Spiritual Leadership and Employee Performance: The Mediating Role of Employee Engagement

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Abstract

Employee performance is an important factor for companies, because employee performance has a strong correlation with company performance. This research was conducted at a snack food company in Surabaya, East Java, Indonesia with the aim of analyzing the influence of spiritual leadership on employee performance, spiritual leadership on employee engagement, employee engagement on employee performance and spiritual leadership on employee performance through employee engagement. The population in the study were 36 people who came from employees of a snack company in Surabaya. The sampling technique used was total sampling technique. Data analysis used Structural Equation Modeling (SEM) Partial Least Square (PLS). The results of the analysis prove that all exogenous variables affect endogenous variables and employee engagement is able to mediate the influence of spiritual leadership on employee performance.

Keywords
Spiritual leadership, employee engagement, employee performance

1. Introduction

Employee performance is an important factor for companies, because employee performance has a strong correlation with company performance (Ramli, 2018). Thus, employee performance must always be maintained and improved. Increasing employee performance can be done by taking into account the factors that affect employee performance improvement. Theoretically, employee performance is influenced by individual factors, system, and contextual (Armstrong, 2018). Individual factors are factors inherent in individuals such as work effort, knowledge (declarative knowledge related to job requirements and objectives, and procedural-knowledge about what to do and how to do it), expertise, motivation, and participation. The system factor is a basic input-process-output-outcomes model in the company. Contextual factors are factors inherent in the company, such as corporate culture, employee relations climate, the people involved and the internal environment in the organizational structure, company size, company technology, and work practices.

Several previous studies have stated that employee performance is positively influenced by spiritual leadership (Salehzadeh et al., 2015; Tengfei et al., 2018) and employee engagement (Fidyah & Setiawati, 2020). The results of this empirical study imply that employees with a high level of engagement and with good behavior are also important for the company, the two behaviors have a positive relationship in improving employee performance. Therefore, increasing engagement and good organizational behavior is one of the responsibilities of leaders in making it happen. Previous empirical studies have stated that employee engagement is positively influenced by spiritual leadership behavior (Hunsaker & Jeong, 2020; Zhou & Yang, 2020). Likewise, organizational citizenship behavior is also influenced by spiritual leadership (Djaelani et al., 2020; Siriattakul et al., 2020). Companies need to improve employee
performance because employees with poor performance are likely to leave the company to look for new jobs that are more in line with their competencies. The desire of employees to leave the company (turnover intention) is very dangerous, even more dangerous than real turnover because employees are still in the company but their minds are no longer in the company and are no longer focused on work (Suyono et al., 2020).

Although several studies have found a positive and significant relationship between spiritual leadership, employee performance, and employee engagement (Salehzadeh et al., 2015; Tengfei et al., 2018; Fidyah & Setiawati, 2020; Ridwan, 2020; Hunsaker & Jeong, 2020; Zhou & Yang, 2020; Djaelani et al., 2020; Siriattakul et al., 2020), but based on the literature search, several studies also showed inconsistencies in the results. Previous empirical studies have shown that spiritual leadership does not have a significant effect on employee performance (Maryati et al., 2019). In addition, a study conducted by Witasari & Gustomo (Witasari & Gustomo, 2020) also shows that employee engagement does not significantly affect employee performance. Therefore, this research is motivated to conduct an empirical study on the influence of spiritual leadership on employee performance through employee engagement.

2. Literature Review and Hypotheses

2.1 Employee Performance

Performance is basically what employees do or don't do (Mathis et al., 2014). Employee performance is the behavior or what is done by the employee, not about what is produced by the employee or the outcomes of the employee's work (Aquinis, 2019). Furthermore, employee performance is explained as employee behavior related to employee responsibilities for tasks and achieving company goals (Na-Nan et al., 2018). Thus, it can be explained that employee performance is related to aspects of employee behavior in the company, both related to work and related to employees or people in the company, as well as those related to the company itself.

More clearly, this employee behavior is explained as what employees do with other people both inside the unit and outside the unit as a form of pattern to improve their work effectiveness; share information and resources; develop effective working relationships; build consensus; and manage conflict constructively (Aquinis, 2019). Work-related behavior can be categorized into two, namely: (1) behavior in the context of assignment responsibilities or as stated in the job description; and (2) behavior that is carried out in response to the environment, not because of instructions (Na-Nan et al., 2018).

Employee performance is measured using job standards defined in job criteria (Flynn et al., 2016). The job criteria provide information that is illustrated in three types of information, namely trait-based information, behavior-based information, and result-based information (Mathis et al., 2014). Trait-based information is information that identifies employee personality characteristics such as attitude, initiative, creativity, whether related or not with work. Behavior-based information is information that identifies employee behavior that leads to job success. While result-based information is information that identifies the outcomes or impacts of employee behavior and work attitudes, such as achieving sales volume, reducing costs, improving quality.

Theoretically, employee performance is influenced by individual factors, system, and contextual (Armstrong, 2018). Individual factors are factors inherent in individuals such as work effort, knowledge (declarative-knowledge related to job requirements and objectives; and procedural-knowledge about what to do and how to do it), expertise, motivation, and participation. The system factor is a basic input-process-output-outcomes model in the company. Contextual factors are factors inherent in the company, such as company culture, employee relations climate, the people involved and the internal environment in the organizational structure, company size, company technology, and work practices. Mathis et al (2014) also stated that there are three factors that influence employee performance, namely the individual ability variable to do the job, the organizational support variable and the effort expended variable. Individual ability variables include talents, interests, and personality traits of employees. While the organizational variables include training and development, equipment and technology, performance standards, and management and co-workers. Furthermore, the variables of effort expended include motivation, job design, work ethic, and the level of turnover of employees.

2.2 Spiritual Leadership

Leadership has a relationship with the word leader. The leader is 'the one who makes something into something itself', makes the organization a real organization. In this case, the leader or leader is a human individual, while leadership is
a trait attached to him as a leader. Leaders are individuals who are responsible for providing direction in the form of vision and strategy for the organization and team. The leader is the person who decides what the goals and objectives of the organization or group are and directs the activities needed to achieve those goals. Leaders are people who with their own behavior, beliefs, and words can influence the actions of others (Moeljono, 2008). Leadership is the way a leader influences the behavior of subordinates to want to work together and work productively to achieve organizational goals (Hasibuan, 2018).

H1: work loyalty affects employee performance.

Spirituality in the workplace is about self-understanding of workers as spiritual beings whose souls are at work; about the experience of a sense of purpose and meaning at work; experience a feeling of being connected with others and with their community at work (Utoyo, 2011). Spirituality in the workplace can be created, when there is a leadership role that supports and directs it. Spiritual leadership is described as leadership which contains a set of values, attitudes, and behaviors needed to intrinsically motivate oneself and others, so that each has a spiritual sense of survival through membership and calling. Spiritual leadership is also defined as leadership based on love, service, and presence (Fry & Kriger, 2009). This definition shows that spiritual leadership will be created because of the values held by the leader, thus influencing the attitude and behavior of the leader. These values will ultimately affect the spiritual survival of the leader and followers, so that it will create a spiritual atmosphere in the organization.

Values that have long been considered spiritual ideals, such as integrity, honesty, and modesty, are almost always present in effective leadership practice. In addition, traditional practices related to spirituality in daily life also show their relationship with leadership effectiveness (Fry & Kriger, 2009). Fry & Cohen (2009) stated that leaders should 'do what it takes' and never say 'not my job' to explain to stakeholders that organizational culture and ethics are closely related. This ethical leadership has three pillars, include:

1. The moral character of the leader.
2. Legitimacy of the leader's vision and ethical values, which are accepted or rejected by followers.
3. Morality of choices and actions that leaders follow and will do and follow together.

Based on the concept of spiritual leadership above, it can be explained that the concept of spiritual leadership is a leadership concept in which it prioritizes understanding and implementation of values, ethics, morals by leaders in the leadership process, so that the values, ethics, and morals are embraced, understood, and implemented by the leader. will be transferred to followers. Spiritual leadership consists of aspects of vision, hope/faith, altruistic love, membership, and calling, all of which lead to productivity and organizational commitment (Fry & Cohen, 2009; Fry & Kriger, 2009). and implicit about why people should do it in the future. The function of vision in the process of forming, empowering, and developing a leader's leadership is very important. Hope/faith in the organization's vision helps keep subordinates looking forward to the future and provides positive desire and hope full of effort from intrinsic motivation. Faith is a belief in something that cannot be physically proven, but is the truth. While hope is a desire with the hope of fulfillment. Altruistic love is a sense of wholeness, harmony, and well-being resulting from caring and appreciation for oneself and others. Personal outcomes of altruistic love include pleasure, peace, and serenity. These outcomes are a source of creating high organizational commitment, productivity, and reducing stress levels which are the goals of the organization, and are effective outcomes for the organization. Membership includes the social and cultural structures that reside within and through membership individuals get what they seek. In this case, psychologically, membership is used to fulfill one's fundamental needs, namely to be understood and appreciated. Calling or being called or vocationally is the experience of transcendence or how one makes a difference through delivering service to others and conveying meaning and purpose in life.

Tengfei et al (2018) research on the effect of spiritual leadership on Employee performance shows that spiritual leadership has a positive and significant influence on employee performance, knowledge sharing behavior, and innovative behavior. Salehzadeh et al (2015) conducted research on the effect of spiritual leadership on Organizational Performance. The study was conducted to examine the influence of spiritual leadership on performance based on the balanced scorecard (BSC). The results of the analysis show that spiritual leadership has a positive and significant influence on employee performance.

H1: spiritual leadership affects employee performance (figure 1).
2.3 Employee Engagement

The concept of employee engagement was put forward by Kahn in 1990 which is defined as the self-utilization of organizational members in work roles, which is an expression of self-employment and self-expression on employees physically, cognitively, and emotionally in their work life (Sun, 2019; Saks, 2019). Kahn underlined three psychological conditions in engagement, namely (1) psychological meaningfulness (individuals must feel meaningful in their work roles); (2) psychological safety (individuals must feel safe to express themselves without any fear; and (3) psychological availability (individuals feel as human resources who need to have an attachment to the organization (Tauetsile, 2019). Employee engagement is a state of motivation that has been occurs and is associated with a number of positive and desirable consequences for the organization. These are about investing in oneself, being authentic in one's work, and delivering one's work performance with passion, persistence and energy (Byrne, 2015). Engaged employees have high levels of energy and are enthusiastically involved in their work energy. Employee engagement is characterized by enthusiasm and a strong identification with one's work (Bakker & Letter, 2010).

Employee engagement thrives in settings that demonstrate a strong connection between the company and individual values. On the one hand, companies promote their values with employees, inspiring their loyalty. These companies reflect seriously on their values, articulate them clearly, and enforce policies to ensure that their value decisions are immediate. In addition, companies are responsive to the values employees bring to their work (Bakker & Letter, 2010). Truss et al (2014) further interpret employee engagement as a construct consisting of three different and unique components, including cognitive, affective, and behavioral, all of which are related to individual role performance. The factors that determine employee engagement are classified by Sun (2019) into three, namely organizational factors (e.g. group dynamics, organizational norms, management style, leadership), individual factors (e.g. personality, self-efficacy, self-esteem), and job factors (e.g. work environment, task characteristics, role characteristics). Meanwhile, the impact is classified into two, namely the impact on individual performance (positive, productive, active work behavior, job satisfaction, commitment) and organizational performance (financial performance, performance, customer satisfaction).

Several studies use the UWES (Utrecht Work Engagement Scale) scale to measure employee engagement (Saks, 2019; Sun, 2019; Tauetsile, 2019). The use of the UWES scale is proven to be more capable of measuring employee engagement than the ISA (Intellectual, Social and Affective Scale) (Tauetsile, 2019). The UWES scale includes dimensions of vigor, dedication, and absorption (Saks, 2019; Sun, 2019; Tauetsile, 2019). Dedication or dedication means being proud of one's work and challenging oneself by being actively involved in one's work (Park, 2020). Vigor, which means the willingness to put in effort and endure hardship (Park, 2020), refers to the extent to which one has energy and mental resilience at work. Absorption means being immersed in doing one's work (Park, 2020), namely feelings of pleasure, joy, and happiness when involved in work, both one's own work and the work of colleagues. Dedication means being proud of one's work and challenging oneself by being actively involved in one's work (Park, 2020).

The research conducted by Zhou & Yang (2020) is entitled "Relationship between Spiritual Leadership and Innovative Behavior in Chinese Drone Companies: The Mediating Effect of Employee Engagement". This study examines the relationship between spiritual leadership and employee innovative behavior through employee engagement mediation. The research was conducted on companies engaged in the drone sector in China. The data collected by distributing questionnaires to 361 employees were processed with the help of SPSS and AMOS software. The results show that spiritual leaders have a positive and significant influence on employee engagement. Employee engagement has a mediating role in the spiritual leader's influence on innovation behavior. Research conducted by Hunsaker & Jeong (2020) entitled "Engaging Employees through Spiritual Leadership". This study explores the influence of spiritual leadership on employee engagement and organizational commitment through individuals' spiritual well-being. Data was collected by distributing questionnaires to 207 employees in China. The data was tested using a structural equation model which was processed with the help of smartPLS software. The results show that employee engagement is positively and significantly influenced by spiritual leadership.

H2: spiritual leadership affects employee engagement

Research conducted by Fidyah & Setiawati (2020) entitled "Influence of Organizational Culture and Employee Engagement on Employee Performance: Job Satisfaction as Intervening Variable". This study aims to analyze the influence of corporate culture and employee engagement on employee performance by using job satisfaction as a mediating variable. Data collection was carried out by distributing questionnaires to 52 employees of PT Telkom...
Indonesia in Yogyakarta. The data is processed using the path analysis model. The results show that employee engagement has a positive and significant effect on employee performance.

H3: employee engagement has an effect on employee performance

The research conducted by Sugianingrat et al (2019) took the title "The Employee Engagement and OCB as Mediating on Employee Performance". This study examines the role of employee engagement and organizational citizenship behavior (OCB) in mediating the effect of ethical leadership on employee performance at hotels in the Sarbagita area, Bali. Data analysis was carried out by applying a structural equation model which was processed using the SmartPLS software. The results showed that employee engagement has a role in mediating the influence of ethical leadership on the performance of hotel employees in Sarbagita, Bali. This study also shows that organizational citizenship behavior has no role in mediating the effect of ethical leadership on employee performance.

H4: spiritual leadership affects employee performance through employee engagement.

![Figure 1. Research Model](image)

3. Methods

The population in this study were all employees of a snack food company, East Java, Indonesia with a total of 36 employees consisting of 13 female employees and 23 male employees. Technique to determine the sample size using total sampling. The questionnaire technique is used to obtain data related to the research variables. The questionnaire is arranged in the form of a closed statement with 5 (five) alternative answers using Likert scale and data analysis technique used is Partial Least Square (PLS).

4. Result and Discussion

4.1 Discriminant Validity

Ghozali (2014) describes that discriminant validity can be known by looking at the average variant extracted (AVE) value for each indicator, the required value must be > 0.5 for a good model.

<table>
<thead>
<tr>
<th>Variable</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Engagement</td>
<td>0.817</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>0.819</td>
</tr>
<tr>
<td>Spiritual Leadership</td>
<td>0.804</td>
</tr>
</tbody>
</table>

Based on the data presented in table 1 above, it is known that the AVE value of the variable employee engagement, employee performance, and spiritual leadership is > 0.5. Thus it can be stated that each variable has good discriminant validity.

4.2 Composite Reliability

Composite Reliability is the part that is used to test the reliability value of indicators on a variable. A variable can be declared to meet composite reliability if it has a composite reliability value > 0.6 (Ghozali, 2014). The following is the composite reliability value of each variable used in this study:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite Reliability</th>
</tr>
</thead>
</table>

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Based on the data presented in table 2 above, it is known that the composite reliability value for employee engagement, employee performance, and spiritual leadership variables is > 0.6. Thus it can be stated that each variable has a good composite reliability.

### 4.3 Cronbach Alpha

The reliability test with the composite reliability above can be strengthened by using the Cronbach alpha value. A variable can be declared reliable or fulfills cronbach alpha if it has a cronbach alpha value > 0.7 (Eisingerich and Rubera, 2010). The following is the Cronbach alpha value of each variable:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Engagement</td>
<td>0.972</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>0.981</td>
</tr>
<tr>
<td>Spiritual Leadership</td>
<td>0.992</td>
</tr>
</tbody>
</table>

Based on the data presented above in table 3, it can be seen that the Cronbach alpha value of each research variable is > 0.7. Thus these results can indicate that each research variable has met the requirements of the Cronbach alpha value, so it can be concluded that all variables have a high level of reliability.

### 4.4 Path Coefficient

Path coefficient evaluation is used to show how strong the effect or influence of the independent variable on the dependent variable.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Original Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spiritual leadership -&gt; employee engagement</td>
<td>0.995</td>
</tr>
<tr>
<td>Spiritual leadership -&gt; employee performance</td>
<td>0.205</td>
</tr>
<tr>
<td>Employee engagement -&gt; employee performance</td>
<td>0.268</td>
</tr>
<tr>
<td>Spiritual leadership -&gt; employee engagement</td>
<td>0.995</td>
</tr>
</tbody>
</table>

The greatest path coefficient from table 4 value is the influence of spiritual leadership on employee engagement, which is 0.995. Then the second biggest influence of employee engagement on employee performance is 0.268. While the smallest influence is the influence of spiritual leadership on employee performance of 0.205.

### 4.5 Hypothesis Testing

Based on the data processing that has been done, the results can be used to answer the hypothesis in this study. Hypothesis testing in this study was carried out by looking at the T-Statistics value and the P-Values value. The research hypothesis can be stated as accepted if the P-Values value < 0.05 (Yamin and Kurniawan 2011). The following are the results of hypothesis testing obtained in this study through the inner model:

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Correlation</th>
<th>T-statistics</th>
<th>P-Values</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Spiritual leadership -&gt; employee performance</td>
<td>2.415</td>
<td>0.016</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>Spiritual leadership -&gt; employee engagement</td>
<td>626.271</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>
From table 5 above it can be seen that the influence of spiritual leadership on employee performance has a P value of 0.016 or less than 0.05. So it can be concluded that spiritual leadership has a significant effect on employee performance. The influence of spiritual leadership on employee engagement has a P value of 0.000 or less than 0.05. So it can be concluded that spiritual leadership has a significant effect on employee engagement. The effect of employee engagement on employee performance has a P value of 0.038 or less than 0.05. So it can be concluded that employee engagement has a significant effect on employee performance. The influence of spiritual leadership on employee performance through employee engagement has a P value of 0.038 or less than 0.05. So it can be concluded that employee engagement can significantly mediate the influence of spiritual leadership on employee performance.

5. Conclusion
The results show that spiritual leadership has an effect on employee performance. This is based on the results of hypothesis testing where the P value of spiritual leadership on employee performance is less than 0.05, which means that spiritual leadership has a significant effect on employee performance. The more positive the spiritual leadership, the higher the employee's performance. Vice versa, the more negative the spiritual leadership, the lower the employee's performance. The results showed that spiritual leadership had an effect on employee engagement. This is based on the results of hypothesis testing where the P value of spiritual leadership on employee engagement is less than 0.05, which means that spiritual leadership has a significant effect on employee engagement. This means that the better the spiritual leadership, the better employee engagement will be. The results of the study indicate that employee engagement has an effect on employee performance. This is based on the results of hypothesis testing where the P value of employee engagement on employee performance is less than 0.05, which means that employee engagement has a significant effect on employee performance. This means that the more positive employee engagement, the more positive impact on employee performance. Conversely, the more negative employee engagement, the more negative impact on employee performance. The results show that employee engagement mediates the effect of situational leadership on employee performance. This is based on the results of hypothesis testing where the P value of situational leadership on employee engagement and employee performance is less than 0.05, which means that employee engagement mediates the effect of situational leadership on employee performance.

References


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