The Effect of Spiritual Leadership and Organizational Culture on Employee Performance: The Mediating Role of Job Satisfaction

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This study aims to test the effect of spiritual leadership and organizational culture on job satisfaction and employee performance. Structural equation modelling is applied to analyze data from 170 respondents. The results show spiritual leadership and job satisfaction have a significant effect on job satisfaction as does organizational culture on employee performance. In contrast to expectations, neither spiritual leadership nor organizational culture have effect on employee performance or job satisfaction.

Key words: Spiritual leadership, organizational culture, job satisfaction, employee performance.

Introduction

Strengthening spiritual values in human resource management (HRM) has become a trend in business studies. A lot of bad behaviour in organizations is caused by the lack of spiritual values that underlie employee behaviour. Employee performance is only driven by the achievement of economic indicators without being based on spiritual values (Sulistyo, 2009). In general, employee performance is determines by two factors, internal factors i.e., organizational commitment, job satisfaction and external factors i.e., leadership, organizational culture and work safety (Melina Taurisa & Intan, 2012).

Yogyakarta Muhammadiyah University as an educational institution which currently has a very high level of competition, faces a demand to be able to compete with other universities both at national and international levels. In Universitas Muhammadiyah Yogyakarta, the performance
of educational staff is assessed once a year through an employee performance unit (SKP). The problem was that not all 250 employees passed the SKP assessment. This suboptimal performance is caused by many factors including, leadership, job satisfaction and organizational culture.

The role of the leader in the organization is very important to improve employee performance. The concept of spiritual leadership is a concept of universal leadership that is adaptive to answer the challenges of the age of the 21st-century era that is a condition for change, which is not answered by the current organizational leadership (Sureskiarti, 2015). According to Tobroni (2015); Udin Udin (2019), the concept of spiritual leadership is believed to be the solution to the current leadership crisis, due to the deterioration of human values as a result of the ethical malaise and ethical crisis.

Spirituality has proven to be an extraordinary power to create individuals who have integrity and morality who can build Islamic societies to reach the peak of civilization and reach the title of khaira ummah (Tobroni, 2015). Therefore, the application of spiritual leadership in organizations can inspire and motivate employees to achieve the vision and culture of the organization based on spiritual values which can ultimately increase organizational commitment and productive employee performance (Akbar, Udin, & Djastuti, 2018; Udin, Handayani, & Bakhri, 2017; Udin Udin, 2019). Productive employee performance in the organization is also influenced by job satisfaction. Job satisfaction can be defined as a pleasant or unpleasant emotional state, which is demonstrated by employees at work (Hatta & Rachbini, 2015; Wikaningrum, Udin, & Yuniawan, 2018). The level of job satisfaction of employees is influenced by several aspects, both aspects of the company as well as those of the employees themselves.

Some previous research on spiritual leadership has been conducted. The study by Hakim (2012) showed that Islamic leadership has an important role in improving the Islamic work motivation and performance. The study by Musta’in and Manan (2014) evidenced that spiritual leadership significantly influences job satisfaction and employee performance. Also, the studies of Rahmawaty (2016) and Shofwa (2013) proved that spiritual leadership significantly influences employee performance. However, this was different to the results of research conducted by Sulistyo (2009) which showed that spiritual leadership doesn't significantly influence job satisfaction and employee performance. Thus, from the empirical research it can be concluded that there is still a theoretical inconsistency in the perception of the relationship between spiritual leadership on job satisfaction and employee performance.

Therefore, based on the previous research, the literature review that underpins this study determined that there is still a gap in the research about the spiritual leadership and employee performance. Further, based on the problems that occurred in Universitas Muhammadiyah
Yogyakarta, it is important to study the problems related to spiritual leadership, organizational culture and employee performance. The purpose of this study furthermore are as follows: (1) analyze the effect of spiritual leadership and organizational culture on job satisfaction and employee performance; (2) analyze the effect of job satisfaction on employee performance.

**Literature Review and Hypotheses Development**

**Performance**

Employee performance (work performance) is the employee's actual performance compared to the employee's expected performance (Dessler, 2015). Work performance is the result of quality and quantity work accomplished by an employee in taking out the duties following the responsibilities given (Mangkunegara, 2013). Performance is the result of work achieved in carrying out the tasks and work derived from the organization (Priansa, 2018). From these definitions, it is concluded that performance is the result realized by employee in completing the work allocation by the organization. Measuring performance, according to Dessler (2015), can be determined by level of; quality, productivity, job knowledge, reliability, availability and independence. The higher these indicators, the greater the increase in work performance and vice versa.

**Spiritual Leadership**

Spiritual leadership is about leading for an earthly dimension to the spiritual dimension (divinity). Therefore, spiritual leadership is often called leadership based on religious ethics. Tobroni (2015) stated that spiritual leadership is leadership that can inspire, awaken, influence and mobilizes through example, service, compassion and the implementation of other godly values and divinity in goals, cultural processes and leadership behaviour. In other words, spiritual leadership is the leadership that makes spiritual values a core belief, core value and philosophy in leadership behaviour.

In Islamic history, the spiritual leadership model is attributed to the leadership pattern of the Prophet of Muhammad SAW which proposes that the most ideal and successful leadership exhibits the following characters: integrity (Siddiq), trust (Amanah), human relation (Tabligh) and smart working (Fathanah). This means that spiritual leadership is driven by a heart-base on religious ethics and forms character, honesty and admiration. Spiritual leadership is not only authentic and rational but also it cleans ratiocination with the direction of principles and spiritual intelligence (Tobroni, 2015).
Organizational Culture

Organizational culture is a set of values, beliefs, attitudes and traditions that bind members of the organization together as a reference for working and interacting with fellow members of the organization (Ancok, 2012). The definition of organizational by Amstrong in Ancok (2012) is that “organizational culture is the pattern of values, norms, beliefs, attitudes, and assumptions that may not have been articulated but shape how people behave and things get done. Values refer to what is believed to be important about how people and organizations behave. Norms are the unwritten rules of behaviour”.

According to Robbins in Ancok (2012), seven components can be used as indicators to measure organizational culture. Those indicators are as follows: the courage to innovate and take risks, attention to details, results-orientation, human-orientation, focus on teamwork, employee aggressiveness in work and stability.

Job Satisfaction

Job satisfaction is a set of employee feelings towards their work that reflects whether they are happy or not as a result of their interaction with the environment or as a perception of mental attitude and ultimately as a result of their evaluations of their work (Priansa, 2018). Job satisfaction is an employee’s feeling which supports or doesn’t support the work or self-condition (Mangkunegara, 2013). Job satisfaction is a positive feeling about the job that is produced from identified characteristics (Robbins & Judge, 2015). According to Robbins and Judge (2015), employee’s job satisfaction is influenced by many factors, such as mentally challenging work, appropriate award/praise, supportive working conditions and supportive colleagues.

Organizational Culture, Job Satisfaction, and Performance

Organizational culture is a value that must be obeyed by all of the organization members as guidelines for behaviour. Robbins and Judge (2015) state that several important factors bring greater job satisfaction. The first factor is the job which gives more chance to use skills and feedback about how well the work is done. The other factor is the work condition, both in terms of personal comfort and ease of completing work. These things are closely related to rules and standards predetermined by the company, while the rules and standards are formed from the organizational culture within the company itself. Characteristics of organizational culture will determine a strong or low organizational culture. The strength of the organizational culture will ultimately determine the level of employee satisfaction and performance (Al-Abdullat & Dababneh, 2018; Al-Sada, Al-Esmael, & Faisal, 2017; Bakhri, Udin, Daryono, & Suwarnomo,
Empirical studies conducted by Iis and Yunus (2016), Xaverius (2016) pose that organizational culture positively and significantly influences job satisfaction and employee performance. The research conducted by Sanda and Kuada (2016), Suteja (2014) acknowledged that there is a positive effect between organizational culture, job satisfaction and employee performance. Thus, the following hypotheses were proposed for this study.

\[ H1: \text{Organizational culture positively affects job satisfaction} \]
\[ H2: \text{Organizational culture positively affects employee performance} \]

Spiritual leadership also strongly maintains ethical values and upholds spiritual values. Characteristics of spiritual leadership based on religious values comprise a focus on pious deeds, honesty, fairness, openness to accept change, self-introduction, awakening the best in oneself and others, discipline balanced with flexibility, intelligence and humility. Employees who judge their supervisors to have good leadership practices have a higher tendency to remain comfortable in the organization and generally experience higher job satisfaction and increased performance.

Empirical studies conducted by Hakim (2012) showed that Islamic leadership has an important role in increasing Islamic work motivation and Islamic performance. An empirical study conducted by Mahyani (2019), Musta’in and Manan (2014), Pio and Tampi (2018), Wahid and Mohd. Mustamil (2017) proved that spiritual leadership has a significant effect on job satisfaction and improving employee performance. An empirical study conducted by Akbar et al. (2018), Rahmawaty (2016), Salehzadeh, Khazaei Pool, Kia Lashaki, Dolati, and Balouei Jamkhaneh (2015), Shofwa (2013), Udin et al. (2017), Udin Udin (2019) also proved that spiritual leadership has a significant effect on employee performance. Thus, the following hypotheses were also proposed in this study:

\[ H3: \text{Spiritual leadership positively affects employee job satisfaction}. \]
\[ H4: \text{Spiritual leadership positively affects employee performance}. \]

**Job satisfaction and employee performance**

Employee performance will increase if they feel satisfied with the organization's treatment. According to Locke in Luthan (2006), job satisfaction covers reactions or cognitive attitudes, both evaluative and affective. Job satisfaction is also a positive emotion that appears from the cumulative work experience. To understand employee job satisfaction, a leader must understand the characteristics of each employee. By understanding individual characteristics, the work that
carried out by each individual can be determined. If this aspect is realized, then job satisfaction will be achieved and employee performance will improve.

The empirical study conducted by Adigun, Oyekunle, and Onifade (2017), Eliyana, Ma’arif, and Muzakki (2019), Farooqui and Nagendra (2014), Melián-González, Bulchand-Gidumal, and González López-Valcárcel (2015), Gu and Chi Sen Siu (2009), Wikaningrum et al. (2018) revealed that job satisfaction has a significant influence on both employees and employee performance. These research findings revealed that there is a linear relationship between job satisfaction (nature of job, job reward and job security) and employee performance as proxy which evidences commitment. Melina Taurisa and Intan (2012) stated that job satisfaction has a positive effect on employee performance. Thus, the final hypothesis was formulated:

\[ H_5: \text{Job satisfaction positively affects employee performance.} \]

**Research Methods**

The subjects of this study were permanent teaching staff working at Universitas Muhammadiyah Yogyakarta. The population was the entire teaching staff of Universitas Muhammadiyah Yogyakarta and 170 respondents were determined using purposive sampling. Data was further analyzed using structural equation model (SEM) to test the proposed hypotheses.

**Results**

Based on descriptive analysis, organizational culture at the Universitas Muhammadiyah Yogyakarta is good. This analysis is indicated by the average value of respondent answers with a value of 4.1054. Furthermore, spiritual leadership is applied well which was indicated by the average value of respondent answers with a value of 4.0454. Also, job satisfaction felt by teaching staff is high; this is indicated by the average value of respondent answers with a value of 4.13802. The performance of teaching staff at Universitas Muhammadiyah Yogyakarta is high; this is indicated by the average value of respondent answers with a value of 4.18039.

Based on the data analysis, the results of the feasibility test model was obtained and is presented in Tables 1 and 2 below.
Table 1: Goodness of Fit Index

<table>
<thead>
<tr>
<th>Goodness of Fit Index</th>
<th>Results</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>X2 Chi-Square</td>
<td>3558.922</td>
<td>Marginal</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>2.408</td>
<td>Marginal</td>
</tr>
<tr>
<td>GFI</td>
<td>0.547</td>
<td>Marginal</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.091</td>
<td>Marginal</td>
</tr>
<tr>
<td>RMR</td>
<td>0.045</td>
<td>Good fit</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.511</td>
<td>Marginal</td>
</tr>
<tr>
<td>TLI</td>
<td>0.557</td>
<td>Marginal</td>
</tr>
<tr>
<td>CFI</td>
<td>0.575</td>
<td>Marginal</td>
</tr>
<tr>
<td>NFI</td>
<td>0.447</td>
<td>Marginal</td>
</tr>
<tr>
<td>PNFI</td>
<td>0.429</td>
<td>Good fit</td>
</tr>
<tr>
<td>PGFI</td>
<td>0.507</td>
<td>Good fit</td>
</tr>
</tbody>
</table>

Table 2: Hypothesis Testing

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>C.R.</th>
<th>P</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational culture $\rightarrow$ Job satisfaction</td>
<td>.230</td>
<td>1.478</td>
<td>.139</td>
<td>Rejected</td>
</tr>
<tr>
<td>Spiritual leadership $\rightarrow$ Job satisfaction</td>
<td>.592</td>
<td>3.260</td>
<td>.001</td>
<td>Accepted</td>
</tr>
<tr>
<td>Organizational culture $\rightarrow$ Employee performance</td>
<td>.264</td>
<td>2.287</td>
<td>.022</td>
<td>Accepted</td>
</tr>
<tr>
<td>Spiritual leadership $\rightarrow$ Employee performance</td>
<td>.077</td>
<td>.580</td>
<td>.562</td>
<td>Rejected</td>
</tr>
<tr>
<td>Job satisfaction $\rightarrow$ Employee performance</td>
<td>.187</td>
<td>2.203</td>
<td>.028</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

**Organizational Culture and Job Satisfaction**

Table 2 presents that the P-value (0.139) is above the critical value of 0.05. This means that H1 is rejected. Therefore, this study concluded that organizational culture does not significantly affect job satisfaction.

**Spiritual Leadership and Job Satisfaction**

Table 2 shows the P-value (0.001) is below the critical value of 0.05 and this indicates that H2 is accepted. Thus, spiritual leadership has a positive effect on job satisfaction.

**Organizational Culture and Employee Performance**

Table 2 displays P-value (0.022) is below the critical value of 0.05 and thus demonstrates that H3 is accepted and that organizational culture has a positive effect on employee performance.
**Spiritual Leadership and Employee Performance**

Table 2 illustrates the P-value (0.562) is above the critical value of 0.05. This means that H4 is rejected and it can be concluded that spiritual leadership has no significant effect on employee performance.

**Job Satisfaction and Employee Performance**

The results from data processing presented in Table 2, show that the P-value (0.028) is under the critical value of 0.05 and thus, H5 is accepted. This means that job satisfaction has a positive and significant effect on employee performance.

Based on the results of R square, the conclusions can be drawn as follow:

a. Job satisfaction: R Square value of the job satisfaction is 0.579, which shows the contribution made by organizational culture and spiritual leadership to job satisfaction is 57.9%. While the remaining 49.5% is influenced by other factors outside of organizational culture and spiritual leadership.

b. Employee performance: The R square value of the employee performance is 0.495, which indicates that the contribution made by the organizational culture and spiritual leadership to employee performance is 49.5%. The remaining 51.5% is influenced by other factors outside of organizational culture and spiritual leadership on employee performance.

**Discussion**

**Organizational Culture, Job Satisfaction and Employee Performance**

The results of this study show that organizational culture has no effect on job satisfaction. This indicates that the presence and absence of an innovation culture created by the organization will not affect employee job satisfaction. These results illustrate that UMY's teaching staff do not realize yet that the culture of the organization must be driven and implemented in carrying out its duties as a form of habituation to create creativity and innovation even though organizational culture is not a feature, there is still job satisfaction evidenced. This phenomenon happens because the teaching staff still see job satisfaction from the perspective of the salary earned. These results are consistent with Pawirosumarto, Sarjana, and Gunawan (2017), Purba (2016) findings that there is no influence between innovation characteristics, detailed characteristics, outcome characteristics, individual characteristics, team characteristics, aggressive characteristics and stability characteristics on employee job satisfaction.

Organizational culture, which consists of innovation characteristics, detailed characteristics, outcome characteristics, individual characteristics, team characteristics, aggressive characteristics and stability characteristics does have a positive influence on performance. This
fact reflects that the organizational culture that is imposed on the teaching staff of Universitas Muhamamdiyah Yogyakarta has an impact on improving employee performance. The result of this study is consistent with empirical studies conducted by Iis and Yunus (2016), Suteja (2014) who found that there is a positive and significant effect of organizational culture on employee performance.

**Spiritual Leadership, Job Satisfaction and Employee Performance**

Spiritual leadership has a positive and significant effect on job satisfaction. This means the spiritual leadership of structural officials at the Universitas Muhammadiyah Yogyakarta increases the job satisfaction of teaching staff in carrying out their functions. Spiritual leadership is characterized by a leader who has hope and vision and exhibits altruistic love (kindness, trust, courage, forgiveness, empathy, integrity, patience, honesty, humility).

Spiritual leadership does not affect employee performance which means that the spiritual leadership of structural officials at Universitas Muhammadiyah Yogyakarta in managing teaching staff does not have an impact on improving employee performance. This finding means that the education staff will continue to strive to achieve the performance standards that have been set at the Universitas Muhammadiyah Yogyakarta through work responsibilities that must be completed such as online daily work reports and logbooks which are a representation of the performance/achievement of teaching staff tasks that will be assessed at the annual SKP. Therefore, it is necessary to review the role of spiritual leadership to understand its influence on the teaching staff at UMY to improve performance.

**Conclusion**

This study concludes that spiritual leadership and job satisfaction have a positive and significant effect on job satisfaction as well as organizational culture on employee performance. In contrast to expectations, spiritual leadership does not affect employee performance as much as organizational culture affects job satisfaction.

The implications for the relevant organizations from this study are:

1. The need to strengthen the organizational culture which includes the courage to innovate and take risks and exhibit creativity, attention to detail, results-orientation, human-orientation, focus on teamwork, employee aggressiveness in work and stability to continue to have an impact on improving the performance of the teaching workforce.
2. The need to increase spiritual leadership which includes faith, vision and altruistic love (empathy, forgiveness, trust, honesty, integrity, humility, courage and patience) to trigger impact on employee performance.
3. The need to increase job satisfaction which includes mentally challenging work,
appropriate rewards, supportive working conditions and colleagues in order to improve employee performance.
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