Optimize The Workplace Spirituality And Employee Loyalty To Achieve Operational Excellence Through Employee Engagement : Study In Pt Cipta Kridatama Site Mifa

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Abstract

This study examines the effect of the workplace spirituality and employee loyalty on operational excellence through employee engagement. The population of this research is the employees of PT. Cipta Kridatama Site Mifa, located in Aceh Barat, Indonesia, amounted to 802 people. The sample was determined with stratified random sampling technique and provided as much as 267 respondents. The research model is analyzed using Structural Equation Modeling (SEM). The result shows that workplace spirituality affects operational excellence, employee loyalty affects operational excellence, workplace spirituality affects employee engagement, employee loyalty affects employee engagement, employee engagement affects operational excellence, employee engagement partially mediates the relationship of the workplace spirituality to operational excellence, and employee engagement does not mediate the effect of employee loyalty to operational excellence. The work engagement stands as the partial mediation variable proves that the work engagement is still an important mediator in strengthening the management model and this can be a consideration for practical managers to improve the operational excellence. The novelty lies in the discussions of the workplace spirituality that is able to influence other variables, which is still rarely discussed and updated in the scope of management research. These findings contribute to the renewal of the causality theories and are useful as a basis for the development of advanced research models. The limitation of the study lies in the number of variables and scope of object. The result test figured provides some recommendations.

Keyword: Workplace spirituality, Employee engagement, Employee loyalty, Operational Excellence.

1. Introduction

The mining industry sector, especially in the coal mining sector, is one of the business activities that attracts investment interests, both from domestic and foreign investors. Investor optimism to invest is based on market demand that continues to increase from year to year along with the growth of industries that rely on coal as a source of energy. Coal mining business players are divided into two categories, namely: 1) companies holding mining business licenses (IUP), which have obtained concession rights (control) of mining areas with a certain area, which benefit from the sale of coal deposits that have been exploited successfully and; 2) companies
holding mining service business licenses (IUJP), which obtained a permit to carry out the activities of stripping and removing layers of soil covering coal deposits in the bowels of the earth.

Regulations and legislation governing coal mining regulations, only allow IUP holders to carry out coal exploitation and commercialization activities. IUP holders are not permitted to peel the coal deposit coating soil material. On the other hand, IUJP holders are only allowed to do stripping of coal deposits and are not justified to exploit exposed coal. Thus, it can be said that the companies holding the IUP and the company holding the IUJP carry out their business activities (core business) in accordance with their respective expertise, but between the two have interdependence.

PT Cipta Kridatama (PT CK) is one of 116 mining service contractor companies that hold IUJP holders in Indonesia. Many companies holding IUPs have been forced to close their mining concessions because the operational costs of mining have exceeded the selling price of coal. This has an immediate impact on mining service providers, with two main problems; 1) the client is no longer able to pay the costs / costs of mining services and 2) the mining service contractor is unable to provide an affordable mining service price to the client. The coal business crisis has pushed PT CK to find the best solution for the company's sustainability, through efforts to excel in operational (operational excellence) and leadership that focuses on cost leadership in order to be able to compete so that it can continue to survive in a crisis condition.

In general, some organizations describe operational excellence as an ability of an organization to achieve and maintain top performance in reliability and efficiency, while still maintaining the highest standards of safety, health and work environment matters that make cost effective and governance able to maintain profits. PT CK chose to apply the operational excellence strategy through a comprehensive, structured and organized approach, to build organizational capability as well as bringing together the benefits that result from the best set of steps it has ever taken. PT CK systematically operates operational excellence using a continuous improvement approach. In this concept, at the heart of operational excellence lies leadership and the ongoing efforts of the process of establishing and maintaining standard standards in a consistent and reliable manner.

Continuous improvement in the company's operational lines rests on the reliability of its human resources. PT CK is committed to improving the ability of its employees in various aspects both technical and managerial capabilities, so that the level of productivity and efficiency of each individual can be achieved to be able to create "added value" for the company.

Based on observations from the author's experience working in several companies, Employee Engagement is the basis for the realization of a comfortable work environment and employee loyalty. Workers work calmly when their work environment is spiritually comfortable and workers are loyal to the company when emotional ties between workers and between workers and superiors are well established. However, aspects of the workplace spirituality, as one of the supporting prerequisites for achieving operational excellence, have never been assessed and have not been scientifically and comprehensively researched. Though the workplace spirituality is a supporting infrastructure for workers to produce optimal performance.

Employee Loyalty is also one of the factors that can be considered influential in achieving operational excellence in a company. Employee loyalty is important for companies to avoid disrupting operational activities that have the potential to cause losses, which are caused by resigning resources to work elsewhere. The loss here is not only in terms of disrupted operations, but also from the secret of company excellence both in the form of strategies and methods or
work techniques that leak to other companies (especially if it is leaked to a competitor's company). The above description becomes the philosophy that underlies the spirit of the writer to examine how workers' engagement in mediating the comfort of the workplace spirituality and employee loyalty to achieve operational excellence.

2. Literature Study

Operational Excellence

Operational excellence must be able to be demonstrated by the company with a real result, not only by statement, but also by showing a company's long-term sustainability. (Nyiramahoro & Shooshina, 2001) identify several ways that can be done to create value for shareholders, namely: operational excellence, optimal financial structure, focus on core competencies, credible profit growth and the ability to manage information. Operational excellence is the first and foremost factor in creating value because basically operational excellence will be reflected in the company's ability to run existing businesses to generate long-term profit growth from existing assets.

(Russell & Koch, 2009) stated that operational excellence is about how to reach the peak efficiency of operational activities in terms of doing work better, faster and cheaper. According to (Lu, 2011) Operational excellence is one element of business excellence, including several other elements such as strategy adjustment, adaptability and unique inputs. To achieve its objectives, a pressure is needed to maintain a high level of integration between strategy, program implementation, application and performance. (Assen, Berg, & Pietersma, 2011) defined operational excellence as a design and management to maximize sustainable operating profits from a production advantage and delivery system so that it is able to offer products and services to customers with the right value.

(Russell & Koch, 2009) stated 5 (five) things that become indicators of achieving operational excellence, namely: Profit, Efficiency, Human resources, occupational safety and health, and initiatives.

Employee engagement

(Kahn, 2012) defined employee engagement as organizational member engagement with the organization itself, not only physically, but also cognitively and even emotionally in terms of its performance. (Hughes & Rog, 2008) defined employee engagement as organizational member engagement with the organization itself, not only physically, but also cognitively and even emotionally in terms of its performance. (Bakker & Leiter, 2010) defined employee engagement as organizational member engagement with the organization itself, not only physically, but also cognitively and even emotionally in terms of its performance.

When viewed from the perspective of the employer (company), employee engagement is about positive attitudes and behaviors that lead to an increase in company output, as a result of linking and supporting one another. Employee engagement here is about how a worker can feel proud and loyal in his work for the organization, be part of a company that is always ready to serve customers, and always give "more" in carrying out and completing work. Employee engagement will attract employees' ideas to improve products and services and innovate at work. In conditions of ideal employee attachment, it is certain that the company will excel in its operational activities.
Several indicators of employee engagement were disclosed by (Bakker & Leiter, 2010): Vigor (enthusiasm for enthusiasm), Dedication, Absorption (feeling united and cool with work), Affection (expression of compassion at work), Behavior (behavior), Cognitive (the foundation of thinking to be creative).

**Workplace spirituality**

Spirituality at work is not about religion, or about getting people to understand certain belief systems (Cavanagh, 1999). This is something that does not have to involve connection to certain religious traditions, but rather can be based on personal values and philosophies. This is also about employees who see themselves as spiritual beings whose souls need comfort at work, who experience a sense of purpose and meaning in their work and a sense of connection with each other and with their workplace community (Milliman, Czaplewski, & Ferguson, 2003). Spirituality at work illuminates individuals with the feeling that they make a difference, they are understood, they are valued, their behavior and actions come from the heart, which motivates individuals to influence sustainability and corporate social responsibility (Fry, 2003).

The workplace spirituality consists of integrated values, attitudes and behaviors that will motivate followers intrinsically through vocations and membership. Spirituality at work illuminates individuals with the feeling that they make a difference, they are understood, they are valued, their behavior and actions come from the heart, which motivates individuals to influence sustainability and corporate social responsibility. Workplace spirituality provides a sense of connection, sharing power, flexibility, and trust, all of which help to energize people and gather intrinsic motivation to make the most of their talents and abilities.

For the measurement of the workplace spirituality using the concept developed by (Milliman et al., 2003) as follows Work that is very meaningful (meaningful work), Sensitivity to the community (sense of community), Equality or alignment of values (alignment of values).

**Employees Loyalty**

Loyalty is a psychological condition that binds employees and their companies (Meyer & Herscovitch, 2001). According to (Laksana, 2008) loyalty can mean organization to the organization associated with a person's identification with the organization. Loyalty as the willingness of social actors to provide energy and service to the social system. Loyalty of workers to the organization has the meaning of a person's willingness to perpetuate relations with the organization, if necessary at the expense of his personal interests without expecting anything (Hasibuan, 2014). The willingness of employees to defend themselves working in the organization is important in supporting employee commitment to the organization where they work, it is asked that employees feel the security and satisfaction in the organization where the employee joined to work.

(Shin & Elliott, 2001) stated that the measure of employee loyalty is how long they stay in the company. Furthermore, employees are said to have low loyalty among them because of their character traits (innate), disappointment, the attitude of superiors who make negative feelings, such as the desire to leave the organization, and there are feelings of regret. From the definitions described above it concludes that employee loyalty is loyalty, devotion, obedience and sincerity in carrying out a task that ends with a work that can be enjoyed by human beings concerned with a person's identification with the organization.
To measure employee loyalty, adapt to the indicators built by (Hasibuan, 2014) so the constructs are obtained consisting of: (1) I always talk positively about the company or organization where I work to everyone, (2) I often recommend the products and services produced by the company or organization where I work, (3) I will last in time the old one at the company I currently work for, (4) I won't change to another company immediately if I get a job offer.

**Research paradigm**

Based on the problem discussion and research literature, the researcher formulates the paradigm and research hypothesis as follows.

**Figure 1. Research Paradigm**

H1 : Workplace spirituality affects operational excellence in PT. Cipta Kridatama Site Mifa.
H2 : Employee loyalty affects operational excellence in PT. Cipta Kridatama Site Mifa.
H3 : Workplace spirituality affects employee engagement with PT. Cipta Kridatama Site Mifa.
H4 : Employee loyalty affects employee engagement with PT. Cipta Kridatama Site Mifa.
H5 : Employee engagement affects operational excellence in PT. Cipta Kridatama Site Mifa.
H6 : Employee engagement mediates the effect of workplace spirituality on operational excellence.
H7 : Employee engagement mediates the effect of employee loyalty on operational excellence.

### 3. Research Method

This research was conducted at PT. Cipta Kridatama Site Mifa, located in West Aceh Regency (Aceh Barat), Indonesia. The research variables are workplace spirituality, employee loyalty, employee engagement and operational excellence. The study population is the employees of PT. Cipta Kridatama Site Mifa, as much as 802 people. The stratified random sampling was used to determine the amount of sample and it resulted as much as 267 respondents.
Data were collected using a questionnaire. The questions were asked and assessed using a Likert scale. Data were analyzed using Structural Equation Modeling (SEM) technique. The SEM equation model is a collection of statistical techniques that allow simultaneous testing of relatively complex relationships (Hair, Hult, Ringle, & Sarstedt, 2016). SEM is able to enter latent variables into the analysis. Before testing the hypothesis, confirmatory factor analysis (CFA). CFA in SEM needs to be used to ensure that the indicators are fit (Silva & Alwi, 2008). To test mediation variables, this study uses the Sobel test.

In this study, researchers built constructs for each variable studied based on previous theories, and the binding conditions for measuring the performance of the organization under study, namely:

1. Operational Excellence with measurement indicators (1) Benefits, (2) Efficiency, (3) Human resources, (4) occupational safety and health, and (5) initiatives.
2. Workplace spirituality with measurement indicators (1) Work that is very meaningful (meaningful work), (2) Sensitivity to the community (sense of community), Equality or alignment of values (alignment of values)
3. Employee loyalty with measurement indicators (1) I always talk positively about the company or organization where I work to everyone, (2) I often recommend the products and services produced by the company or organization where I work, (3) I will last a long time in the current company I work for, (4) I will not immediately change to another company if I get a job offer.
4. Employee engagement with measurement indicators (1) Vigor (enthusiasm), (2) Dedication, (3) Absorption (feeling united and engrossed in work), (4) Affection (expression of affection for work), (5) Behavior (behavior), and (6) Cognitive (basis for thinking to be creative).

4. Results and Discussion

Analysis of the structural model that explains the effect test between variables is presented in the following path diagram:

![Figure 2. Hypothesis Test Results](image-url)
The result tested by Amos on the full model for testing hypotheses after going through the fulfillment of SEM assumptions, are more clearly found in the following table:

**Table 1. Hypothesis Test Results**

<table>
<thead>
<tr>
<th>Exogenous Variables</th>
<th>Endogenous Variables</th>
<th>Estimate</th>
<th>Std Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee engagement _Y</td>
<td>Workplace spirituality _X1</td>
<td>0.262</td>
<td>0.268</td>
<td>0.083</td>
<td>3.162</td>
<td>0.002</td>
</tr>
<tr>
<td>Employee engagement _Y</td>
<td>Employee loyalty _X2</td>
<td>0.176</td>
<td>0.198</td>
<td>0.070</td>
<td>2.505</td>
<td>0.012</td>
</tr>
<tr>
<td>Operational Excellence _Z</td>
<td>Employee engagement _Y</td>
<td>0.224</td>
<td>0.220</td>
<td>0.087</td>
<td>2.573</td>
<td>0.010</td>
</tr>
<tr>
<td>Operational Excellence _Z</td>
<td>Workplace spirituality _X1</td>
<td>0.221</td>
<td>0.222</td>
<td>0.081</td>
<td>2.717</td>
<td>0.007</td>
</tr>
<tr>
<td>Operational Excellence _Z</td>
<td>Employee loyalty _X2</td>
<td>0.170</td>
<td>0.188</td>
<td>0.069</td>
<td>2.485</td>
<td>0.013</td>
</tr>
</tbody>
</table>

Source: Primary Data, 2019 (processed)

The direct effect on the table above explains that:

1. **The Effect of Workplace spirituality on Operational Excellence**
   Workplace spirituality is known to have a significant effect on operational excellence. This result is figured from the acquisition of a CR value of 2.171> 1.96 and an error rate (significant) 0.07 <0.05. Russel and Koch (2009) stated that operational excellence is about how to reach the peak efficiency of operational activities in terms of doing work better, faster and cheaper. Workplace spirituality is a supporting infrastructure for workers to produce optimal performance. Especially in Aceh, given the application of Islamic Sharia law in all walks of life, the comfort of a workplace spirituality that meets the needs of worship and other spiritual aspects becomes important. This means that when employees perceive work done as a form of worship and are sensitive to the support of the surrounding community, as well as equality of values taught by the company and the spiritual environment can increase the confidence of workers to work better, it will affect the operational excellence of the company.

2. **The Effect of Employee loyalty on Operational Excellence**
   Employee loyalty is known to have a significant effect on operational excellence. This is explained from the acquisition of a CR value of 2.485> 1.96 and an error rate (significant) 0.013 <0.05. These results indicate that when employees are loyal to an organization which is characterized by frequent employees talking positive things about the company, then often recommending products or services produced by the company (where this is done by employees for the betterment of the company, assuming the company advances increasingly also the welfare of its employees), then employees choose to stay in the company and not easily turn to other companies, while making employees to always be diligent at work which will ultimately create operational excellence of the company.

3. **The Effect of Workplace spirituality on Employee engagement**
   Workplace spirituality is known to have a significant effect on employee engagement. This result is described from the acquisition of a CR value of 3.162> 1.96 and the level of error
confidence (significant) 0.002 <0.05. These result supports the research by Milliman et al., (2017) who examined the effect of the comfort of the workplace spirituality on employee engagement. The results found that the workplace spirituality has a positive impact on employee employee engagement. The comfort of a workplace spirituality that meets the needs of worship aspects, the calm aspect of giving and taking orders, and other spiritual aspects becomes important.

4. The Effect of Employee loyalty on Employee engagement
Loyalty of workers is known to have a significant effect on employee engagement. It is revealed from the acquisition of CR values of 2.505> 1.96 and the level of error confidence (significant) 0.012 <0.05. Shih (2001) stated that a measure of employee loyalty is how long they stay in the company. Furthermore, employees are said to have low loyalty among them because of their character traits (innate), disappointment, the attitude of superiors who make negative feelings, such as the desire to leave the organization and there are feelings of regret. But when employees have high loyalty, they will always want to tether themselves to every work activity to make them more attached to the company.

5. The Effect of Employee engagement on Operational Excellence
Employee engagement is known to have an effect on operational excellence. This result is shown from the acquisition of a CR value of 2.573> 1.96 and the level of error confidence (significant) 0.010 <0.05. Miller (2014) argued that operational excellence is an ongoing effort to pursue better and more effective performance in all dimensions of the organization. Operational excellence does not only pay attention to the production process, consistency and reduce waste, but also focus on creating value that includes the interaction performance of workers, customers and supply chains. In terms of employee interactions, employees know what the company expects, how employees commit themselves to their work to realize the company's vision and mission. Thus the employee employee engagement will have an impact on the company's excellence.

After proving the direct influence hypothesis, the following results of the indirect effect analysis are presented as follows:

1. The Effect of Workplace Spirituality on Operational Excellence through Employee engagement.
To find out briefly the results of hypothesis testing can be seen in the results of the analysis of mediation effects using the concept of the sobel test is berikut:

<table>
<thead>
<tr>
<th>Input:</th>
<th>Test statistic:</th>
<th>Std. Error:</th>
<th>p-value:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a 0.262</td>
<td>Sobel test: 1.99518789</td>
<td>0.02941477</td>
<td>0.04602239</td>
</tr>
<tr>
<td>b 0.224</td>
<td>Aroian test: 1.93765579</td>
<td>0.03028815</td>
<td>0.05266523</td>
</tr>
<tr>
<td>s_a 0.083</td>
<td>Goodman test: 2.05816909</td>
<td>0.02851466</td>
<td>0.0395739</td>
</tr>
<tr>
<td>s_b 0.087</td>
<td>Reset all</td>
<td>Calculate</td>
<td></td>
</tr>
</tbody>
</table>

The result of Sobel Test calculation for the hypothesis 6 shows that the significance value is 0.04 <0.05 and the t-test value is 1.995 <1.96, as required. The complete set of the coefficient and significance of the effect of workplace spirituality on operational
excellence through employee engagement (A, B, C and C') is shown in the following figure:

![Diagram](image)

**Figure 4 - Mediation Effect Test for Hypothesis 6**

Information:
- X1 = Workplace spirituality (Exogenous Variables)
- Y = Employee engagement (Mediation Variable)
- Z = Operational Excellence (Endogenous Variables)
- A = Coefficient of Workplace Spirituality -> Employee engagement
- B = Coefficient of Employee engagement ---> Operational excellence
- P = Probability or significance value

Figure 4. Explains that the path coefficients of path A, path B and C, are significant and the significant value of path C' is significant. The result states that the employee engagement variable is expressed as a partial mediation variable. The results of this study illustrate that employee engagement becomes a significant mediator of the correlation of workplace spirituality with operational excellence.

2. The Effect of Employee loyalty on Operational Excellence through Employee engagement.
   
   To find out briefly the results of hypothesis testing can be seen in the results of the analysis of mediation effects using the following Sobel Test concept:

<table>
<thead>
<tr>
<th>Input</th>
<th>Test statistic:</th>
<th>Std. Error:</th>
<th>p-value:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a 0.176</td>
<td>Sobel test: 1.79885214</td>
<td>0.0219162</td>
<td>0.07204207</td>
</tr>
<tr>
<td>b 0.224</td>
<td>Aroian test: 1.73318205</td>
<td>0.0227466</td>
<td>0.08306332</td>
</tr>
<tr>
<td>s_a 0.070</td>
<td>Goodman test: 1.87260124</td>
<td>0.02105307</td>
<td>0.06112347</td>
</tr>
<tr>
<td>s_b 0.087</td>
<td>Reset all</td>
<td>Calculate</td>
<td></td>
</tr>
</tbody>
</table>

Sobel Test results where the significance value of 0.07 > 0.05 and t-test value 1.79 < 1.96. The complete set of the coefficient and significance of the effect of employee loyalty on operational excellence through employee engagement (A, B, C and C') is shown in the following figure:
Figure 6 - Mediation Effect for Hypothesis 7

**Information:**

X2 = Employee loyalty (Exogenous Variables)
Y = Employee engagement (Mediation Variable)
Z = Operational Excellence (Endogenous Variables)
A = Coefficient of Employee loyalty variable ---> Employee engagement
B = Coefficient of Employee engagement ---> Operational excellence
P = Probability or significance value

Figure 6 can be explained that the path coefficients of path A, path B and C, are significant and the significant value of path C' is not significant. So the result of this study states that the employee engagement variable does not mediate the effect of employee loyalty on operational excellence.

5. **Conclusion**

The result and discussion show the workplace spirituality affects operational excellence, employee loyalty affects operational excellence, workplace spirituality affects employee engagement, employee loyalty affects employee employee engagement, employee engagement affects operational excellence, employee engagement partially mediates the relationship of the workplace spirituality to operational excellence, employee engagement does not mediate the effect of employee loyalty to operational excellence. The work engagement stands as the partial mediation variable proves that the work engagement is still an important mediator in strengthening the management model and this can be a consideration for practical managers to improve the operational excellence. The novelty lies in the development of discussions of the workplace spirituality that is able to influence other variables, which is still rarely discussed and updated in the scope of management research. These findings contribute to the renewal of the causality theories and are useful as a basis for the development of advanced research models. The limitation of the study lies in the number of variables and scope of object.

The result test figured provides some recommendations. Company needs to set the several aspects related to the comfort of the workplace spirituality, namely strengthen the employee understanding of the work meaning in the form of worship, employee sensitivity in the community, as well as employee understanding of equality or alignment of the values taught by the company. To enhance the loyalty, the company needs to encourage the employee willingness to convey positive information and product or service recommendations to others, as well as
fostering the desire of employees to last a long time and not be easily influenced to turn to other companies.

Beside the workplace spirituality and employee loyalty, the employee engagement also needs to be stimulated through adding employee insights about the purpose of work, increasing the ability of employees to dedicate themselves to the company, providing employees with opportunities to work, motivating employees to work and adding the employee knowledge about vision and mission company. And the last, operational excellence needs to be strengthened through employee awareness campaigns on factors that must be maintained by employees for superior operational performance, namely occupational safety and health, the seriousness of employees in following the training process, and the optimization in the utilization of investment and company assets. If these could be implemented and also become a maintained and sustainable program, the company and employees will always feel optimistic to achieve revenue continuously and they can support the achievement of long-term benefits.

References


