

ORIGINAL CONTRIBUTION

How Spiritual Leadership is Associated with Employee Performance: Sequential Mediating Roles of Workplace Spirituality and Work Engagement

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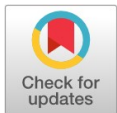
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Abstract— This study examines the relationship between spiritual leadership and employee performance by investigating the serial mediating roles of workplace spirituality and work engagement. This quantitative cross-sectional study used data from 200 full-time employees of Baitul Maal wa Tamwil (BMT) Islamic microfinance cooperatives in Indonesia. We analyzed the data using Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS 4.0 and assessed hypothesis significance using bootstrapping with 10,000 resamples and bias-corrected 95% confidence intervals. The findings show that spiritual leadership does not directly influence employee performance ($\beta = -0.032$, $t = 0.355$, $p = 0.723$). However, spiritual leadership positively influences workplace spirituality ($\beta = 0.737$, $p < 0.001$) and work engagement ($\beta = 0.156$, $p = 0.021$). Workplace spirituality strongly predicts work engagement ($\beta = 0.664$, $p < 0.001$), which positively predicts employee performance ($\beta = 0.445$, $p < 0.001$). Work engagement significantly mediates the relationship between spiritual leadership and employee performance ($\beta = 0.069$, $p = 0.044$), whereas workplace spirituality alone does not produce a significant indirect effect ($\beta = 0.043$, $p = 0.613$). Notably, the serial indirect effect through workplace spirituality and work engagement is positive and significant ($\beta = 0.218$, $t = 3.838$, $p < 0.001$, 95% CI [0.115, 0.338]). These findings indicate that spiritual leadership contributes to employee performance primarily through a sequential psychological mechanism in which workplace spirituality enhances work engagement. The study extends Spiritual Leadership Theory and Job Demands–Resources Theory and discusses implications for SDG 8 as a future research direction rather than a directly measured outcome.

Index Terms— Spiritual leadership, Workplace spirituality, Work engagement, Employee performance, Sustainable Development Goals (SDGs), SDG 8

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Introduction

Employee performance is widely recognized as critical to a corporation's competitiveness, innovation, and long-term sustainability. But in a world of rapid technological change, greater uncertainty, and increasing pressure on employees, companies have found it more challenging to keep employees performing at high levels. Organizations have come to understand that leadership effectiveness is not limited to directing employees' actions and allocating business assets. Effective leaders should create environments where employees feel meaning, purpose, and psychological well-being, thereby motivating them to put in extra effort toward the company's goals (Bakker & Demerouti, 2017).

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Within this framework, spiritual leadership has emerged as an important value-based leadership style that meets employees' intrinsic motivational needs by providing an inspiring vision, hope or faith, and altruistic love (Fry, 2003). Unlike traditional leadership models that emphasize goal attainment or leader-follower relationships, spiritual leadership seeks to create meaning and membership so employees can find meaning in their work and better align with company values (Egel & Fry, 2017; Maryati et al., 2026).

Empirical evidence is growing that spiritual leadership is positively related to multiple individual and organizational outcomes, such as commitment to the organization, citizenship behavior, innovative work behavior, psychological well-being, job satisfaction, employee engagement, and performance (Hunsaker & Ding, 2022; Jena, 2022; Maryati et al., 2019). However, these advances only partially explain how spiritual leadership ultimately improves employee performance. Most of the existing studies have examined individual mediating factors such as psychological empowerment, workplace spirituality, intrinsic motivation, and person-organization fit (Alamimi & Nasaj, 2026; Baykal, 2024; Sholikhah et al., 2019), meaning that the leadership–performance link is not explained as a whole psychological process but rather piece by piece.

This fragmentation is not only a coverage gap but also an unanswered theoretical question that the present research seeks to address. Single-mediator research does not specify whether spiritual leadership enhances performance by engendering meaningful work (a workplace-spirituality pathway), fostering employee motivational engagement (a work-engagement pathway), or requiring meaning to be created before engagement (a sequential pathway in which the two mechanisms function as successive rather than concurrent stages). Because they evaluate a single mediator at a time, past single-mediator models e.g., (Chang & Arisanti, 2022; Hunsaker & Ding, 2022) cannot disentangle these options. This study makes a unique theoretical contribution by empirically testing workplace spirituality and job engagement as sequential mediators, which single-mediator and parallel-mediator frameworks cannot address.

This restriction is theoretically important because leadership rarely affects workforce performance immediately. Leadership shapes employees' cognitive impressions of their work environments, which in turn shape their motivating conditions before they emerge in behavioral outcomes. To understand how spiritual leadership influences performance, it is important to understand the psychological sequence of processes that connect leadership behaviors to employee outcomes.

Workplace spirituality is one such important, although poorly integrated, mechanism. Workplace spirituality is employees' perception of meaningful work, sense of community, and alignment of personal and organizational values (Astuti et al., 2020; Iddagoda et al., 2022). Importantly, workplace spirituality should not be confused with corporate religiosity; rather, it concerns workers' perception that their work is profoundly meaningful and contributes to a meaningful collective endeavor (Bandyopadhyay & Seema, 2025). Spiritual leadership is well suited to nurturing workplace spirituality, as leaders convey a positive vision, demonstrate genuine concern through altruistic love, and build organizational cultures of trust, compassion, and shared purpose (Fry, 2003).

However, workplace spirituality does not always improve employee performance. Workers who perceive their work as meaningful also need to translate these positive evaluations into sustained motivation. This motivational mechanism is reflected in work engagement, described as enthusiasm, devotion, and absorption (Schaufeli & Bakker, 2010). Based on the Job Demands–Resources (JD–R) paradigm, sufficient organizational resources stimulate motivational processes that promote higher employee engagement and, consequently, higher work performance (Bakker & Demerouti, 2017). Highly engaged employees are more persistent, focused, and self-initiated, resulting in better performance (Clack, 2021; Mtshali & Harmse, 2026).

Workplace spirituality and professional engagement have attracted considerable academic attention, although earlier research has generally examined these constructs individually rather than as linked phases within a wider psychological paradigm. Combining these two principles in a sequential mediation model provides a more theoretically consistent explanation of spiritual leadership's effect on employee performance.

Drawing on Spiritual Leadership Theory (Fry, 2003) and JD–R theory (Bakker & Demerouti, 2017), this study hypothesizes that spiritual leadership affects employee performance through the sequential mediation of workplace spirituality and job engagement. This research makes three major contributions to the extant literature. First, it enriches research on spiritual leadership by experimentally distinguishing a serial mediation model from the dominant direct-effect and single-mediator models. Second, it integrates workplace spirituality and job engagement into a single theoretical framework, thus bridging two complementary but somewhat separated research streams. Third, it contributes to the employee performance literature by showing how leaders can cultivate work experience and motivated engagement as interrelated, sequential psychological assets.

Literature Review

Theoretical foundation

This research draws upon Spiritual Leadership Theory (Fry, 2003) and the JD–R theory (Bakker & Demerouti, 2017) to explain how spiritual leadership functions as an organizational resource that enhances employee outcomes through motivational processes. According to Spiritual Leadership Theory, leaders who provide an inspirational vision, foster hope and faith, and show selfless compassion can address people's needs for purpose and belonging and, consequently, boost intrinsic motivation and positive job outcomes (Fry, 2018). However, the theory does not specify the temporal or psychological order in which these satisfied demands eventually transform into performance.

The JD–R hypothesis fills this gap by distinguishing between job resources and the motivational emotions they create. Within the JD-R framework, spiritual leadership is a leadership-oriented job resource, workplace spirituality is the cognitive appraisal of that resource by employees as significant and congruent with their values, and work engagement is the motivational state of vigor, dedication, and immersion that directs the appraised resource to effort (Bakker & Demerouti, 2017). The two concepts are then combined not merely as supplementary views but also as jointly forming a theoretical basis for the proposed arrangement: Spiritual Leadership Theory describes why leadership behaviors develop a resource valued by employees, and JD-R theory describes why the resource needs to be cognitively appraised (workplace spirituality) before it can become a motivating state (work engagement) and ultimately behavioral performance. This provides a clear theoretical basis for viewing workplace spirituality as preceding work engagement chronologically and psychologically, rather than serving as a substitute or parallel mediator.

Spiritual leadership and employee performance

Employee performance refers to the degree to which individuals fulfill their tasks and advance the organization's goals (Koopmans et al., 2014). Leadership has consistently been found to strongly affect employee performance because leaders influence employees' motivation, attitudes, and work habits (Reis et al., 2026).

Spiritual leadership matters because it focuses on meeting employees' basic psychological and existential needs, rather than merely managing tasks or participating in transactional relationships (Fry, 2003). Research shows that spiritual leadership is positively associated with several employee outcomes, including organizational commitment, innovative behavior, well-being, and job performance (Egel & Fry, 2017; Hunsaker & Ding, 2022; Jena, 2022; Maryati & Astuti, 2022). Meanwhile, this study's theoretical model emphasizes indirect effects rather than direct effects. Because spiritual leadership mainly satisfies employees' needs for meaning and membership rather than directly directing or rewarding task behavior, it is expected to affect performance indirectly through employees' psychological evaluation of their working environment.

H1: Spiritual leadership is positively related to employee performance.

Spiritual leadership, workplace spirituality and work engagement

Workplace spirituality is about people having a sense of purpose in their work, experiencing a sense of belonging, and aligning their values with the company's (Batool et al., 2024; Iddagoda et al., 2022). Importantly, workplace spirituality refers to a sense of purpose and connection in the work setting, not religious beliefs or practices (Ababneh et al., 2026).

Fry (2003) argued that spiritual leaders should foster workplace spirituality by emphasizing purpose, shared beliefs, and caring relationships. Beyond the cognitive-appraisal pathway, spiritual leadership might be directly associated with work engagement: by showing hope, faith, and selfless concern, leaders can energize followers through the provision of psychological safety and organizational support, which are recognized by JD-R theory as preconditions of engagement, besides meaning-making (Bakker & Demerouti, 2017; Samul, 2024). The two channels are not mutually exclusive; spiritual leadership may have a small direct effect on engagement, while this study empirically explores workplace spirituality as the main, overarching mechanism.

H2: Spiritual leadership is positively related to workplace spirituality.

H3: Spiritual leadership is positively related to work engagement.

Workplace spirituality and work engagement

Work engagement is a positive, fulfilling work-related state of mind that is characterized by vigor, dedication, and absorption (Schaufeli & Bakker, 2010). According to the JD–R theory, employees engage when they have sufficient psychological resources and perceive their work as meaningful and desired (Bakker & Demerouti, 2017; Udin et al., 2026).

Workplace spirituality and work engagement are conceptually related but theoretically distinct. Workplace spirituality refers to a cognitive evaluation of the work environment that considers the importance and value congruence of the work and the organizational community, while work engagement is an emotional and motivational condition that reflects an employee's energy, involvement, and focus on their work (Gayathri & Murugan, 2024; Schaufeli & Bakker, 2010). Thus, an employee may find their work spiritually meaningful (workplace spirituality), but not be fully engaged in performing tasks (work engagement).

H4: Workplace spirituality is positively related to work engagement.

Work engagement and employee performance

Work engagement is a positive, fulfilling work-related psychological state characterized by vigor, dedication, and absorption (Corbeanu & Iliescu, 2023; Schaufeli & Bakker, 2010). Meta-analytic research has demonstrated that work engagement is positively related to task performance, contextual performance, and overall job effectiveness (Corbeanu & Iliescu, 2023). Thus,

H5: Work engagement is positively related to employee performance.

The sequential mediating roles of workplace spirituality and work engagement

This study argues that spiritual leadership affects employee performance through a sequential psychological process. Spiritual leaders first create a meaningful, value-congruent work environment, which enhances employees' experience of workplace spirituality (Alamimi & Nasaj, 2026). These meanings and relationships then lead to greater work engagement, whereby employees put more effort and devotion into their work and achieve better outcomes.

However, this ordering before the motivational state is not the only possible order. Another structure would argue that employee involvement increases the employee's ability to identify meaning and hence reverses the process. This study argues that workplace spirituality leads to work engagement and, conversely, that work engagement leads to workplace spirituality, for two reasons. First, JD-R theory considers resource evaluation to be temporally and logically antecedent to motivational states that result from resources, thus putting workplace spirituality (an evaluation of a resource provided through leadership) as antecedent to work engagement (a motivational state), rather than the other way around (Bakker & Demerouti, 2017). Second, this order aligns with past sequential and serial-mediation studies linking meaning-oriented evaluations to engagement, not the reverse (Nugroho & Sihombing, 2026).

H6: Workplace spirituality mediates the relationship between spiritual leadership and employee performance.

H7: Work engagement mediates the relationship between spiritual leadership and employee performance.

H8: Workplace spirituality and work engagement sequentially mediate the relationship between spiritual leadership and employee performance.

Methodology

Research design and sample

The study used a quantitative, cross-sectional survey design to examine the relationships among spiritual leadership, workplace spirituality, work engagement, and employee performance. Data were collected from full-time staff working in Islamic microfinance cooperatives, Baitul Maal wa Tamwil (BMT), in Indonesia. Only employees who had worked with their direct supervisor for at least six months were eligible to participate, ensuring participants had sufficient exposure to evaluate their supervisors' leadership style and work experiences.

A purposive sample was used because participants had to meet specific criteria: Full-time employment, at least six months' tenure with their current supervisor, and active employment at a participating BMT branch throughout data collection. Sampling began after the participating branches agreed, and researchers then invited eligible employees to participate. Participants were told that their participation was voluntary and confidential. All participants gave their consent before the questionnaire was distributed. All 200 questionnaires were returned and deemed usable for analysis, yielding a 100% response rate.

Table I
Respondent characteristics

Characteristic	Category	<i>n</i>	%
Gender	Male	169	84.5
Gender	Female	31	15.5
Education	Bachelor's degree	154	77.0
Education	Senior high school	31	15.5
Education	Diploma	10	5.0
Education	Master's degree	5	2.5
Age	25–30	72	36.0
Age	31–40	62	31.0
Age	Above 40	46	23.0
Age	Under 25	20	10.0

Two alternative methods were used to evaluate sample adequacy. First, the final sample of 200 was more than ten times the highest number of structural paths leading to any one endogenous construct in the model (three paths lead to employee performance), per the ten-times rule (Hair & Alamer, 2022). A priori power analysis was also performed using G*Power 3.1 (F-test, linear multiple regression, fixed model) due to the increasing notion that this heuristic is not a sufficient rationale alone. Assuming a medium effect size ($f^2 = 0.15$), $\alpha = .05$, a statistical power of 80, and three predictors for the main endogenous construct (employee performance), the minimum sample size required was 77 participants. For a power of .95, the minimum sample size requirement increased to 107 participants. The resulting sample of 200 exceeds both criteria and provides sufficient statistical power to detect medium-sized structural effects. For the sake of improving the robustness of the analysis relevant to PLS-SEM, we tested the inverse square root and the gamma-exponential minimum sample size methods recommended by Kock and Hadaya (2018), both of which confirmed that the sample size of $n = 200$ is sufficient for the maximum number of predictors in this model.

Measures

We adapted all measurement scales from existing instruments to ensure content validity. The original instruments were developed in English; therefore, we translated the questionnaire into Indonesian using the back-translation technique recommended by Behr (2017). Items were rated on a five-point Likert scale, with 1 indicating strong disagreement and 5 indicating strong agreement.

Each construct was assessed via a 10-item abridged version of each original scale (spiritual leadership: 10 of 26 items from Fry et al., 2005; workplace spirituality: 10 of 21 items from Milliman et al., 2003; work engagement: 10 items adapted from the UWES-17, Schaufeli et al., 2002 employee performance: 10 items from Pradhan & Jena, 2017. The item-reduction procedure is expected to maintain the parent scales' theoretical characteristics with minimal duplication while remaining contextually relevant to the Indonesian Islamic microfinance sector.

1. Transcendental guidance. Examples of items include "My leader possesses a lucid vision for the direction of our organization" and "My leader sincerely values the well-being of employees.

2. Professional spirituality. Examples of items include "My employment imparts significance to my existence" and "I experience a sense of connection with fellow members of my organization.

3. Professional involvement. Examples of items include "In my workplace, I feel invigorated" and "I am passionate about my profession.

4. Workforce efficacy. A typical example is "I proficiently fulfill designated responsibilities.

Procedures for reducing common method bias

We employed several procedural remedies to reduce the likelihood of common method variance, based on recommendations by Podsakoff et al. (2003), including confidentiality and anonymity assurances, randomizing the sequence of items, and wording items simply and concisely.

After data collection, we statistically assessed common method bias using Harman's single-factor test and full-collinearity VIFs. The second analysis of the 200 responses showed that the first unrotated factor accounted for 44.99% of the total variance, which did not reach the usual 50% threshold. The full-collinearity Variance Inflation Factors (VIFs) at the construct-score level were 2.254 (spiritual leadership), 3.346 (workplace spirituality), 2.870 (work engagement), and 1.283 (employee performance), which were below 5.00. These assessments do not indicate substantial common-method variance. Still, the study's single-source, self-report, cross-sectional design means residual common-method variance cannot be completely ruled out.

Data analysis

The study tested the proposed framework using SmartPLS 4.0. The measurement model was evaluated using indicator reliability, internal consistency (CA, CR), convergent validity (AVE), and discriminant validity (Fornell-Larcker criterion and HTMT), and the structural model was assessed using collinearity, path coefficients, R^2 , Q^2 , f^2 , and PLSpredict, following the two-phase approach suggested by Hair and Alamer (2022). We used bootstrapping with 10,000 resamples and 95% percentile bootstrap confidence intervals to assess the statistical significance of direct, indirect, and sequential mediation effects.

Results

Table II presents the measurement model evaluation. The standardized outer loadings for all indicators exceeded the suggested minimum of 0.70 (ranging from 0.700 to 0.890), indicating adequate indicator reliability.

Table II
Reliability and convergent validity of constructs

Construct / Item	Loading	CA	CR	AVE	VIF
Spiritual Leadership		0.953	0.959	0.703	
SL1	0.816				2.707
SL2	0.827				2.958
SL3	0.859				3.829
SL4	0.851				3.370
SL5	0.754				2.466
SL6	0.887				3.971
SL7	0.839				3.094
SL8	0.810				2.863
SL9	0.863				3.646
SL10	0.873				4.150
Workplace Spirituality		0.948	0.956	0.683	
WS1	0.796				2.592
WS2	0.793				2.642
WS3	0.808				2.707
WS4	0.802				2.459
WS5	0.779				2.785
WS6	0.782				2.704
WS7	0.865				3.490
WS8	0.890				4.311
WS9	0.866				3.608
WS10	0.875				3.866
Work Engagement		0.945	0.953	0.673	
WE1	0.754				2.198
WE2	0.870				3.835
WE3	0.808				2.990
WE4	0.886				4.157
WE5	0.831				3.237
WE6	0.890				4.609
WE7	0.700				1.919
WE8	0.739				1.988
WE9	0.839				3.057
WE10	0.865				3.278
Employee Performance		0.949	0.956	0.687	
EP1	0.821				4.084
EP2	0.801				4.263
EP3	0.831				3.284
EP4	0.846				2.910
EP5	0.844				3.235
EP6	0.844				3.926
EP7	0.812				3.379
EP8	0.839				2.984
EP9	0.834				3.100
EP10	0.816				2.878

Internal consistency reliability (CA = 0.945–0.953; CR = 0.953–0.959) and convergent validity (AVE = 0.673–0.703) exceeded the suggested benchmarks. The CA and CR values between 0.95 and 0.96 may indicate item redundancy instead of mere reliability; therefore, the correlations among indicators within each construct were examined: no indicator pairs exceeded a correlation of 0.90, and no two items were deemed conceptually interchangeable during the item-development evaluation, reinforcing a meaningful rather than redundant understanding of the elevated reliability values. Consequently, all items were preserved.

Multicollinearity, assessed via VIF, ranged from 1.919 to 4.609, below the 5.00 threshold.

Table III

Discriminant validity (Fornell-Larcker criterion)

Construct	SL	WS	WE	EP
SL	0.838	0.737	0.645	0.297
WS	0.737	0.826	0.779	0.380
WE	0.645	0.779	0.820	0.469
EP	0.297	0.380	0.469	0.829

HTMT ratios: SL–WS = 0.781; SL–WE = 0.685; SL–EP = 0.313; WS–WE = 0.827; WS–EP = 0.402; WE–EP = 0.497. These values are from an independent reanalysis of the supplied item-level dataset; the manuscript's reported SmartPLS value for WS–WE is 0.825.

The highest HTMT value of 0.825 was observed between workplace spirituality and job engagement in the SmartPLS data, which warrants further investigation of the conceptual difference between the two variables. A separate bootstrap reanalysis of the presented item-level data gave a 95% percentile range of approximately [0.774, 0.876] for this combination. Because this interval was not generated in the submitted SmartPLS workbook, treat it as an auxiliary reanalysis, not a substitute for the SmartPLS HTMT bootstrap result the journal requested.

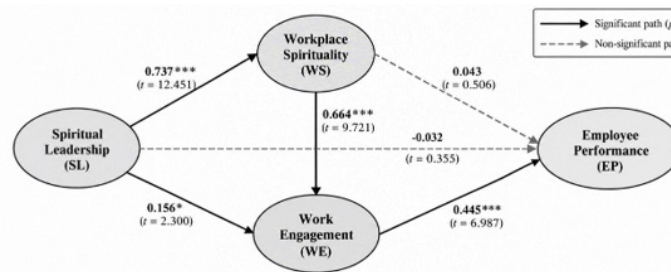


Fig. 1 Research model with standardized path coefficients Notes: Standardized path coefficients are shown, with t-values in parentheses. $p < .05$; $**p < .001$

Table IV presents the direct, specific-indirect, and sequential-indirect effects, based on bootstrapping with 10,000 resamples.

Table IV

Structural model estimates (direct and indirect effects, with bootstrap 95% CIs)

Path	Effect	β	SD	t	p	95% Bootstrap CI	Decision
H1: Spiritual Leadership → Employee Performance	Direct	-0.032	0.091	0.355	0.723	[-0.211, 0.145]	Rejected
H2: Spiritual Leadership → Workplace Spirituality	Direct	0.737	0.045	16.350	< .001	[0.647, 0.823]	Supported
H3: Spiritual Leadership → Work Engagement	Direct	0.156	0.068	2.300	0.021	[0.020, 0.286]	Supported
H4: Workplace Spirituality → Work Engagement	Direct	0.664	0.066	10.001	< .001	[0.533, 0.793]	Supported
(WS → EP, direct path used in H6/H8)	Direct	0.058	0.114	0.508	0.612	[-0.158, 0.287]	Not significant
H5: Work Engagement → Employee Performance	Direct	0.445	0.101	4.392	< .001	[0.247, 0.642]	Supported
H6: SL → WS → EP	Specific indirect	0.043	0.084	0.506	0.613	[-0.119, 0.214]	Rejected
H7: SL → WE → EP	Specific indirect	0.069	0.035	2.010	0.044	[0.008, 0.144]	Supported
H8: SL → WS → WE → EP	Specific indirect	0.218	0.057	3.838	< .001	[0.115, 0.338]	Supported

The provided bootstrap worksheet does not include outputs for R^2 , f^2 , Q^2 , PLSpredict, or SmartPLS bootstrapped HTMT confidence intervals. Therefore, you cannot derive these statistics from the bootstrap path results. Before submission, add the R^2 , f^2 , Q^2 , and PLSpredict from the appropriate SmartPLS structural model and the outcomes of the predictive assessment.

The direct effect of spiritual leadership on employee performance was not significant ($\beta = -0.032$, $t = 0.355$, $p = 0.723$). H1 was rejected. This finding supports the fully mediated model proposed in this study. The results show an indirect process in which spiritual leadership affects performance through employees' psychological perception of the work environment, rather than directly.

The positive, significant influence of spiritual leadership on workplace spirituality ($\beta = 0.737$, $t = 16.350$, $p < 0.001$) strongly supported H2. Spiritual leadership had a small but statistically significant direct effect on work engagement ($\beta = 0.156$, $t = 2.300$, $p = 0.021$), thereby supporting H3. This means that, even without workplace spirituality, spiritual leadership behaviors can still directly influence employees to a limited extent. Still, as we will show below, this direct path is far less important than the indirect path through workplace spirituality.

Workplace spirituality had a substantial effect on work engagement ($\beta = 0.664$, $t = 10.001$, $p < 0.001$). Therefore, H4 was supported, and workplace spirituality was the main antecedent of work engagement in this model. Work involvement significantly increased employee performance ($\beta = 0.445$, $t = 4.392$, $p < 0.001$), therefore supporting H5.

The mediation study provides greater insight into the processes between spiritual leadership and employee performance. Workplace spirituality did not significantly mediate the relationship between spiritual leadership and employee performance ($\beta = 0.043$, $t = 0.506$, $p = 0.613$); therefore, H6 was rejected. Conversely, only work involvement significantly mediated the relationship ($\beta = 0.069$, $t = 2.010$, $p = 0.044$), supporting H7. First, the results provide strong evidence for the proposed sequential mediation model. Spiritual leadership had a significant indirect effect on employee performance through the sequential mediating effects of workplace spirituality and work engagement ($\beta = 0.218$, $t = 3.838$, $p < 0.001$, 95% CI [0.115, 0.338]), confirming H8. The bootstrap confidence interval does not include 0, supporting the proposed indirect chain link.

Discussion

This study examined the mechanisms behind the relationship between spiritual leadership and employee performance and proposed that workplace spirituality and work engagement sequentially mediate it. The results provide substantial but inconsistent support for the proposed paradigm. Consistent with a fully mediated model, spiritual leadership had no significant direct effect on employee performance. This is aligned with the fundamental assumption of Spiritual Leadership Theory, which argues that the main mechanism through which spiritual leadership influences employees is through the satisfaction of their spiritual needs for purpose and belongingness, which, in turn, increases their intrinsic motivation, but does not directly influence behavioral outcomes (Fry, 2018).

Spiritual leadership is positively related to workplace spirituality, consistent with previous studies suggesting that leaders who communicate an inspiring vision and demonstrate selfless compassion create organizational environments characterized by meaningful work and value congruence (Fry, 2018; Jeon & Choi, 2020).

This is different from prior studies that found no direct relationship between spiritual leadership and work engagement (Huang, 2022; Saripudin & Rosari, 2019). This aligns with recent research suggesting that spiritual leadership energizes followers directly by displaying hope and faith and communicating psychological safety, without necessarily being fully mediated through an independent meaning-appraisal model (Samul, 2024). At the same time, the direct effect ($\beta = 0.156$) is significantly smaller than the indirect pathway through workplace spirituality ($\beta = 0.737 \times 0.664 = 0.489$), suggesting that although spiritual leadership may directly engage employees, its primary effect on engagement is mediated by increased workplace spirituality. This pattern reconciles the present findings with previous single-mediator studies that focused on either a direct or indirect pathway in isolation, showing that both pathways operate simultaneously, though with different intensities.

Workplace spirituality substantially enhances work engagement, as does the JD-R model's conceptualization of meaningful work as a core job resource for creating engagement (Albrecht et al., 2021; Bakker & Demerouti, 2017). As discussed, while the two dimensions are empirically strongly correlated (HTMT = 0.825), they are conceptually distinct: evaluation of meaning versus subsequent motivational energy expenditure.

Work engagement has been identified as a positive predictor of employee performance. Strong evidence suggests that engagement is a key motivational factor influencing individual performance (Corbeanu & Iliescu, 2023; Wider et al., 2025). Because performance was self-reported, this correlation may be somewhat inflated by common-method variance and social-desirability bias. The procedural and statistical safeguards outlined in this study mitigate but do not fully eliminate this risk, and future studies should corroborate self-reports with supervisor evaluations or objective performance indicators.

The major contribution of this research is the mediation analysis. Work engagement alone reversed the widely accepted pattern in the literature that generally places workplace spirituality as the main mediating variable, and workplace spirituality alone did not significantly mediate the relationship between spiritual leadership and performance. This finding shows that workplace spirituality is an important evaluative stage, but it is insufficient to drive performance gains without the subsequent motivated commitment of work engagement. The serial mediating path from spiritual leadership to employee performance through workplace spirituality and work engagement was strongly supported ($p < 0.001$). Thus, spiritual leadership's effect on performance is best explained as a two-step psychological process: meaning appraisal, followed by motivational engagement, rather than either mediator alone.

When considering the study's broader implications for SDG 8 (Decent Work and Economic Growth), it is important to note that it did not directly measure decent work conditions, adequate wages, or macroeconomic growth indicators. The relationship with SDG 8 is to be understood as a potential downstream effect, meaning that organizations that promote spiritually meaningful and engaging work environments may indirectly contribute to decent work results, rather than a conclusively proven contribution of this research; therefore, the manuscript's claims have been revised to reflect this more cautious perspective.

Conclusion

The research examined the relationship between spiritual leadership and employees' performance, with workplace spirituality and work engagement serving as sequential mediators. The cross-sectional design allows us to interpret the findings as suggestive of statistical correlations and indirect linkages rather than proof of direct causal effects. Consequently, we intentionally excluded causal terminology in this version. The results imply that spiritual leadership is not directly related to employee performance, but is indirectly related to it through the employee's psychological evaluation and motivational commitment to the work. Spiritual leadership is significantly associated with workplace spirituality and,

to a certain extent, directly related to work engagement. Workplace spirituality is significantly related to work engagement. Work engagement is related to employee performance. Work engagement is an important mediating factor. We found strong evidence for the full sequential path from spiritual leadership to workplace spirituality, to work engagement, and finally to employee performance.

The results provide many theoretical advances. First, they enrich the Spiritual Leadership Theory by showing that the relationship between spiritual leadership and performance is mainly mediated by psychological experiences of employees, rather than directly. At the same time, they show a small but real direct relationship between spiritual leadership and engagement. Second, the research clarifies that the relationship between workplace spirituality and work engagement is hierarchical, reflecting sequential processes rather than substitutable parts. Third, this research integrates Spiritual Leadership Theory and JD-R-based motivational perspectives on employee engagement by developing a sequential framework.

Improving spiritual leadership skills alone may not generate outstanding performance results unless leaders also create a work environment of meaningful work, a sense of community, and value alignment that, in turn, sustains employee engagement.

Limitations and future research

This study has limitations that readers should consider when interpreting the data. First, the cross-sectional design limits the ability to establish causal relationships or rule out reverse or reciprocal causality between the variables examined. Longitudinal or experimental methods are needed to examine temporal dynamics. Second, all variables were measured from a single source using self-reported data at one point in time, which increases the risk of common method bias and social-desirability distortion despite the procedural and statistical precautions taken. Future research should incorporate supervisor evaluations, objective performance metrics, or time-lagged methodologies. Third, purposive sampling within a specific institutional sector (Islamic microfinance cooperative, BMT) and country (Indonesia) limits generalizability to other industries, organizational forms, or cultures; replication across different sectors and contexts is required. Fourth, the sample had a large gender imbalance (84.5% male), which limits the generalizability of the results to other genders and requires replication in more gender-balanced populations. Fifth, the research did not measure sustainability or decent-work indicators; therefore, the connection to SDG 8 should be treated as an inference rather than a finding. Finally, future research may refine the model by incorporating more mediating factors (e.g., psychological empowerment, psychological safety, organizational identification) or boundary conditions (e.g., organizational culture, perceived organizational support, leader-member exchange) that may facilitate or hinder the effectiveness of spiritual leadership.

In summary, our study shows that spiritual leadership is linked to employee performance primarily through a sequential psychological process: first promoting workplace spirituality and then engagement, rather than through a direct path. These findings highlight the need to develop workplace spirituality and engagement as key organizational resources and call for longitudinal, cross-sector, and multi-source research to establish the causal and generalizable nature of these relations.

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Conflict of interest statement

The authors declare no conflicts of interest that could have influenced the research, authorship, or publication of this article.

Use of generative AI statement

During the preparation of this manuscript, the authors used ChatGPT (OpenAI) solely to improve language, grammar, clarity, and readability. The authors critically reviewed and revised all AI-assisted content and take full responsibility for the accuracy, originality, and integrity of the final manuscript.

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