	17	18	71
Total		20	22	27	39	108
		Job Position				Total
		Entry-Level Employee	Mid-Level Employee	Senior-Level Employee	Owner	
Age	18–25 years	2	2	1	1	6
	26–35 years	0	21	8	2	31
	36–45 years	15	22	31	3	71
Total		17	45	40	6	108
		Experience				Total
		Less than 1 year	1–3 years	4–6 years	7–10 years	
Educational Qualification	High School	1	4	1	0	6
	Diploma	0	1	3	3	7
	Bachelor's Degree	11	9	16	24	60
	Master's Degree	3	8	7	16	34
Total		15	22	27	43	107*
		Job Position				Total
		Entry-Level Employee	Mid-Level Employee	Senior-Level Employee	Owner	
Educational Qualification	High School	1	2	3	0	6
	Diploma	0	4	2	1	7
	Bachelor's Degree	13	24	18	5	60
	Master's Degree	3	14	17	0	34
Total		17	44	40	6	107*

*1 other

Above Table 2 shows the same information about respondents' profile as given above but in a different way. In summary, majority of respondents are above 36 years of age with more than 7 years of experience and majority of them have bachelors degree.

Outer Model (Measurement Model)

The measurement model (outer model) in structural equation modelling (SEM) explains the connections between latent variables and their indicators (observed variables).

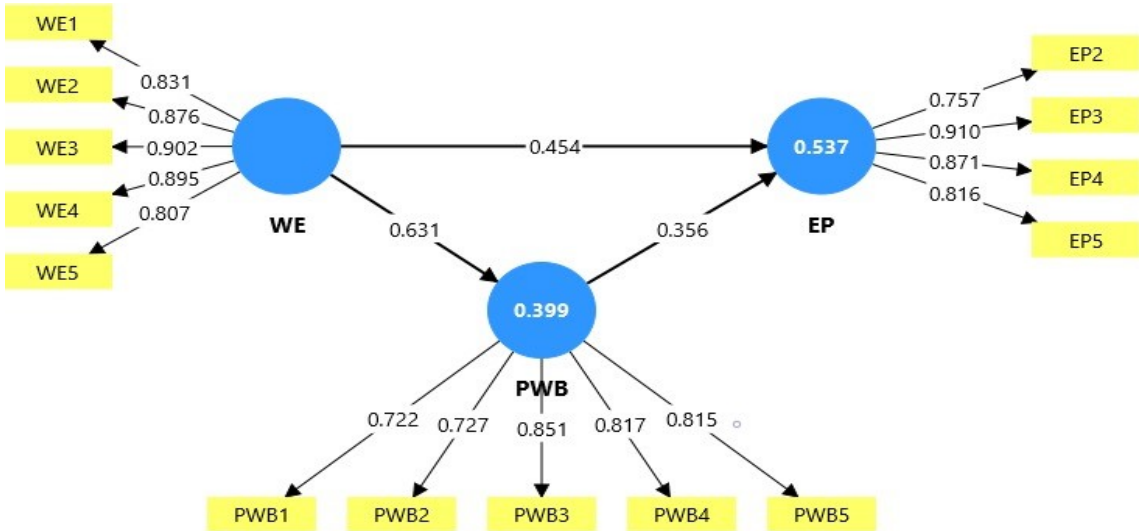

Fig. 2. The measurement model (PLS-SEM algorithm diagram)

The path values for each construct, its elements, and the R square values are displayed in the above figure.

Convergent Validity

The degree of a strong and persistent association between indicators expected to measure the same construct is known as convergent validity.

Outer Loading

In PLS-SEM the association between a construct and its indicators is referred to as "outer loading". Outer loading values of each indictor used in this paper are given in the following table 3.

Table 3

Outer Loading

Variables	Indicators	Outer Loadings	Remarks
Work-environment (WE)	WE1	0.831	Valid
	WE2	0.876	Valid
	WE3	0.902	Valid
	WE4	0.895	Valid
	WE5	0.807	Valid
	WE6		Not Valid
Psychological Wellbeing (PWB)	PWB1	0.722	Valid
	PWB2	0.727	Valid
	PWB3	0.851	Valid
	PWB4	0.817	Valid
	PWB5	0.815	Valid
Employee Performance (EP)	EP1		Not Valid
	EP2	0.757	Valid
	EP3	0.910	Valid
	EP4	0.871	Valid
	EP5	0.816	Valid

Since EP1 and WE6 were invalid, they were excluded from the model. All other outer loading values of the items are greater than 0.7, it shows that all the measures of the constructs; Work environment, psychological wellbeing and Employee performance are valid and effective.

Average Variance Extract

The amount of variance in a construct that is captured by its indicators in comparison to the amount of variance caused by measurement error is known as Average Variance Extracted.

Table 4

Average Variance Extract (AVE)

	AVE	Remarks
Work environment	0.706	Valid
Psychological Wellbeing	0.621	Valid
Employee performance	0.745	Valid

According to the results of the Average Variance Extracted (AVE) test, the variables for employee performance, psychological well-being, and work environment in a project-based organization have AVE values of 0.745, 0.621, and 0.7062, respectively. All the three AVE values are more than 0.5 shows that they are convergent.

Discriminant Validity

The validity discriminant is tested using cross loading, which looks at whether all indicators have a larger loading on the variable being measured than other variables. When a measurement item or

indicator loads highly on more than one construct instead of simply the one it was designed to assess, this is known as cross-loading. This may be a sign of issues with discriminant validity, which means that the constructs are not sufficiently different. An item should load far more on its own construct than on any other construct. Table 4 given below shows cross loading values of all the indicators in the model.

Cross Loadings

When an indicator item loads on more than one construct rather than simply its designated parent construct, this is known as a cross-loading. This may be a sign of problems with discriminant validity, which means the constructs are not sufficiently different.

Table 5

Cross Loadings

	WE	PWB	EP
WE1	0.831	0.457	0.618
WE2	0.876	0.420	0.565
WE3	0.902	0.647	0.590
WE4	0.895	0.555	0.625
WE5	0.807	0.615	0.527
PWB1	0.312	0.722	0.298
PWB2	0.584	0.727	0.487
PWB3	0.511	0.851	0.608
PWB4	0.492	0.817	0.549
PWB5	0.522	0.815	0.510
EP2	0.438	0.419	0.757
EP3	0.648	0.666	0.910
EP4	0.442	0.462	0.871
EP5	0.681	0.556	0.816

Table 5 shows that each indicator has excellent discriminant validity and effectively describes the target Construct. This indicates that, in comparison to other variables, each measure has a closer relationship with the variable to be measured.

The Heterotrait-Monotrait Ratio & Fornell-Larcker Criterion

Table 6

Heterotrait-Monotrait Ratio & Fornell-Larcker Criterion

Heterotrait-monotrait ratio (HTMT)		HTMT		
	PWB <-> EP	0.708		
	WE <-> EP	0.741		
	WE <-> PWB	0.690		
Fornell-Larcker criterion		**EP**	**PWB**	**WE**
	EP	0.840		
	PWB	0.643	0.788	
	WE	0.679	0.631	0.863

Table 6 presents two tests for discriminant validity. The HTMT ratio is a statistical metric used to assess how similar two latent variables are thus measuring the similarity of the two behavioural variables. Discriminant validity is measured by the heterotrait-monotrait ratio (HTMT) in PLS-SEM; values less than 0.85 indicate good validity. Employee performance and "work environment" have high discriminant validity (0.741), as does "employee performance" and "psychological wellbeing" (0.708), while "work environment" and "psychological wellbeing" have a 0.690 discriminant validity. To verify that the measured constructs are unique the Fornell-Larcker criterion is used. It determines if the square root of the AVE is greater than the correlations with other constructs. According to Table 6, the diagonal values—which display the AVE's square root—were higher than the of-diagonal values that display the

relationships between several constructs. The AVE for EP, for instance, has a square root of 0.84, which is higher than the correlation values for PWB (0.643) and WE (0.679).

Construct Reliability

The reliability or internal consistency of the variables is evaluated using Cronbach's alpha and composite reliability. Both Composite reliability and Cronbach's alpha measures internal consistency but they differ based on underlying assumptions.

Table 7

Construct Reliability

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Remarks
Work environment	0.861	0.888	0.905	Reliable
Psychological Wellbeing	0.848	0.859	0.891	Reliable
Employee performance	0.914	0.917	0.936	Reliable

According to Table 7, employee performance, psychological well-being, and the work environment all have high Cronbach alpha and composite reliability values. Composite reliability (CR), which is more accurate in assessing how much indicators are dependent on latent variables, uses the weight of each indicator to measure internal consistency. It is rated as good if > 0.60. A Cronbach alpha of > 0.70 indicates strong internal consistency.

Multicollinearity Test

Collinearity Statistics (VIF)

A value of VIF≥5 indicates the presence of multicollinearity. Multicollinearity between variables is assessed using the variance inflation factor (VIF).

Table 8

Variance Inflation Factor

Outer model - List	Item	VIF
	EP2	2.105
	EP3	2.953
	EP4	2.621
	EP5	2.048
	PWB1	1.826
	PWB2	1.528
	PWB3	2.159
	PWB4	2.258
	PWB5	1.972
	WE1	2.658
	WE2	3.260
	WE3	3.376
	WE4	3.156
	WE5	2.300
Inner model - List		**VIF**
	PWB -> EP	1.663
	WE -> EP	1.663
	WE -> PWB	1.000

VIF values in the outer model for items EP2 through WE5 vary from 1.528 to 3.376 in Table 8, which is substantially within the permissible range. This supports an interpretation of the predictors' contributions to the model by indicating that multicollinearity is not an issue. The same is true with the inner model. All values of VIF are less than 5, which show the absence of multicollinearity problem from the model.

R-Square Test - Goodness of Fit

Table 9

Goodness of fit

Variable	R-Square	Adjusted R-Square	Indication
Psychological wellbeing	0.399	0.393	Moderate
Employee performance	0.537	0.528	Moderate

Table 9 shows the values of R square. A substantial correlation and positive results are indicated by the R-squared value of 0.67. A moderate association is suggested by the R-Square score of 0.33. On the other hand, a weak association is shown by the R-Square value of 0.19. The psychological wellness variable falls into the moderate category with an R-Square value of 0.399. This suggests that the work environment influences 40% of employees' psychological wellbeing while other factors impact the other 60%. The model's variables, particularly psychological wellbeing and work environment, account for 54% of employee performance, according to the employee performance variable's R-Square value of 0.537, which is likewise categorized as moderate. These results imply that improved employee performance can be fostered by a favourable work environment.

Hypothesis Testing

The purpose of hypothesis testing is to evaluate the strength of the relationship between variables. A significant impact of the explanatory variable on the predicted variable is indicated if the T-statistic value is more than 1.96. If the P-value is less than 0.05, the influence is considered significant; if it is greater than 0.05, it is considered inconsequential.

Table 10

Structural relationship

	Beta values	Sample mean	Standard deviation	T-statistics	P-values
WE -> PWB	0.631	0.642	0.076	8.350	0.000
PWB -> EP	0.356	0.370	0.133	2.680	0.007
WE -> EP	0.454	0.448	0.128	3.537	0.000
WE -> PWB -> EP	0.225	0.240	0.097	2.330	0.020

According to table 10, the results of hypothesis test 1 showed that the Original Sample value was positive at 0.631, the P-value was 0.000, and the T-statistic value was 8.350. These results demonstrate that psychological well-being is positively impacted by the work environment. The Original Sample value is positive at 0.356, the P-value was 0.007, and the T-statistic value was 2.680 in hypothesis test 2. These results show that psychological health has a major positive impact on worker performance. The results of the third hypothesis test showed that the Original Sample value was positive at 0.454, the T statistic was 3.537, and the P-value was 0.000. These results imply that employee performance is significantly improved by the work environment. The results of hypothesis test 4 showed that the Original Sample value was positive at 0.225, the T statistic was 2.330, and the P-value was 0.020.

The results of the fourth hypothesis test showed that psychological wellbeing intervene partially work environment and employee performance in a project-based organization and the intervening effect is significant. According to these results, the relationship between employee performance and the office environment in a project-based setting is partially mediated by psychological wellness. Thus, it can be concluded that there is a partial mediation effect between the work environment and employee performance in a project-based setup through psychological wellbeing. Employee performance is significantly impacted by the work environment regardless of psychological wellbeing. A healthy workplace is essential for motivating workers to perform better. Happiness is increased by psychological well-being (Theobald & Cooper, 2012). A healthy workplace adds value by giving the company chances to enhance the psychological well-being of its employees, which will boost productivity.

Discussion

The first hypothesis shows that project-based work environment impacts positively on employee

performance holds in the present study. This is in line with the research conducted by Al-Omari and Okasheh (2017), which demonstrated that employee performance is impacted by the workplace. On the other hand, in a different study by Riyadi (2019), employee performance is unaffected by the workplace. Employee well-being is significantly influenced by the workplace. The physical condition of the workplace, company culture, coworkers and management, and the ability to balance work and personal life are some of the elements that affect employee well-being. Stress and exhaustion are lessened by comfortable physical surroundings, such as adequate light, ventilation, and temperature. Employees feel more at ease and confident in a business with a pleasant and acceptable culture. Employee motivation and productivity are raised by managers and coworkers that treat staff members with respect and communicate effectively. Employees who can strike a work-life balance experience less stress and live better lives. Therefore, enhancing employee well-being requires a supportive workplace culture as well as assistance from supervisors and coworkers.

The second hypothesis that project-based work environment is positively related to Psychological Wellbeing also holds true (Mihail & Kloutsiniotis, 2016; Scholarios et al., 2017). Scholars supported the results pertaining to the favourable correlation between employee well-being and the workplace. Employee well-being and the work environment are positively correlated. This means that the more social relationships an employee has with their immediate surroundings and the more positive their work environment is, the more content they are. Ernst Kossek et al., (2012) showed that employee well-being is impacted by the workplace. According to one article Van Den Bosch and Taris (2014), there is no beneficial correlation between the work environment and the likelihood of beginning and sustaining well-being. A potential approach to fostering employee well-being both personally and professionally may be the implementation of measures to enhance the psychosocial work environment in general and the climate for caring in particular (Weziak-Bialowolska et al., 2023).

Result of the third hypothesis indicates that employee performance can be significantly improved by psychosocial well-being. This finding is validated by (Bin Abu Bakar et al., 2021). Employee performance may rise dramatically when they receive high amounts of psychological and emotional support. Incorporating psychosocial factors into HR procedures is crucial, as it emphasizes that mental and emotional health is not just a personal concern but also a major factor in the success of a business. Employees are therefore more engaged, resilient, and dedicated in a supportive work environment that is created by project-based businesses that place a high priority on psychosocial well-being (Alvi, 2017). Increased organizational performance, increased productivity, and improved interpersonal connections are all results of such environments. According to the conclusion, promoting psychological well-being is a wise investment in the development of human capital.

Lastly, the hypothesis that psychological wellbeing mediates the relationship between project-based work environment and employee performance proves valid. According to research findings in literature, employee wellbeing has an impact on how well employees perform in their workplace. Past research highlights that the work environment significantly affects employees' well-being and performance (Rabuana & Yanuar, 2023). Employee performance and psychological well-being can be impacted by a happy and satisfying work environment. Employee well-being is significantly impacted by the workplace. Employee well-being can be impacted by several work environment elements, including temperature, ventilation, lighting, office layout, and more. According to Bakker et al., (2008), a pleasant and fulfilling workplace can support workers' well-being, which will impact their output. Research indicates that employees who are satisfied with their physical workspace report higher levels of job satisfaction, psychological well-being, and job performance. (Greenberger et al., 1989).

This research focusses mainly on the responses gathered from the construction sector. Construction sector is project-based but utilizes participation from other organizations (Zhu & Cheung, 2023). Most contractors require their employees to be able to travel to deliver projects in other places and, in most cases, put in extra-long hours. The work-environment of these employees in these companies is always impacted by this movement. According to Aghimien et al., (2024), these firms must implement policies like leave, health and wellness initiatives, and work flexibility. At a similar spirit, management at consulting businesses will benefit from increasing these employees' chances of advancement and making sure that their efforts are appropriately acknowledged, as this is essential towards their job happiness (Aghimien et al., 2025). According to Theobald and Cooper (2012), it is hard to see how either state could live alone,

and it is maybe useful to see wellbeing as a stepping stone on the way to happiness, remove it and the gap cannot be bridged. This explains why wellbeing at work is so crucial to assisting individuals in leading happy, full lives. By combining happiness with well-being, we are merely trying to identify the best state.

CONCLUSION

This study aims to understand how project workers' perceptions of their workplace impact their performance and well-being. It begins with an analysis of the role that work environments play in project management as compared to more conventional operations environments. Although the idea of employee wellbeing might not be all that different between these two settings, its origins might vary. The main causes of this are the projects' nature (uniqueness) and structure (temporary). The idea of the work environment has also expanded in the last few years. The nature of the work itself and the work environment are defined by factors including organizational, social, and physical characteristics. The multifaceted character of the workplace indicates that efforts aimed at creating a favourable work environment account for a substantial portion of employee performance in a project context. The relationships between the work environments of project-based firms, employee performance, and employee well-being have been clarified by these research findings.

The results of the study support the notion that an employee's employment has a significant influence on their well-being. According to this, the physical, social, and organizational aspects of the workplace are critical in defining the hedonic and eudaimonic well-being of employees. Additionally, the results of the study provide assurance to the idea that employee performance is significantly impacted by their well-being. Higher well-being among employees increases the likelihood that they will be driven, attentive, and effective at work. The study emphasizes how crucial it is to support worker well-being to improve overall performance in project-based organizations. Furthermore, the study shows that the work environment has a big impact on employee performance and that psychological wellness plays a mediating role in this relationship. Therefore, we anticipate that our research will significantly contribute to our understanding of the workplace, employees' psychological health, and their performance in relation to project management.

Recommendations

Based on the research findings comparison between employee performance and psychological well-being across the various project phases—initiation, planning, execution, monitoring, and closing—is recommended to assess the differences and take the necessary actions to optimize employee productivity by addressing the issues relevant to each stage of the project cycle. Project-based organizations are advised to adopt structured programs targeted at improving psychosocial well-being considering the findings. This ought to include offering private counselling services, stress-reduction classes, and forums that facilitate candid dialogue between employees and management. To create a culture where workers feel comfortable sharing concerns about their emotional states, organizational leaders are urged to foster empathy and support. To create and promote best practices that enhance workplace psychological wellbeing, government organizations like the Ministry of Labor and the Ministry of Health should interact with industry stakeholders. Both national policymakers and organizational leadership are accountable for these initiatives. In terms of noise levels, office wall colour, lighting, and air circulation, organizations should be able to improve the atmosphere of a good and conducive work environment to help increase employee productivity. It is hoped that project-based organizations will be able to maximize employee wellbeing to meet the goals that have been set and, eventually, improve employee performance.

Competing Interests

The authors declared no competing interests.

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