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Effect of Spiritual Leadership to Organizational Culture and Employee's Loyalty **(A Case Study in The Society's Eye Hospital, East Java)**

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Abstract

Although the leader of the Society's Eye Hospital, East Java has the characteristics of spiritual leadership as in the dimensions of spiritual leadership developed by Fry (2003) including vision, hope / faith, and altruistic love, however the level of employee turn over is still high. To address this problem, the research is using a quantitative causality approach and SEM PLS model as the data analysis technique used. The result of the research shows that there is a significant positive influence on spiritual leadership towards the organizational culture. A significant positive influence of organizational culture also seen on employee's loyalty, and there is a positive but insignificant influence of spiritual leadership on employee's loyalty.

Keywords: spiritual leadership, organizational culture, employee's loyalty.

Introduction

The Leader of The Society's Eye Hospital (RSMM) has basically implemented a good leadership pattern. This is manifested by the good behaviour of the leader, such as coming to work on time, paying attention directly to employees, and showing appreciation for the work of the employees. This is done as an effort to motivate employees. The leadership of the Society's Eye Hospital (RSMM) also gives awards in the form of incentive, in the hope that through the incentives, employees are more motivated in conducting their job. Nevertheless, in terms of loyalty, it can be concluded that employees of the Society's Eye Hospital (RSMM) have not entirely possessed a high sense of loyalty, this is evidenced by the high turnover rate of the employees.

From here born spiritual leadership theory developed by (Fry, 2003). Spiritual leadership is a collection of values, attitudes, and behaviours necessary to motivate oneself and others intrinsically, therefore each member of the organization has a feeling of spiritual survival through membership and calling. The relationship between spiritual leadership and organizational culture is illustrated in (Fry, Louis W., 2006) study that the impact of spiritual leadership in upholding the spiritual welfare of leaders and followers is to develop value congruence through strategies, team and individual empowerment that will improve psychological health and well-being, organizational commitment, and employees productivity, which will ultimately impact on company performance.

The result of observations made by the researcher displayed the leader of the Society's Eye Hospital has the characteristics of spiritual leadership such as dimensions in spiritual leadership developed by (Fry, 2003) including the dimension of vision, hope/faith, and altruistic, however, the level of employees turn over is still high, thus it is required to implement a more in-depth research.

Based on the description of the background described above, the formulation of issues raised in this study includes:

1. Does spiritual leadership have a direct and significant impact on organizational culture?
2. Does spiritual leadership have a direct and significant impact on employee's loyalty?
3. Does the organizational culture affect directly and significantly to employee's loyalty?

This research is expected to be an input for the company in improving employee's loyalty. In addition, the results of this study can also be used as a consideration for the company (the Society's Eye Hospital of East Java) in evaluating the leadership policy that has been applied. This research is also expected to be an insertion in terms of implementing leadership efforts so as to escalate organizational culture and employee's loyalty.

Literature Review

Spiritual Leadership Theory

Spiritual leadership is "comprising the values, attitudes, and behaviours that are necessary to intrinsically motivate one's self and others so that they have a sense of spiritual survival through calling and membership". Spiritual leadership is also defined as leadership based on love, service, and presence (Fry and Melanie, 2009). Values that have long been considered as spiritual idealization, such as integrity, honesty, and simplicity are almost always present in effective leadership practices. In addition, traditional practices related to spirituality in everyday life also indicate its relevance to leadership effectiveness (Fry, Louis W., 2006)

Figure 1 shows that in spiritual leadership there are elements of vision, hope/faith, altruistic love, membership, and calling, all of which leads to organizational productivity and commitment.

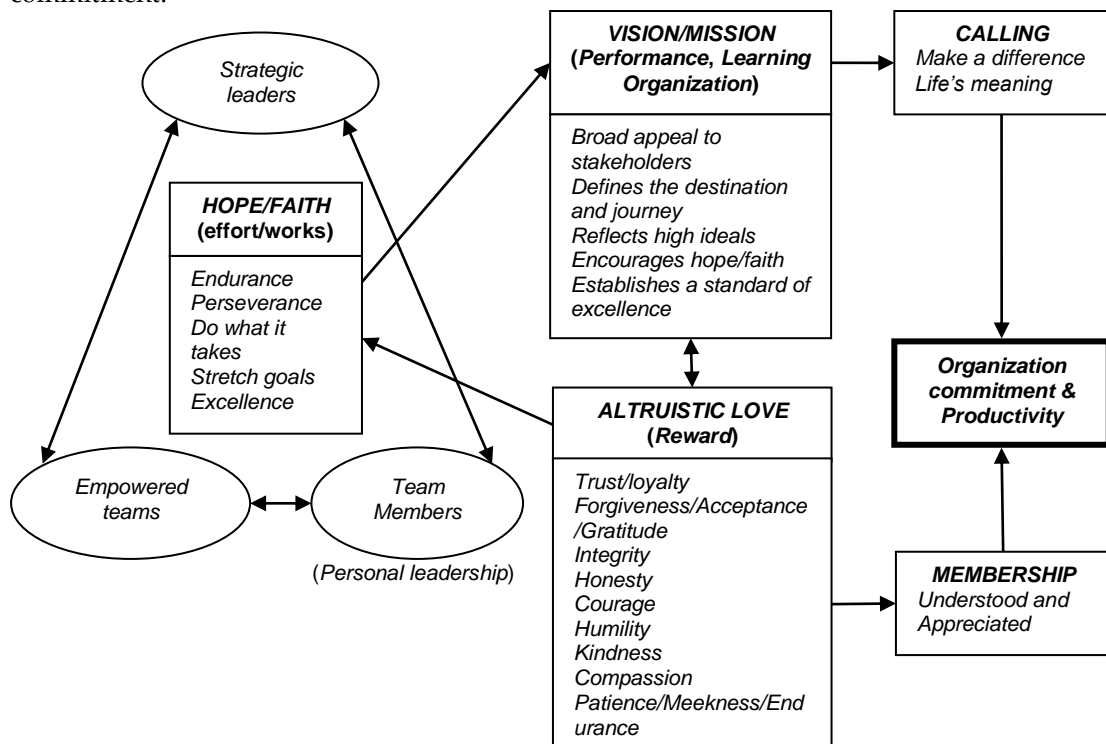


Fig. 1 Spiritual Leadership Scheme, Dimension and its Measurement
 Source:(Fry, Louis W., 2006)

Organizational Culture

Organizational culture is shown through behaviour patterns, documents, such as codes of ethics, and rituals emerging within the organization, thus giving members meaning organizations and goals that familiarize them with internal organizational behaviour rules (Ferrell, O. C., John Fraedrich, 2015:181). Meanwhile, the organizational culture dimension according to (Hofstede, 2001:30) includes five dimensions, namely:

1. Affectivity (the needs of reward) versus affective neutrality.
2. Self-orientation vs collectivity orientation.
3. Universalism (applying general standards) versus particularism (taking a special relationship for a particular case or condition).
4. Ascription (judging others for what they are) versus achievement (judging others according to their performance).
5. Specificity (limiting relationships with others in a special setting) versus diffusiveness (not prioritizing any restrictions in natural relationships).

Employee's Loyalty

In addition to empirical studies, it is also explained conceptually that employee's loyalty will improve employee's productivity (Grönfeldt, Svafa., 2006:234). Furthermore, (Grigg, Neil S., 2008:137) explains that employee's loyalty will benefit the company because the company will be able to save more on recruitment costs, increase acquisitions, and share knowledge. This is supported by an empirical study which proves that leadership will have an effect on employee's loyalty (Podsakoff, P. M., MacKenzie, S. B., Moorman, R. H., & Fetter, 1990)

Conceptual Framework of the Research

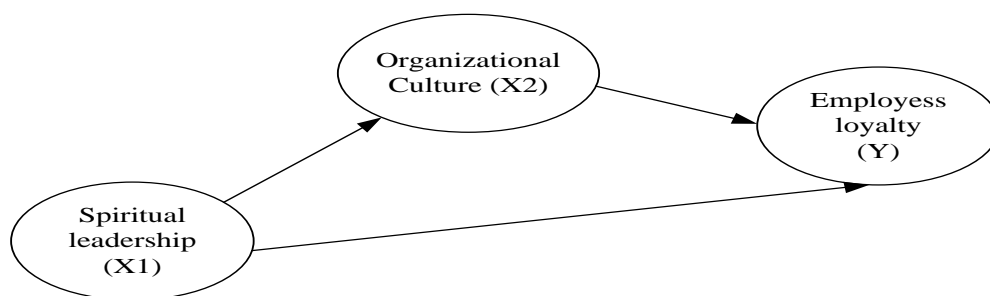


Fig. 2 Conceptual Framework of the Research

The conceptual framework is built on the results of a study (Fry, 2003) discloses the results of a review by Duchon and Plowman that there is an impact given by the work unit's spirituality on unit performance and there is a relationship between the spirituality of the work unit and leadership. The results of a survey conducted by the International Institute for Spiritual Leadership (IISL) also shows that the survey results support spiritual leadership could bring a significant positive impact on the employee life and work satisfaction (Fry, Louis W., & Nisiewicz, 2013). Empirical studies conducted in previous studies explain that

organizational culture has positively and significantly affect employee's loyalty (Lincoln, James R., 2012; Shah, 2007). Therefore, (Fry, 2003) leadership model explains that spiritual leadership will lead members to have an attachment to the company. In relation to leadership impacts on loyalty, some empirical studies show that leadership will have an effect on employee's loyalty (Podsakoff, P. M., MacKenzie, S. B., Moorman, R. H., & Fetter, 1990).

Hypothesis of the Research

H1: Spiritual Leadership Affects Organizational Culture.

H2: Organizational Culture affects Employee's Loyalty

H3: Spiritual Leadership Affects Employee's Loyalty

Research Method

Research Approach

This research uses a positivist or scientific approach because this study aims to identify causal relationships that describe the behaviour patterns of elements in the organization and to test the existing theory by preparing the research hypothesis.

Population and Sample

The population is all functional personnel , both civil servants and non-civil servants in the Society's Eye Hospital, East Java with total amounting to 500 people. Based on the existing population, the number of research samples is set using the Slovin formula(Sugiyono, 2009). From the Slovin formula, revealed that the sample used is 50.9 people, rounded into 51 people. The sampling technique in this research is probability sampling with proportionate random sampling type, in which the sampling technique is done randomly but still structured and balanced based on population number in each department.

Analysis Technique

Validity and Reliability Test

The validity of the construct consists of convergent and discriminant validity. Convergent validity in PLS with reflective indicators is assessed by loading factor (correlation between item score or component score with construct score). Discriminant validity occurs when two different instruments measuring the two constructs are predicted uncorrelated, resulting in uncorrelated scores, and measured using cross-loading or root AVE > 0.5. The reliability test in PLS uses two methods: Cronbach's alpha and composite reliability with acceptable values when Cronbach's alpha > 0.6 and composite reliability > 0.7 (Abdillah, 2015).

Goodness-of-fit Inner Models

The structural model in the PLS is evaluated by using R² for the dependent construct, the path coefficient or t-values value of each path for the test of significance between constructs in the structural model. The score of the path coefficient or inner model shown by the T-statistical value must be above 1.96 for the two-tailed hypothesis and above 1.64 for the one-tailed hypothesis for hypothesis testing at alpha 5 percent (Abdillah, 2015).

Research Result

Based on the responses of respondents to the questions contained in Spiritual Leadership variable, it is clear that the highest average value is in the 3rd indicator, which is the vision 3rd with an average value of 4.08. It shows that according to the respondents, the leader inspires employees to do the best for the Hospital. While the lowest average is in the 11th indicator indicated by the average score of 3.69, which in the indicator 11th, respondents feel the leadership in this hospital has not fully had a high honesty. On organizational culture variables, the highest average value found in the 5th indicator, namely Mission 2nd with an average value of 4.12. It shows that this hospital has a long-term goal. While the lowest average is in the 12th indicator indicated by the average score of 3.45, in which according to the respondents, coordination between functions in the hospital cannot be done easily. Whereas for employee's loyalty variable, the highest average value is in the indicator 1st, namely Affective attachment 1 with the average value of 4.49. It shows that the respondents feel they do not want to switch to another hospital. While the lowest average is in the 5th indicator that is Self-belonging 2nd which indicated by the average score of 4.16, it means according to the respondents, they rarely give feedback to the hospital.

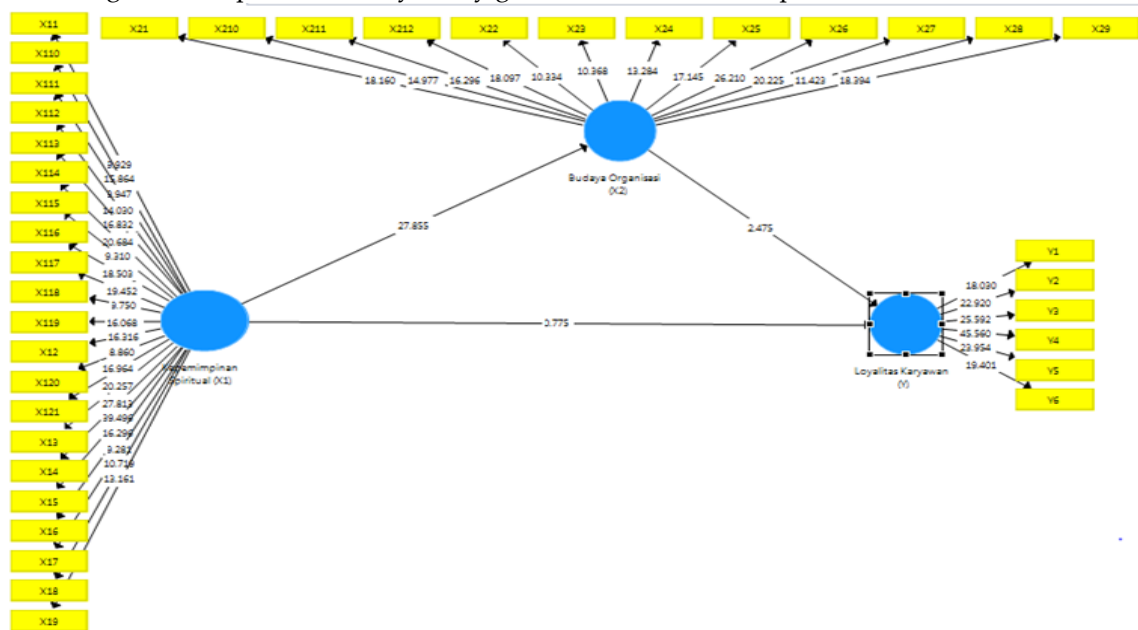


Fig. 3 Outer Model

Based on the data presented in table 1 it is known that the average of each indicator of the research variables has a value loading factor > 0.7. It can be concluded that the overall indicators used in this study still meet the criteria to be considered reliable and can be used for further analysis.

Table 1 *Loading Factor*

Variable	Indicator	Loading Factor
Spiritual Leadership	Vision 1	0,727
	Vision 2	0,813
	Vision 3	0,844
	Vision 4	0,880
	Vision 5	0,895
	Hope/Faith 1	0,825
	Hope/Faith 2	0,744
	Hope/Faith 3	0,773
	Hope/Faith 4	0,804
	Altruistic love 1	0,836
	Altruistic love 2	0,751
	Altruistic love 3	0,806
	Altruistic love 4	0,836
	Altruistic love 5	0,861
	Altruistic love 6	0,711
	Altruistic love 7	0,844
	Altruistic love 8	0,831
	Membership 1	0,720
	Membership 2	0,835
	Organizational Culture	Calling 1
Calling 2		0,818
Adaptability 1		0,831
Adaptability 2		0,756
Adaptability 3		0,743
Mission 1		0,831
Mission 2		0,863
Mission 3		0,870
Involvement 1		0,846
Involvement 2		0,745
Involvement 3		0,796
Consistency 1		0,792
Consistency 2		0,791
Consistency 3	0,802	
Employee's Loyalty	Affective attachment1	0,813
	Indentification with their organizations1	0,846
	Indentification with their organizations2	0,874
	Self belonging 1	0,924
	Self belonging 2	0,876
	Self belonging 3	0,849

The indicator that has the highest loading factor in Spiritual Leadership is Vision 5th, which indicates that according to the respondents, the leader sets the vision very clearly (0.895). Meanwhile on organizational culture variable the highest loading factor is indicator of Mission 3rd, which shows that all employees know the company vision (0.870). Furthermore, on employee loyalty variable, the highest loading factor is Self Belonging 1st indicator, that shows the respondents have a high involvement in the hospital (0,926).

Table 2 *Cross Loading*

	Spiritual Leadership	Organizational Culture	Employee's Loyalty
Vision 1	0,727	0,558	0,427
Vision 2	0,813	0,691	0,424
Vision 3	0,844	0,761	0,407
Vision 4	0,880	0,766	0,527
Vision 5	0,895	0,826	0,593
Hope/Faith 1	0,825	0,634	0,468

<i>Hope/Faith 2</i>	0,744	0,574	0,440
<i>Hope/Faith 3</i>	0,773	0,658	0,579
<i>Hope/Faith 4</i>	0,804	0,623	0,445
<i>Altruistic love 1</i>	0,836	0,707	0,573
<i>Altruistic love 2</i>	0,751	0,567	0,480
<i>Altruistic love 3</i>	0,806	0,666	0,446
<i>Altruistic love 4</i>	0,836	0,641	0,427
<i>Altruistic love 5</i>	0,861	0,751	0,447
<i>Altruistic love 6</i>	0,711	0,627	0,420
<i>Altruistic love 7</i>	0,844	0,686	0,543
<i>Altruistic love 8</i>	0,831	0,814	0,697
<i>Membership 1</i>	0,720	0,783	0,415
<i>Membership 2</i>	0,835	0,719	0,527
<i>Calling 1</i>	0,724	0,711	0,502
<i>Calling 2</i>	0,818	0,780	0,475
<i>Adaptability 1</i>	0,740	0,813	0,571
<i>Adaptability 2</i>	0,628	0,756	0,359
<i>Adaptability 3</i>	0,664	0,743	0,542
<i>Mission 1</i>	0,682	0,831	0,515
<i>Mission 2</i>	0,735	0,863	0,511
<i>Mission 3</i>	0,790	0,870	0,530
<i>Involvement 1</i>	0,644	0,846	0,568
<i>Involvement 2</i>	0,656	0,745	0,502
<i>Involvement 3</i>	0,669	0,796	0,684
<i>Consistency 1</i>	0,734	0,792	0,407
<i>Consistency 2</i>	0,717	0,791	0,478
<i>Consistency 3</i>	0,712	0,802	0,569
<i>Affective attachment1</i>	0,502	0,484	0,813
<i>Identification with their organizations1</i>	0,476	0,552	0,846
<i>Identification with their organizations2</i>	0,560	0,588	0,874
<i>Self belonging 1</i>	0,536	0,600	0,924
<i>Self belonging 2</i>	0,554	0,616	0,876
<i>Self belonging 3</i>	0,495	0,521	0,849

Based on the data presented in table 2 it is acknowledged that each indicator on the research variables has the largest crossload value on the variables it formed, compared to the value of cross loading on other variables. Based on the results obtained, it is able to state that the indicators used in this study has a good discriminant validity in arranging the respective variables.

Table 3 Composite Reliability

Variable	Composite Reliability
Spiritual Leadership	0,957
Organizational Culture	0,975
Employee's Loyalty	0,947

Based on table 3 it is revealed that the value of composite reliability of all research variables > 0.7. These results indicate that each variable has met the composite reliability, hence it can be concluded that the overall variable has a high internal consistency reliability level.

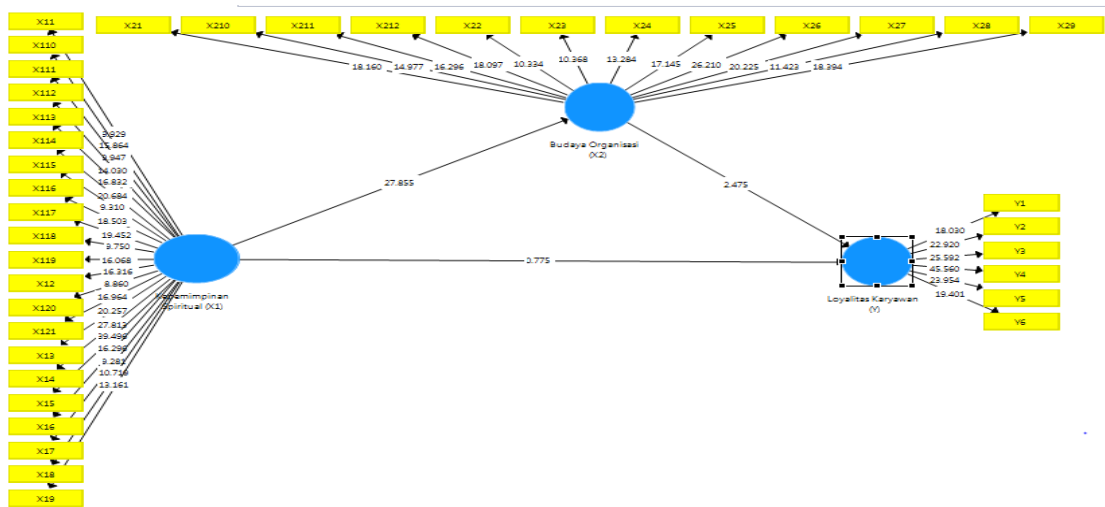


Fig. 4 Inner Model

The inner model evaluation in this study explains the results of goodness-of-fit test and hypothesis test.

Path Coefficient Test

Based on figure 4, it can be explained that the greatest path coefficient value is indicated by the influence of spiritual leadership to organizational culture amounting to 29.440, then the influence of organizational culture on employee’s loyalty with result of 2,550, followed by the influence of spiritual leadership on employee’s loyalty amounting to 0.752. Based on the above description the results, it is certain that the overall variables in this model have a positive coefficient path.

Goodness-Of-Fit Test

Based on data processing conducted by the researcher by using Smart PLS program, obtained an R-Square value as an exhibit in table 4. R-Square value.

Table 4 R-Square Value.

Variable	R-Square Value
Organization Culture	0,754
Employee’s Loyalty	0,429

Based on the data presented in table 4 above, it can be seen that the value of R-Square for organizational culture is 0.754. The result explains that the percentage of organizational culture can be explained by the spiritual leadership of 75.4 percent. As for the value of R-Square on employee, loyalty is 0.429, meaning that the percentage of employee loyalty can be explained by spiritual leadership and organizational culture of 42.9 percent.

Rating of the goodness of fit is obtained from Q-Square value. The value of Q-Square has the same meaning as the coefficient of determination (R-Square) on regression analysis, in which the higher is the Q-Square, the model can be said to be more suitable to the data. The calculation of Q-Square value is as follows:

$$\begin{aligned}
 \text{Q-Square} &= 1 - [(1-0,754) \times (1-0,429)] \\
 &= 1 - (0,246 \times 0,571) \\
 &= 1 - 0,140 \\
 &= 0,860
 \end{aligned}$$

Based on the above calculation result obtained the Q-Square value of 0.860. This indicates that the diversity of research data that can be explained by the research model is 86%, while the remaining 14% is explained by other factors that are outside of this research model. Based on this result, the model can be stated to have a very good goodness of fit.

Hypothesis Testing

The data processing done by the researcher could be used to answer the hypothesis of this study. Hypothesis test in this research is done by looking at the value of t-count and p-value. The research hypothesis could only be accepted if the value of p-value < 0,05 and value t count is a positive value. Here are the results obtained in the hypothesis test in this study through inner model:

Table 5.t-Count and P-Value

Hypothesis	Influence	t-Count	P-Value	Result
H1	Spiritual Leadership Affects Organizational Culture.	29,440	0,000	Proven
H2	Organizational Culture affects Employee's Loyalty	2,550	0,011	Proven
H3	Spiritual Leadership Affects Employee's Loyalty	0,752	0,452	Not Proven

Discussion

Based on the data presented in table 5, we get the following explanation:

1. The t-count value obtained on the influence of spiritual leadership on organizational culture is 29.440 with a p-value of 0.000 < 0.05. The result display that there is a significant positive influence of spiritual leadership on organizational culture. This means that the better the spiritual leadership in the Society's Eye Hospital, East Java, the organizational culture in the company will also improve. When this result is associated with the responses of the respondents to the questions contained in Spiritual Leadership variable, it can be learned that the highest average value is on the indicator 3rd, which is vision 3rd with an average rating of 4.08. It shows that according to the respondents, the leaders inspire employees to do the best for the Hospital. Leader's ability in inspiring employees will be able to build a positive organizational culture.
2. The T-count value obtained on the influence of organizational culture on employee's loyalty is 2.550 with a p-value of 0.011 < 0.05. The result describes that there is a significant positive effect of organizational culture on employee's loyalty. This means that the better the organizational culture in an institution, the loyalty of employees will also increase. When associated with the respondent's responses to organizational culture, the highest average score is found in the 5th indicator. Mission 2nd with an average score of 4.12. It means that the hospital has a long-term goal. Employees confidence in the future of the Society's Eye Hospital, East Java society fosters employee's loyalty.
3. the T-Count value obtained on the influence of spiritual leadership on employee's loyalty is 0.752 with a p-value of 0.452 > 0.05. The result explains that there is a positive but insignificant influence of spiritual leadership on employee's loyalty. This means that if the spiritual leadership in an organization is good, it will not directly impact on employee's loyalty. When this result is related to the respondent's response toward the questions contained in the variable of Spiritual Leadership, the lowest average is in the 11th

indicator, shown by the average score of 3.69, meaning the 11th indicator of respondents felt the leadership in the hospital does not fully possess a high honesty. Since the leader is considered less honest by the employees, the influence of spiritual leadership does not give a significant impact on employee's loyalty.

Conclusion

1. The result obtained show that there is a significant positive influence of spiritual leadership on organizational culture. This means that the better the spiritual leadership in a company, the organizational culture in the company will also improve.
2. The result gained indicate that there is a significant positive effect of organizational culture on employee's loyalty. This means that the better the organizational culture in an institution, the loyalty of employees will also increase.
3. The result achieved describe that there is a positive but insignificant influence of spiritual leadership on employee's loyalty. This means that if the spiritual leadership in an organization is good, it will not directly impact on employee's loyalty.

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