

Agile Human Resource Practices and Workforce Engagement in Dynamic Working Atmosphere: A Study of Employee Engagement and Psychological Empowerment

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ABSTRACT

Organizations in dynamic, technology-driven environments increasingly adopt agile HR practices such as flexible role design, iterative feedback, decentralized decision-making, and continuous talent development to boost responsiveness and competitiveness, yet while numerous studies document a direct link between agile HR and organizational performance, very few conceptual works actually explore the underlying psychological states driving this connection, which is why this paper steps in to bridge that gap by introducing a unified model where employee engagement (vigor, dedication, absorption) and psychological work together to translate these modern HR setups into standout employee performance.

Based on well-regarded theories, the paper suggests that agile HR initiatives create the foundational structural conditions for high performance, while engagement and empowerment explain the psychological process of how those conditions become actual outcomes, moving a step further to posit that empowerment and engagement interact in a way that allows empowerment to boost the motivational drive of engagement on performance, all while contextualizing the model within IT and related service fields to fix a clear gap in current research where most studies lean on Western, healthcare, or financial data instead of the tech sector where agile practices initially began and still remain essential.

As a conceptual contribution, the paper blends existing theoretical and empirical literature to develop a clear set of testable propositions that link agile HR practices, engagement, empowerment, and performance, ultimately wrapping up by outlining how the classic AMO and JD-R models can be extended into agile environments, offering practical takeaways for HR professionals designing agile systems, and pointing toward future empirical research using structural equation modeling on tech-sector data.

Keywords: Agile HR Practices, Employee Performance, Employee Engagement, Psychological Empowerment, Dynamic Work Environments

INTRODUCTION

Organizations today function in work environments defined by rapid technological change, shifting market demands, and workforce expectations that no longer align with rigid, annual-cycle HR systems. In response, agile HR practices – iterative feedback, flexible role design, decentralized decision-making, and continuous talent development – have emerged as a means of building organizational responsiveness, drawing on agile methodologies from software development to improve organizational resilience and employee engagement. Recent scholarship has mapped this shift extensively. Agile human resource management has been the subject of a systematic mapping study examining its practices and organizational effects (Moh'd, 2024), while other work has examined how job redesigning is related to operational agility (Jamal, 2024), and how strategic agility in talent management depends on matching employee skills to shifting organizational needs (Jooss, 2023).

Despite this growing body of work, the pathway connecting agile HR practices to employee performance remains only partially understood. Much of the literature treats agile HR practices as directly productive of performance outcomes, without accounting for the psychological states employees must experience for these practices to take effect. Two psychological states are particularly salient in dynamic contexts: employee engagement and psychological empowerment. Recent empirical research has shown that, in a non-Western organizational setting, psychological empowerment is positively associated with employee engagement, which is negatively associated with employees' intent to resign (Chompukum & Vanichbuncha, 2025). Similarly, work engagement and psychological empowerment together have been found to foster innovative work behavior when supported by organizational resources (Ergun et al., 2025), and psychological empowerment together with work engagement has been shown to carry forward the effects of transformational leadership onto innovative work behaviors (Vuong and Hieu, 2023, Vu et al., 2025).

These findings suggest that engagement and empowerment do more than coexist alongside agile HR practices they may be the very states through which such practices come to shape employee performance. Yet this joint role remains underexamined specifically within the context of agile HR, where structural flexibility is assumed to translate into performance gains without a clear account of the psychological mechanism carrying that effect forward. Furthermore, existing research draws heavily on Western, healthcare, or financial-sector samples, leaving service-sector and IT-sector contexts where agile methodologies originated and remain most deeply embedded comparatively unexplored (Ajayi, 2024).

This study addresses the research gap by proposing a Conceptual Model in which agile HR practices shape employee performance in dynamic work environments, with employee engagement and psychological empowerment positioned as the psychological states that account for this relationship.

LITERATURE REVIEW

In recent years, Agile HRM has become a common practice and a vibrant research area as organizational agility has come to define competitive success in today's volatile and rapidly shifting business environment, where core HR strategies such as managing talent effectively so the right people are in the right roles, providing continuous learning and skill development to keep employees ready for new challenges, offering flexible work arrangements that adapt to different needs, and intentionally building strong employee engagement and empowerment so staff feel motivated and trusted to take initiative work together to create a supportive environment where agility can thrive (Jian et al., 2024), prompting this literature review to synthesize current evidence on the interconnected relationships amid agile HR-based practices, employee performance, employee engagement, and psychological empowerment within dynamic organizational contexts in order to illuminate how strategic HR adaptability drives workforce performance and organizational resilience VUCA environments.

Conceptual Foundations and Principles

Agile HR is defined by core agile principles like iterative progress and cross-functional collaboration, with evidence suggesting that these practices can significantly improve HR efficiency and boost employee engagement (Hartanto, 2024), and as traditional hierarchical models prove insufficient in volatile markets, Agile management has emerged as a pivotal approach prioritizing responsiveness, collaboration, and iterative value delivery, with its influence extending far beyond software development to redefine interpersonal relationships and team dynamics across the broader organizational landscape (Khromushyna, 2026), it is worth noting that, as researchers observe, "The HR for Agile theme is the more developed area, with a larger number of research papers, models, and frameworks. However, the research is scattered and diverse, with most studies published after 2019. These works are primarily found in multidisciplinary journals and combine both theoretical and empirical methods" (Moh'd et al., 2024).

Agile HR Practices and Employee Performance; Mechanisms and Mediating Pathways

Employee engagement aids as a key mediator, interpreting the benefits of agile practices into higher performance outcomes (Nargis et al., 2024). Strong HR practices and high organizational agility both directly improve

employee performance. Consequently, fully deploying these HR strategies equips hospitals to be more agile, efficient, and capable of adapting to changing demands (Trisaputra & Bernarto, 2024).

Teams further along in their agile transformation exhibit significantly stronger agile practices, proactivity norms, and performance outcomes than their early-stage counterparts. Within this dynamic, proactivity norms serve as the linking mechanism through which agile taskwork indirectly elevates team performance (Junker et al., 2021).

Performance in Hybrid and Remote Work Environments

Giving employees more autonomy through empowering leadership directly helps them adapt and thrive in hybrid work settings. This happens because empowerment encourages people to share what they know, which builds their personal agility and, ultimately, sharpens their ability to adapt to changing demands (Kim & Yoon, 2025). Building strong adaptive performance in virtual settings relies heavily on four key areas: culture, work practices, organization, and technology. While geographic location and collaboration tools also play a positive role, their impact isn't quite as definitive. Ultimately, this highlights that organizations should prioritize specific, high-impact pillars if they want to truly enhance employee adaptability.

Employee Engagement: Theoretical Foundations and Organizational Outcomes

Employee engagement is an essential driver of organizational performance and success that is built on deep affective, cognitive, and behavioral dimensions, with foundational frameworks like social exchange theory and self-determination theory helping to map out its key antecedents ranging from leadership style and organizational culture to core job characteristics and overall employee well-being (Deepalakshmi et al., 2024). Highly engaged employees naturally bring much more commitment, motivation, and productivity to their roles, which directly translates into stronger business outcomes like higher profitability, happier customers, and a sharper competitive edge, while this deep level of engagement also does wonders for individual well-being by reducing stress, boosting job satisfaction, and supporting better mental health (Sathish et al., 2024).

Employee Engagement as a Mediator

Strong business performance relies heavily on effective performance reviews and an engaged workforce. While practices like recruitment, training, compensation, and appraisals directly build this engagement, the review process plays a unique role. It acts as a catalyst; by fostering deeper employee engagement, it unlocks the true potential of your talent strategies and elevates organizational success (Alsakarneeh et al., 2024). Investing in strategic HR practices is the first step to driving business success. By prioritizing ongoing learning, open feedback, and a supportive environment, companies build a highly engaged workforce. From there, the math is simple engaged teams are far more productive, innovative, and committed, which directly translates into better organizational outcomes (Cahyono, 2024).

Leadership and Engagement

Transformational and servant leadership play a vital role in fostering an engaged workforce and driving exceptional company performance. By actively shaping a positive organizational culture and fueling employee motivation, these leaders naturally build an environment where innovation and excellence become the norm (Alhmoud & Al-kasasbeh, 2024). Leadership approach and employee engagement are both critical drivers of company success. While each independently elevates performance, the data highlights that they work best as a team together, leadership and engagement form the ultimate engine for organizational effectiveness (Al Marshoudi et al., 2023).

Sector-Specific Engagement Outcomes

In the Jordanian banking sector, highly engaged IT employees are a major catalyst for overall organizational performance. When you look closer at engagement, its three core elements energy, absorption, and dedication each play a significant role in driving bank success. On top of that, this deep level of engagement does wonders for the IT staff themselves, drastically boosting their overall job satisfaction (Al-Dalahmeh et al., 2018). Creating

a good work environment and offering continuous training opportunities directly boosts employee engagement in pharma manufacturing, which in turn elevates organizational success (Owusu, J. n.d.). Engagement serves as the critical middle link, ensuring that these foundational workplace factors successfully translate into high-level performance (Rajendran & Doraisamy, 2022).

Psychological Empowerment

For millennial and employees that belong to Gen Z in the IT sector, psychological empowerment comes down to four core pillars (Wan & Miao, 2026). While all four heavily influence how well these professionals perform, feeling like their work makes a real impact is the biggest driver of their success, on the flip side, having total self-determination or autonomy matters the least to them when it comes to boosting performance (Chapagain et al., 2025). Empowering leadership is closely tied to higher work engagement and psychological empowerment, illustrating that when employees feel psychologically empowered by their leaders, this state serves as a key underlying link that partially channels a leader's supportive behavior into a major boost for workplace engagement (Wen et al., 2023).

Psychological Empowerment as a Mediator

While high-performance work systems definitely bring out the best in employee performance by making people feel genuinely empowered, they can also accidentally backfire by burning employees out, though having real, supportive friendships at work goes a long way in cushioning this blow by taking the heavy edge off that emotional exhaustion and protecting overall performance from taking a major hit (Han et al., 2023). Perceptions of performance appraisal quality is positively related with innovative behavior, with psychological empowerment mediating this relationship and perceptions of HRM system strength moderating the effect (Waheed et al., 2018).

Psychological Empowerment and Employee Voice

Feeling psychologically empowered naturally encourages employees to speak up and perform better. In fact, having that "voice" acts as the key bridge through which empowerment drives their overall performance. However, despotic leadership stands in the direct opposite corner, dragging down both employee voice and performance, while psychological empowerment works to elevate them (Sanm & Khan, 2024). Looking at leadership through an environmental lens, green transformational leaders positively shape all areas of green psychological empowerment. Interestingly, these eco-conscious leaders drive green voice behaviors indirectly specifically by building a deep sense of green meaning and impact within their teams (Rietze et al., 2025).

Organizational Culture and Psychological Safety

Agile cultures built on transparency, openness, and psychological safety reposition conflict as a natural element of everyday collaboration and a vital catalyst for continuous improvement, requiring rethinking leadership paradigms and employee engagement, especially when navigating the added complexity of hybrid, distributed, and culturally diverse teams (Khromushyna, 2026). Robust work-life balance practices do a lot more than just enhance employee engagement, boost day-to-day productivity, and sharpen organizational adaptability in fluid markets; they also serve as a foundational strategy for building a deeply resilient, sustainable workforce that stays tightly aligned with a company's long-term strategic goals (Kwasek et al., 2025).

Technology and Digital Enablement

Integrating advanced technologies like AI, cloud computing, and data analytics into HR frameworks does more than just automate compliance, minimize human error, and sharpen real-time legal tracking. It also creates an environment where AI-driven recruitment tools, performance systems, and digital learning platforms can actively optimize day-to-day workforce management and support continuous employee growth (Baharuddin, 2026). Digitalization tools and technologies exert a profound influence on modern HR policies and practices, which in turn dictate how effectively talent planning is executed within the IT sector, positioning these core HR policies and frameworks as the vital underlying bridge that translates digital advancements directly into strategic talent planning success (Yadav et al., 2024).

Agile HR and Organizational Resilience

Digital human resource strategies share a strong, positive connection with agile progression across the hotel sector, a relationship that becomes even more powerful when driven by digital marketing and business intelligence as key moderating forces, with these findings underscoring how deeply digital transformation in HR can elevate total organizational agility (Abulaila et al., 2025). Agile HR strategies and agile leadership drive substantial gains in innovation performance both through direct paths and by building digital readiness which emerges as the single strongest predictor of success while an agile culture serves as a foundational rather than a contingent bedrock, actively anchoring the adaptive HR practices and leadership development programs needed to foster empowerment, collaboration, and a clear digital vision (Suwandi et al., 2026).

Research Design And Geographic Distribution

This literature consistently converges on the fact that agile HR frameworks deliver significant organizational advantages and that targeting agile talent acquisition remains critical to sustaining a competitive edge overriding research findings clearly demonstrate that these adaptive HR practices bring substantial benefits to organizations and that agile talent acquisition explicitly facilitates greater organizational agility (Moh'd et al., 2024). Studies examining these constructs span diverse organizational contexts, including manufacturing, healthcare, IT, hospitality, banking, and public sectors, with geographic representation including Indonesia, Pakistan, China, Jordan, South Africa, Ethiopia, Ghana, Malaysia, and emerging market economies.

Quantitative and Qualitative Methodologies

Retention frameworks within the Indonesian startup sector are anchored by meaning-driven organizational cultures, flexible workplace arrangements, equity incentives, and individualized pathways for career growth. Organizations that intentionally design their HR models to support intrinsic motivation and employee well-being show significantly improved retention outcomes. Furthermore, practices such as founder-led engagement, rapid agile feedback loops, and cross-functional career mobility are proving to be highly effective innovations in these fast-paced environments (Mulyadi et al., 2025). More broadly, key findings reveal that high-performance work systems and strategic HR alignment are vital for boosting organizational performance. Within this framework, organizational culture and leadership styles play critical roles in enhancing employee engagement, while the quality of internal communication significantly dictates final HRM outcomes (Al Humairah et al., 2023).

Research Gaps

Conceptual and Theoretical Gaps

More academic work is needed on agile HR to sharpen conceptual clarity, advance theory building, and better capture its true business value. Research also needs to identify pressing challenges, evaluate contextual factors, and critically explore final outcomes (Moh'd et al., 2024). Furthermore, while substantial research documents how agile HR practices, employee engagement, and psychological empowerment individually impact performance, far fewer studies examine the integrated mechanisms through which these three constructs jointly drive organizational outcomes in dynamic environments. Consequently, the temporal sequencing and potential reverse causality among agile practices, engagement, empowerment, and performance remain largely underexplored.

Contextual and Implementation Gaps

Significant gaps still remain regarding how Agile HR is applied within small and medium-sized enterprises (SMEs), particularly concerning its long-term effects on organizational culture and employee retention. Current findings strongly suggest the need for further empirical research to validate these benefits across diverse organizational settings Hartanto, H (2024). Ultimately, tracking these outcomes over extended periods will be essential to understanding their true lasting impact (Hartanto, 2024). Limited research examines how agile HR practice implementation varies across organizational life cycles, cultural contexts, and industry sectors. Additionally, research on the sustainability and long-term outcomes of agile HR transformation remains sparse.

Moderating and Contingency Factors

Few studies investigate potential moderators of the engagement-empowerment-performance pathway, such as organizational size, industry type, national culture, or digital maturity. The role of organizational change management, leadership transitions, and stakeholder buy-in in shaping the effectiveness of agile HR interventions warrants greater empirical attention. Similarly, the influence of employee demographics (age cohorts, tenure, educational background) on the strength of these relationships requires further investigation.

Measurement and Operationalization Gaps

The "HR for Agile" theme has reached a more mature stage, backed by a growing collection of research papers and conceptual frameworks. In terms of practical contributions, the literature consistently demonstrates that agile HR practices bring substantial benefits to organizations and that agile talent acquisition directly facilitates overall organizational agility. Furthermore, findings reveal that HR departments can successfully transition to agility through incremental, small-scale adjustments rather than undergoing disruptive, radical change (Moh'd et al., 2024). However, standardized instruments for measuring agile HR maturity remain limited, and consensus on the defining characteristics of "agile HR" versus "flexible HR" or "responsive HR" continues to evolve. Longitudinal measurement of engagement and empowerment dynamics during agile transformation cycles has been minimal.

Research Question

RQ1: What is the conceptual relation between agile HR practices and employee performance within dynamic, IT-sector work environments?

RQ2: How does employee engagement shape the relationship between agile employee performance and HR practices?

RQ3: How does psychological empowerment account for variance in employee performance beyond the direct influence of agile HR practices?

Research Objectives

1. To analyse the conceptual impact of agile HR practices on employee performance metrics within dynamic IT work environments.
2. To explore how employee engagement functions to influence or bridge the relationship between agile HR initiatives and individual work performance.
3. To assess how psychological empowerment accounts for unique variance in employee performance when controlling for the direct effects of agile HR practices.
4. To develop and propose an integrated model wherein employee engagement and psychological empowerment jointly mediate the relationship between agile HR inputs and employee performance outcomes.
5. To extract actionable theoretical insights and practical guidelines for HR practitioners deploying agile systems, while mapping out clear directions for future empirical validation.

Conceptual Model

1. *Agile HR practices* refer to a bundle of HR interventions characterized by iterative feedback, flexible role design, decentralized decision-making, and continuous talent development. These practices are

drawn from agile methodologies originating in software development and adapted to the HR function, with the aim of increasing organizational responsiveness to changing conditions.

2. *Employee engagement* is defined as a positive, motivational work-related state comprising three dimensions: Vigor (energy and mental resilience while working), dedication (a sense of significance and enthusiasm toward one's work), and absorption (full concentration and engrossment in one's tasks).
3. *Psychological empowerment* is defined as a motivational construct comprising four cognitions: meaning (the value of a work goal judged against one's own standards), competence (belief in one's capability to perform tasks skilfully), self-determination (a sense of autonomy over the initiation and regulation of actions), and impact (the degree to which one can influence outcomes at work).
4. *Employee performance* refers to the extent to which an employee fulfils the requirements of their role, including both task performance (core job duties) and contextual or discretionary performance (effort beyond formal requirements).
5. *Dynamic work environment* refers to the degree of volatility, uncertainty, and rate of change an organization faces, including technological disruption, shifting market demands, and project-based or organizational restructuring. It is treated in this model as a boundary condition rather than a predictor variable.

Relationships

1. The conceptual model in Figure 1 positions agile HR practices as the structural antecedent, employee engagement and psychological empowerment as the psychological states that carry this effect forward, employee performance as the outcome variable, dynamic work environment as a boundary condition, and employee performance's downstream effect on agile HR practices as a reciprocal, time-based relationship.
2. *Direct relationship between agile HR practices and employee performance.* Agile HR practices are proposed to relate positively to employee performance directly. Iterative feedback allows employees to adjust their work continuously rather than waiting for periodic review cycles. Flexible role design permits employees to take on tasks matched to current organizational needs rather than fixed job descriptions. Decentralized decision-making removes delay from everyday choices, allowing employees to act on relevant information as it arises. Continuous talent development keeps employee capability aligned with evolving job demands. Together, these features build the structural capacity for adaptive response that is proposed to translate into performance gains. This path is grounded in Trisaputra and Bernarto (2024), who found HR practices and organizational agility both significantly and positively affected employee performance in a hospital setting.
3. *Role of employee engagement.* Agile HR practices are proposed to shape employee engagement, which then carries this effect forward onto employee performance. This is modelled as a sequential mediating pathway rather than a moderating one: engagement is proposed to sit between agile HR practices and performance, transmitting the effect rather than adjusting its strength. Iterative feedback is proposed to raise dedication by giving employees clearer, more frequent signals of their work's significance. Flexible roles are proposed to raise absorption by giving employees greater say over task structure. Decentralized decision-making is proposed to raise Vigor by increasing employees' sense of ownership. This pathway is consistent with Nargis et al. (2024), who found agile HR practices significantly influence both engagement and performance, with engagement mediating that relationship.
4. *Role of psychological empowerment.* Agile HR practices are similarly proposed to shape psychological empowerment, which carries forward its own sequential effect onto performance. This operates through a distinct channel from engagement: rather than motivational investment, empowerment reflects employees' cognitive appraisal of their role. Decentralized decision-making is proposed to build self-determination through genuine autonomy over how work is done. Continuous talent development is

proposed to build competence by equipping employees to handle new demands. Flexible role design is proposed to build meaning and impact by allowing employees to shape roles around purposeful work and see the results of their own decisions. This pathway is consistent with Chapagain et al. (2025), who found all four empowerment dimensions significantly predict performance.

5. *Joint relationship between engagement and empowerment.* Rather than operating as unrelated predictors, engagement and empowerment are proposed to be positively correlated, reflecting a jointly reinforcing role. Sustained engagement is proposed to deepen empowerment over time, as motivational investment builds confidence in one's own competence and impact. Conversely, empowerment is proposed to sustain engagement, since employees who feel autonomous and capable are more likely to remain emotionally invested in their work. This joint treatment distinguishes the model from prior work that has largely treated engagement and empowerment as separate, parallel mechanisms.
6. *Moderating role of dynamic work environment.* The direct relationship between agile HR practices and employee performance is proposed to strengthen as the work environment becomes more volatile and fast-changing. Agile practices are theorized to offer their greatest structural advantage precisely when conditions are unstable. In relatively stable environments, the added responsiveness of agile HR practices may yield limited additional value, since conventional systems can still manage predictable demands. Under volatility, frequent technological change, shifting project scope, fast-moving markets, that same responsiveness becomes a source of genuine advantage. Dynamic work environment is therefore modelled as a boundary condition on the strength of the direct path, not as an independent predictor.
7. *Reciprocal effect of employee performance on agile HR practices.* Over time, employee performance is proposed to reinforce and sustain agile HR practices, rather than being solely a downstream outcome of them. As agile HR practices generate visible performance gains, those gains are proposed to justify continued investment in, and expansion of, agile HR systems, producing a self-sustaining cycle rather than a one-time implementation. This is consistent with Hanu et al. (2025), who found that resilience and engagement not only result from agile HRM practices but also enhance those practices over time.

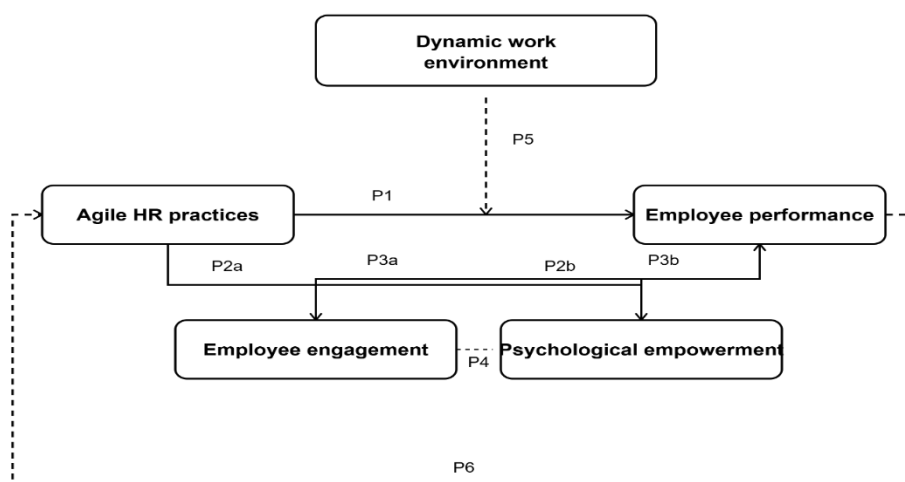


Figure 1

Propositions

P1: Agile HR practices are positively related to employee performance in dynamic work environments:

This is the model's base proposition. Agile HR practices include iterative feedback, flexible role design, decentralized decision-making, and continuous talent development. These practices build structural flexibility. Unlike traditional annual-cycle HR systems, agile systems let employees adjust in real time. This flexibility is proposed to directly improve performance. Trisaputra and Bernarto (2024) support this. They found HR practices and organizational agility both significantly improved employee performance in a hospital setting. P1 sets the baseline relationship. Later propositions explain the mechanisms behind it.

P2a: Agile HR practices are positively related to employee engagement: This proposition introduces the first psychological mechanism: engagement. Engagement includes vigor, dedication, and absorption. Flexible roles and continuous feedback are proposed to increase vigor and dedication. Decentralized decision-making is proposed to increase absorption. Nargis et al. (2024) support this. Their study found agile HR practices significantly influence both engagement and performance. P2a positions engagement as a direct outcome of agile HR practices.

P2b: Agile HR practices are positively related to psychological empowerment: This is the parallel proposition for empowerment. Empowerment includes meaning, competence, self-determination, and impact. Decentralized decision-making is proposed to build self-determination. Continuous talent development is proposed to build competence. Chapagain et al. (2025) support this. They found all four empowerment dimensions significantly predict performance. Menon et al. (2026) also support this. They found empowerment mediates the link between agile work practices and high performance. P2b positions empowerment as a second direct outcome of agile HR practices.

P3a: Agile HR practices shape employee performance through employee engagement: This proposition specifies engagement as a mediator, not just a correlate. Agile HR practices first raise engagement. Higher engagement then raises performance. This is a sequential path. Nargis et al. (2024) directly support this. Their study showed engagement mediates the agile HR–performance relationship. This means agile HR practices that fail to build real engagement may not improve performance, even if the structural elements are in place.

P3b: Agile HR practices shape employee performance through psychological empowerment: This proposition mirrors P3a for empowerment. Agile HR practices first raise empowerment. Higher empowerment then raises performance. Chapagain et al. (2025) support this. Their findings show all four empowerment dimensions significantly predict performance. Together, P3a and P3b propose two separate mediating paths. One runs through engagement. One runs through empowerment. Neither replaces the other.

P4: Employee engagement and psychological empowerment are positively correlated: This proposition treats engagement and empowerment as linked, not separate. Most past research treats them as independent mechanisms. This model proposes they reinforce each other. Engagement may deepen empowerment. Empowerment may sustain engagement. Ergun et al. (2025) support this. They found engagement and empowerment jointly drive innovative work behavior. Vu et al. (2025) also support this. They found empowerment and engagement together carry forward leadership effects on innovation. P4 is one of the paper's core theoretical contributions.

P5: Dynamic work environment moderates the direct agile HR–performance relationship: This proposition adds a boundary condition. It proposes the agile HR–performance link gets stronger under volatile conditions. In stable environments, agile flexibility offers less added value. In unstable environments, that same flexibility becomes a real advantage. Direct testing of this idea is limited in the agile HR literature. Indirect support comes from Halmen et al. (2024). They found environmental and technological conditions shape adaptive performance. Practically, this suggests firms facing more volatility (like IT firms) gain more from agile HR investment.

P6: Employee performance has a reciprocal effect on agile HR practices over time: This proposition adds a feedback loop. It breaks from the model's otherwise one-directional logic. Agile HR practices are not just an input. Performance is not just an output. Instead, improved performance is proposed to reinforce continued agile HR adoption. Hanu et al. (2025) support this. They found resilience and engagement enhance agile HRM practices over time, not just the reverse. This proposition needs longitudinal data to test properly. Cross-sectional data cannot capture a feedback loop. The manuscript itself notes this gap in current research.

Theoretical And Practical Implications

Theoretical Implications

This paper expands the Ability Motivation Opportunity (AMO) framework and the Job Demands-Resources (JD-R) model into the specific context of agile HR by proposing that structural flexibility alone does not account

for the full relationship between agile HR practices and employee performance. Instead, the model positions employee engagement and psychological empowerment as the psychological states that carry this structural effect forward engagement translating agile autonomy into sustained motivational investment, and empowerment translating decentralized decision-making into a stronger sense of competence and impact. By proposing that these two constructs are positively correlated (P4) rather than independent parallel predictors, the paper also contributes a more integrated view of how psychological states jointly shape performance outcomes, addressing a gap in literature that has largely treated engagement and empowerment as separate explanatory mechanisms (Ergun et al., 2025; Vu et al., 2025).

The inclusion of dynamic work environment as a boundary condition (P5) further contributes to theory by suggesting that the strength of agile HR's effect on performance is not constant but depends on the volatility of the surrounding context a contingency perspective that has received limited direct empirical attention in agile HR literature specifically, despite related evidence that environmental and technological conditions shape adaptive performance outcomes. Finally, by proposing a reciprocal relationship between employee performance and agile HR practices over time (P6), the model moves beyond a static, one-directional view of HR practices as inputs and performance as outputs, aligning with emerging evidence of reciprocal dynamics between agile HRM practices and employee-level outcomes (Hanu et al., 2025).

Practical Implications

For HR practitioners, the model suggests that implementing agile HR structures iterative feedback, flexible roles, decentralized decision-making is necessary but not sufficient on its own to improve employee performance. Practitioners should pair structural agility with deliberate efforts to build engagement (for example, through recognition practices and meaningful feedback loops) and psychological empowerment (for example, through delegated authority and skill-building opportunities), since these psychological states are proposed to be the mechanism through which structural flexibility actually reaches performance outcomes.

The proposed moderating role of dynamic work environment (P5) suggests that organizations operating in more volatile, fast-changing conditions such as IT-sector firms managing frequent technological and project-based change stand to gain more from agile HR investment than those in comparatively stable settings, which can help practitioners prioritize where to direct agile HR transformation efforts. Finally, the proposed reciprocal relationship (P6) suggests that HR leaders should treat agile HR practices as an evolving system rather than a one-time implementation, since improved employee performance may itself justify and sustain continued investment in agile practices over time.

CONCLUSIONS

Convergent evidence across more than 80 peer-reviewed sources demonstrates that agile HR practices provide a highly strategic framework for boosting employee performance in volatile, complex, and unpredictable environments. Specifically, core human resource strategies, such as targeted talent management, continuous learning, and flexible work arrangements, give firms the agility needed to pivot swiftly in response to market shifts. By balancing these agile frameworks with a strong emphasis on employee engagement and empowerment, organizations can consistently drive workplace innovation, optimize overall performance, and maintain a lasting competitive advantage (Jian et al., 2024).

Employee engagement operates as a critical mediating mechanism that translates investments in agile HR practices into higher employee motivation, discretionary effort, and task performance. Core human resource functions, including targeted recruitment, continuous training, and adaptive performance management, serve as the primary drivers that foster this engagement. Ultimately, a highly engaged workforce lifts organizational performance across individual, team, and corporate levels, yielding tangible benefits for productivity, job satisfaction, retention, innovation, customer satisfaction, and overall financial performance (Deepalakshmi et al., 2024).

The integration of agile HR practices, employee engagement, and psychological empowerment creates a powerful synergistic effect that directly enhances organizational adaptability and resilience. As a critical

component of these agile setups, robust work-life balance practices do a lot more than just enhance engagement, boost productivity, and strengthen flexibility in dynamic environments. They serve as a foundational strategy for building a deeply sustainable, resilient workforce that remains tightly aligned with long-term strategic goals (Kwasek et al., 2025). However, capturing these benefits requires a deliberate organizational commitment to cultural transformation, leadership development, transparent communication, and the alignment of HR systems with core business objectives.

Moving forward, future research must focus on sharpening conceptual clarity in how agile HR is defined and measured, while investigating the contextual contingencies that shape its actual effectiveness. There is also a pressing need to examine the long-term sustainability of these agile transformations. Studies should ideally employ mixed-methods designs to capture both hard quantitative performance metrics and the nuanced, qualitative experiences of employees undergoing agile work transitions. Furthermore, sector-specific investigations, particularly within SMEs and emerging market economies, remain critical to understanding unique implementation challenges and localized adaptations. Finally, exploring how agile HR frameworks interact with organizational change management, rapid technological adoption, and external environmental disruptions will greatly enhance their practical utility for HR professionals navigating modern workplace dynamics.

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