Spiritual Leadership and Employee Innovative Behaviour: An Empirical Study of the Banking Sector in Matale District of Sri Lanka

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Abstract

This study seeks to investigate the levels of spiritual leadership and the innovative behaviours exhibited by employees, analyze the interrelationship between these constructs, and examine the impact of spiritual leadership on the innovative behaviours of employees within the banking sector. Empirical data were gathered through structured questionnaires which were administered to 208 employees from five distinct banks in Matale district of Sri Lanka, thereby addressing a notable gap in existing empirical literature within this specific research sphere. The findings reveal the prevalence of both spiritual leadership and employee innovative behaviour at a high level in the surveyed banks. In addition, the findings also indicated a positive correlation between spiritual leadership and employee innovative behaviour. Importantly, the analysis revealed that spiritual leadership exerts a significant influence on the innovative behaviour of employees in the surveyed banks. These insights contribute to understanding the role of leadership styles in fostering innovation in organizational settings.

Key Words: Employee, Innovative Behaviour, Leadership, Spiritual Leadership

Introduction

In today's dynamic environment, where business competition is marked by complexity, instability, constant change, and the pressures of a demanding and stressful landscape, organizations must prioritize strong effectiveness to thrive. In a competitive business environment, innovation serves as the cornerstone for companies to maintain their competitive edge and ensure long-term success. Employees, as the primary drivers of corporate innovation, play a vital role in shaping a company's innovation performance (Tang, 2023). More than ever, managers agree that knowing and handling innovation is a common competitive issue organizations face (Hunsaker, 2022).

Innovative behaviour is a critical aspect of organizational survival and development (Fagerberg, 2005), and it is especially important in assisting organizations in achieving core competitiveness in today's changing business environment (Yuan and Woodman, 2010). According to many research findings, innovative behaviour is critical for both individual and organizational growth (Scozzi et al., 2005; Xerri & Brunetto, 2013; Zhang & Yang, 2021).

Employees, as the main drivers of business innovation, are critical to the success of innovation within firms. Employees, on the other hand, can become overstressed and under-energized at work, reducing motivation and making it difficult to participate in innovative behaviour. At this moment, businesses and leaders must push their staff through reasonable measures to assist them overcome their challenges and therefore improve their potential to innovate (Tang, 2023).

As a result, organizations must figure out how to encourage employee innovation. As cited in Zhang and Yang (2021), previous studies have shown that leaders play an important role in developing employee innovative behaviour (Neubert et al., 2008; Tu & Lu, 2013). Despite these findings, empirical studies on the relationship between leadership and employee innovative behaviour have not broadened to include more complex contemporary leadership conceptions, such as spiritual leadership (Hunsaker, 2022).

Spiritual leadership is embedded in the construct of workplace spirituality (Fry, 2003), which is defined as a place where employees find meaning and community in and at work (Milliman et al., 2003), which improves their mental health and their sense of well-being (Staw, Sutton, and Pelled, 1994). Although the concept of workplace spirituality has been associated with transformational leadership (Kim Quy et al., 2023) and servant leadership (Williams Jr et al., 2017), the complex integration of spirituality within leadership paradigms has emerged as spiritual leadership, originally proposed by Fairholm (1996) and subsequently refined by Fry (2003). Transformational leadership is primarily concerned with inspiring and energizing followers to attain extraordinary results, whereas servant leadership is centered on the commitment to serve followers; conversely, spiritual leadership integrates spirituality and ethical principles to foster a meaningful and values-oriented organizational environment (Anderson & Sun, 2017). Specifically, spiritual leadership emphasizes ethical considerations in decision-making processes, articulates a profound vision, exemplifies spiritual values such as integrity, honesty, and humility, cultivates trust among various organizational stakeholders,

and prioritizes the collective welfare over individual interests (Fry & Cohen, 2009; Silingiene & Skeriene, 2016).

In contrast with conventional leadership approaches, spiritual leadership is seen as a holistic, more complex characterization of leadership that incorporates leadership traits and behaviours, mutually shared corporate values, and employee well-being into an integrated "being-centered" approach to leadership (Fry & Kriger 2009, as cited in Hunsaker, 2022).

In essence, the supporting attitudes highlighted via spiritual leadership in the workplace create a crucial framework for employees to undertake innovative activities. Furthermore, Zhang and Yang (2021) state that past research has focused extensively on the effectiveness of spiritual leadership in various cultures (e.g., Karadag, 2009; Chen & Li, 2013; Hunsaker, 2016, as cited in Zhang & Yang, 2021). Thus, it is critical to investigate if employees with diverse cultural values react differently to spiritual leadership. According to Opatha (2009, 2016, 2019 and 2024), the generic purpose of human resource management (HRM) is to generate and retain an appropriate and contented human/employee force which gives the maximum individual contribution to organizational success. Employee innovative behaviour can also be considered as one of the maximum individual contributions which can be achieved through various means, one of which is spiritual leadership.

As a result, this study tries to address the research problem of *"Does spiritual leadership impact employee innovative behaviour of selected banks in Matale District of Sri Lanka?"* Thus, the primary focus of this paper is to explore the effect of spiritual leadership in encouraging and enabling the innovative behaviour of employees in the banking sector in Matale District of Sri Lanka. The specific objectives of the study are:

1. To investigate the levels of spiritual leadership and employee innovative behaviour.
2. To investigate the relationship between spiritual leadership and employee innovative behaviour.
3. To identify the impact of spiritual leadership on employee innovative behaviour.

This study contributes to the spiritual leadership literature in several ways. First, by testing the role of spiritual leadership, this study enriches the discussion about the antecedents of innovative behavior research. It makes a further supplement to test leadership styles for stimulating employee innovative behaviour.

The paper is divided into six sections. The second section deals with theoretical and empirical literature and hypothesis development (literature review), while the third section explains the methodology, and the fourth section addresses the results and discussion. In the fifth section conclusion is given, and in the final section contributions of the study are given.

Literature Review

Spiritual Leadership

According to Opatha (2015), there are certain major factors which determine organizational success and its employees' success. Right leadership is a major factor for organizational and employee development. In this context, spiritual leadership is defined as "*the values, attitudes, and behaviors that one must adopt in intrinsically motivating oneself and others so that both have a positive increase in the sense of spiritual well-being through calling and membership, that is, they experience meaning in their lives, have a sense of making a difference, and feel understood and appreciated*" (Fry et al., 2005, p. 836).

Spiritual leadership is viewed as a higher-order description of leadership that encompasses not just traditional leadership attributes and behaviours, such as transformational leadership, but also spiritual organizational values and employee well-being, resulting in an integrated "being-centered" approach to leadership (Fry & Kriger, 2009). This understanding of leadership faces the drawbacks of traditional leadership theories in better meeting the expectations of modern employees, who additionally have concerns not only with their personal well-being and balancing their lives at work, yet additionally with making an impact in their organizations, often through extra-role behaviours such as innovative work behaviour (Bakker & Schaufeli, 2008).

Spiritual leadership also emphasizes the importance of intrinsic motivation and vision in guiding employee behaviour (Fry, 2003), grounded in the idea that intrinsic motivation at a purpose stimulates human behaviour, allowing an individual's sense of self-determination and creativity to be unleashed through feelings of competence, autonomy, and relatedness.

This type of leadership is tripartite in which the (1) vision dimension conveys an envision for the future with both explicit and implicit outcomes on why individuals must strive to make those dreams come true; (2) hope and faith dimension illustrates the conviction in the employing firm's goals/mission/vision are possible to be achieved; and (3) altruistic love dimension indicates a sense of completeness, harmony, and well-being achieved via self-care, love, and appreciation by others (Fry et al., 2005; Yang et al., 2019).

Employee Innovative Behaviour

Innovative work behaviour is best defined as the integration of innovative and creative behaviours corresponding to the generation, advancement, and application of novel concepts, procedures, or processes in the work environment with the goal of benefiting the individual, group, or organization or improving ways of doing things (Anderson, Potočnik, and Zhou, 2014). While the terms 'creativity' and 'innovation' are sometimes used exchangeable, innovative work behaviour (IWB) can be understood more broadly, capturing "*all behaviors through which employees can contribute to the innovation process*" (De Jong & Den Hartog, 2007, p. 43).

Employee innovative behaviour includes recognizing workplace challenges and emerging trends, as well as researching novel possibilities that naturally lead to valuable ideas that may

help oneself, one's team, or the organization in its entirety (Scott & Bruce, 1994). Innovative work behaviour also encompasses developing new solutions to complex problems, enlisting coworkers' help to address concerns and opportunities, and translating ideas into effective applications. Given this framework, the scope of employee innovative behaviour can range from uncommon, revolutionary novel concepts (e.g. new product development) to smaller-scale (e.g., idea generation and problem solving), prevalent thoughts by lower-level employees about enhancing workplace practices, which are the subject of this research (Axtell et al., 2000).

These behaviours have been linked to increased business growth, adaptability, productivity, and competitiveness (Shih & Susanto, 2017). Work behaviours are crucial inputs for value development because they influence how firms innovate. A number of investigations have found that the style of leadership (Afsar et al., 2016; Ghaedi et al., 2020) and organizational culture (Kaya et al., 2020) are associated with increased corporate innovation. Spiritual leadership is one of the most effective leadership philosophies for motivating, inspiring, and driving employees to create (Afsar, 2016).

Spiritual Leadership and Employee Innovative Behaviour
An atmosphere created through spiritual leadership promotes a feeling of being a part or a community, implying that individuals can exhibit innovative behaviour by taking acts that give benefits to the individuals, groups, and organizations (Axtell et al., 2000; Milliman et al., 2003). These findings support Fry's (2003) argument that spiritual leadership must be *"comprehended within a holistic or system context of interwoven cultural and personal values"* (p. 703). Spiritual leadership can dramatically improve employees' desire to innovate by clearly explaining the company's prospective growth direction and goals to employees and providing prospects (Fry, 2003).

Furthermore, when compared to other leadership styles (e.g., ethical leadership or servant leadership), spiritual leadership promotes employee innovative behaviour, particularly because spiritual leadership concentrates on the subordinate's spiritual requirements (Fry, 2003), allowing the subordinate to be intrinsically motivated and thus innovate constructively. Consequently, spiritual leaders actively promote job-related behaviour, especially innovative behaviour giving spiritual energy to employees.

Moreover, spiritual leaders engage employees by caring for and valuing their innate self-significance and values (Fry et al., 2005). In this situation, followers acquire confidence from their superiors, resulting in increased enthusiasm and initiative, thereby improving their inventive behaviour. A spiritual work environment has also been shown to stimulate inventive behaviour via characteristics of the workplace that improve individual awareness, recognition, confidence in themselves, and intuition about one's own creativity (Pawar, 2009). According to Afsar and Badir (2017), workplace spirituality has a good impact on employee innovation, which is assisted by the culture produced by workplace spirituality, which promotes an environment conducive to employees' development of new, creative ideas at work.

According to many research findings, leadership is critical in employee innovative behaviour because it establishes a desirable mission, recognizes employees' contributions, develops relationships among leaders and followers in terms of support, autonomy, respect, values, and employee contributions, and empowers employees to take part in the practice of decision-making (Pieterse et al., 2010; Dedahanov et al., 2019; Javed et al., 2019).

Jeon and Choi (2020) found that spiritual leadership is positively associated with an individual's creativity. According to an empirical study conducted by Li et al. (2023), among 886 employees of Chinese companies revealed that spiritual leadership has a positive impact on employees' innovative behaviour. A study conducted by Rahmi and Desiana (2023) also substantiated the same from the Indonesian context among 904 public sector employees. According to the research findings of Liu et al. (2024), it was revealed that spiritual leadership has a positive impact on employees' innovative behaviour. Therefore, we hypothesize that:

H_1: *There is a positive relationship between spiritual leadership and employee innovative behaviour.*

Conceptual Framework

Based on the theoretical explanations and the empirical findings, this study has conceptualized its independent variable and dependent variable as shown in Figure 1. In this conceptual model, the independent variable is spiritual leadership, and the dependent variable is employee innovative behaviour.

Figure 1. Conceptual Model
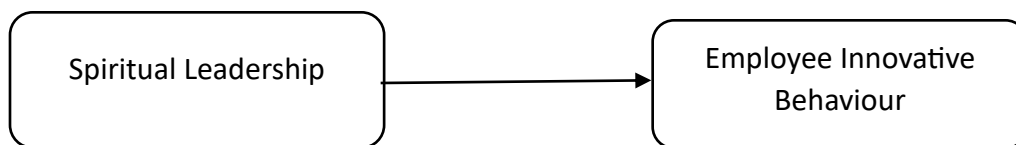
Source: Developed by the researchers based on Literature Review

Methodology

The primary objective of this study is to investigate the effect of spiritual leadership in encouraging and enabling the innovative behaviour of employees in the banking sector in Matale District of Sri Lanka. This research utilizes a deductive approach, which constitutes developing hypotheses based on the existing theories and forming a research plan to test those hypotheses.

The population of this study consists of employees who are working in five selected commercial banks in Matale District of Sri Lanka. In order to ensure equal representation of

the population in the sample, this study has utilized the simple random sampling technique by which the sample size is determined as 208 employees according to the following formula suggested by Slovin's formula (Yamane, 1967). The sampling framework is shown in Appendix 1.

Equation 1. Sampling size

$$n = \frac{N}{1 + Ne^2}$$

n = Sample Size
N = Population
e = Margin of error (Assumed 0.05)   *Source: Yamane, (1967)*

$$n = \frac{435}{1+435*0.05^2} = 208$$

In order to collect the necessary primary data for the study, researchers used a survey strategy. The researchers distributed self-reporting questionnaires among the randomly selected participants, and completed questionnaires were returned. Any remaining point of confusion was cleared up at the request of the respondent. In order to achieve the objectives of the study, the study has utilized descriptive, correlation, and regression analyses. The researchers have presented the data and results of analysis by using different types of tables and figures, with the help of the Statistical Package for Social Sciences (SPSS) software.

Measure of Variables
A well-structured questionnaire, which consists of 27 question items, was used as a research instrument for data collection from respondents. Measures for the variables of the study were adopted from the previous studies identified through the extensive review of the literature. Spiritual leadership was measured with 17 question items covering three dimensions of it: Vision Hope/faith, and Altruistic love. Employee innovative behaviors were measured with 6 items. All the measures for this study were adopted from the study of Alfarajat and Emeagwali (2021). The questionnaire items were assessed using a five-point Likert scale, where a score of 1 indicated strong disagreement and a score of 5 indicated strong agreement. Further, in order to ensure the reliability of the instrument, a pilot study was conducted. The results of the pilot study indicated that both study variables had a Cronbach Alpha coefficient of above 0.7 by showing that the inter-item reliability is sufficient.

Results and Discussion
Demographic Profile
The data were collected from 208 employees who are working in the banking sector in Matale District in Sri Lanka. The demographic profile of the respondents is shown in Table 1.

Table 1. Profile of the Respondents

Demographic Factor	Classification	Number of Respondents	Percentage
Gender	Male	105	50.5
	Female	103	49.5
	Total	**208**	**100**
Age	21-30 years	50	24.0
	31-40 years	80	38.5
	41-50 years	45	21.6
	Above 50 years	33	15.9
	Total	**208**	**100**
Education Level	G.C.E (Ordinary Level)	37	17.8
	G.C.E (Advanced Level)	88	42.3
	Diploma Level	62	29.8
	Degree or above	21	10.1
	Total	**208**	**100**
Years of Experience	Below 5 years	43	20.7
	5-10 years	42	20.2
	10-15 years	58	27.9
	Above 15 years	65	31.2
	Total	**208**	**100**

According to Table 1, out of 208 respondents, 105 respondents are male which is 50.5% and 103 respondents are female which is 49.5%. This implies that the frequency of males is greater than that of females. Further, the table shows that the majority of the respondents fall under the age group of 31 - 40 (38.5%), followed by those between the ages of 21 and 30 (24 %), those between the ages of 41-50 (21.6%) and only 15.9% of the respondents fall under the category of over 50 years which is the lowest category. Similarly, the Table indicates employees' education level, divided into 4 categories. Among the total of 208 employees, 17.8 % have a G.C.E (Ordinary Level), 42.3% have a G.C.E (Advanced Level), 29.8% have a Diploma, and the remaining employees qualify for a degree or above. Finally, the tables show that a large number of respondents have more than 10 years of experience, where 27.9% of respondents have 10-15 years of experience and 31.2% have above 15 years of experience. Respondents who have below 10 years of experience accounted for 40.9%, comprising 20.2% for 5-10 years and 20.7 % for below 5 years.

Descriptive Statistics
Univariate analysis was used to achieve the first objective of this study, to investigate the levels of spiritual leadership and employee innovative behaviour. This study used the mean to measure the central tendency while the standard deviation was used to describe the dispersion. Table 2 shows the descriptive statistics of the study variables.

Table 2. Descriptive Statistics of the Study Variables

Variable	Mean	Standard Deviation
Spiritual Leadership	3.93	0.517
Employee Innovative Behaviour	4.09	0.577
(Note: Mean value range: 1 ≤ X ≤ 1.80: Very Low, 1.80 < X ≤ 2.60: Low, 2.60 < X ≤ 3.40: Moderate, 3.40 < X ≤ 4.20: High, and 4.20 < X ≤ 5.00: Very High: Source: Masri and Jaaron, 2017)		

According to the employees' ratings, the mean value of spiritual leadership was 3.93 and the standard deviation was 0.517, indicating that spiritual leadership is at a high level as the mean value of spiritual leadership falls in the range of 3.40 < X ≤ 4.20. Similarly, the mean and standard deviation of employee innovative behaviour are 4.09 and 0.577 respectively, indicating that employee innovative behaviour is at a high level, and the standard deviation (0.577) indicates the spread or dispersion of data pints around mean value.

Correlation Analysis

In order to achieve the second objective, correlation analysis was used. Pearson's correlation analysis is used to identify the relationship between two or more variables. Also, Pearson's correlation coefficient (r) was computed to test the direction and strength of the relationship that exists among the study variables. According to Gogtay and Thatte (2017), correlation coefficients (r) are categorized as: weak (0.10 to 0.29), moderate (0.30 to 0.49), and strong (0.50 to 1.0) levels of relationships. Table 3 shows the correlation coefficient (r) value between spiritual leadership and employee innovative behaviour is 0.413 and it falls under the coefficient range of 0.3 to 0.49 with a p-value of 0.000 (p< 0.05). Hence, it can be concluded that there is a moderate positive relationship between spiritual leadership and employee innovative behaviour.

Table 3. Correlation Analysis

Relationship	Pearson Correlation	P-value
Spiritual Leadership and Employee Innovative Behaviour	0.413**	0.000
**Correlation is significant at the 0.01 (2-tailed)		

Simple Regression Analysis

In order to achieve the third objective, the study has used simple regression analysis. The analysis applied to identify the impact of spiritual leadership (an independent variable) on employee innovative behaviour (a dependent variable). Tables 4, 5 and 6 show the results of the simple regression analysis.

Table 4. Model Summary of Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.413[a]	0.170	0.166	0.5272
a. Predictors: (Constant), Spiritual Leadership				

Table 5. ANOVA of Regression Model

Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	11.748	1	11.748	42.260	0.000[b]
Residual	57.269	206	0.278		
Total	69.017	207			
a. Dependent Variable: Employee Innovative Behaviour b. Predictors: (Constant), Spiritual Leadership					

Table 6. Coefficient of Regression Model

Model	Unstandardized		Standardized coefficients	T	Sig.
	β	Std. Error	Beta		
(Constant)	2.287	0.281		8.145	0.000
Spiritual Leadership	0.460	0.071	0.413	6.501	0.000
a. Dependent Variable: Employee Innovative Behaviour					

Table 4 gives the model summary of the regression analysis. According to Table 4, the Adjusted R square statistic is 0.166, which means around 17% of the variation in employee innovative behavior was explained by spiritual leadership. In other words, 83% of the variation in employee innovative behavior was affected by other variables. As per Table 4, the regression model was significant (F=42.260; p= 0.000). It can be concluded that the regression model has a strong model fit (P< 0.001) for the data. Hence, the simple linear regression equation from the data for the chosen regression model can be shown below.

$$Y= \beta_0+ \beta_1X_1$$
Employee Innovative Behaviour = 2.287+0.460 Spiritual Leadership

According to Table 6, the β coefficient of spiritual leadership is 0.460 with a p-value of 0.000, less than 0.05. The β coefficient shows that for every unit of increase in spiritual leadership, there is an increase in employee innovative behaviour by 0.460 units. It implies that the β value for spiritual leadership is statistically significant in making decisions.

Conclusions of the Study
According to the analysis and results of the collected data, the study reaches the following conclusions. The results of the descriptive statistics revealed that both spiritual leadership and employee innovative behaviour are at a high level among the employees of selected five banks in the Matale District of Sri Lanka. Further, findings also concluded that there is a moderate positive relationship between spiritual leadership and employee innovative

behaviour. In addition, it was also found that spiritual leadership has a significant positive impact on employee innovative behaviour.

The findings of the present study are empirically supported by Zhang and Yang (2021) who found that spiritual leadership was positively related to employee innovative behaviour among Chinese respondents. Similarly, Alfarajat and Emeagwali (2021) found that spiritual leadership impacts and increases the level of workplace spirituality and service innovative behaviour among employees in labour-intensive industries in non-Arabic speaking countries, which further reinforces the findings of the present study. Similar findings were also observed by Tang (2023), who found that spiritual leadership is positively related to innovative behaviour among Chinese employees.

Contributions of the Study

This investigation makes a substantial contribution to the existing body of knowledge and practice in multiple dimensions. This study may be one of the pioneering efforts to examine the relationship between spiritual leadership and employee innovative behaviour specifically within the banking sector of Matale District, Sri Lanka. By addressing a recognized empirical gap, the study enhances the understanding of the ways in which leadership styles impact innovative behaviour within a culturally and organizationally specific context. Concentrating on five selected banks in Matale District of Sri Lanka, the research yields contextually pertinent insights that hold particular significance for Sri Lankan banking sector.

By establishing a connection between the constructs of spiritual leadership and employee innovative behaviour, this research enriches the academic dialogue surrounding leadership and innovation. It furnishes empirical substantiation to advocate for the incorporation of spirituality within leadership practices as a mechanism to stimulate innovation, an area that remains relatively underexplored in the prevailing literature.

Moreover, the findings present practical implications for managerial personnel within banks by identifying how spiritual leadership can cultivate a workplace atmosphere that is favorable to innovation. Managers can leverage these insights to devise strategies that enhance employee creativity and problem-solving capabilities, thereby enhancing organizational efficacy. The outcomes of this study can inform organizational policies and training initiatives aimed at fostering spiritual leadership characteristics among managers and leaders.

In order to promote innovation, bank managers should allocate resources, tools, and training that encourage innovative practices among their staff. This may encompass training in design thinking, creative problem-solving, and technological platforms that facilitate collaboration and the exchange of ideas. Promoting collaboration and teamwork among employees can enhance the sharing of ideas, knowledge, and expertise, ultimately leading to innovative solutions that are both more effective and efficient. Furthermore, to cultivate employee innovative behaviour, bank managers can advocate for risk-taking, which entails encouraging employees to engage in calculated risks and explore novel approaches. This can assist

individuals in overcoming their apprehensions regarding failure, learning from their mistakes, and developing resilience and adaptability-critical competencies for fostering innovation. Such initiatives may subsequently result in enduring innovative practices within the workforce, yielding benefits for both employees and organizations.

The sample size of this research study was limited to 208 employees who are working banking sector in Matale District of Sri Lanka. Therefore, focusing on a large sample may generate more reliable and valid results and also expand the study by drawing many samples including other manufacturing companies or service sectors in other districts of Sri Lanka. The main objectives of this research are to investigate the level of spiritual leadership and employee innovative behavior, investigate the relationship between these two variables, and also find the impact of the independent variable on the dependent variable. So, future researchers can use the same objectives by expanding the sample size to the other sectors and industries in Sri Lanka.

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Appendix 1. Sampling Framework

Name of the Bank	Population	Sample
Bank 1	165	79
Bank 2	135	65
Bank 3	45	21
Bank 4	60	29
Bank 5	30	14
Total	**435**	**208**