The Effect of Servant Leadership on Employees during Organizational Technological Change in Family and Non-Family Business

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ABSTRACT

The purpose of this paper is to propose and empirically test a conceptual framework for Servant Leadership that ensures employee championing behavior during organizational change for family and non-family business organizations in Pakistan. Using convenience sampling data was collated from 139 family and non-family business who have gone through a technological change process. Smart PLS 3.0 was used to analyze the data. This paper empirically proved that servant leadership enhances the championing behavior of the employees. In addition, valence and work engagement acted as potential mediators between servant leadership and championing behavior. This paper provides new insights for business leaders to understand the importance of valance during organizational change. It is highly recommended that family and non-family firms equally need to enhance valance for engaging the workers in successful change process. Furthermore, servant leadership must be practiced in family and non-family firms with rigor as it catalyzes the change process.

Keywords: Management, Valence, Championing Behavior, Work Engagement

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Introduction

Firms are the institutions that contribute to the functioning of the economy and help in meeting the needs of people. There are mainly two types of firms i.e. family and non-family firms. Family firms are the firms in which families hold more than 50 percent of shares. Globally, the economic impact of family-owned firms on global GDP is more than 70% (The Economist, 2004). On average, almost 50% of firms in every country are family-owned. These firms contribute significantly to generating the world’s revenue. In Pakistan, about 80% of firms are families owned contributing significantly to the economy of Pakistan (Sikandar, 2018).

Unlike non-family firms, family-owned firms are commonly initiated, managed, and led mainly by family members (Sikandar 2018). Effective leadership is extremely crucial in family and non-family firms (Marshall et al., 2006; Neffe et al., 2018). According to Sorenson (2000) leadership behavior is positively and significantly related to the organization’s financials, family outcomes, work commitment of employees, and performance of organizations (Neffe et al., 2018). However, the data available on the traits and characteristics that differentiate the style of leadership in family and non-family members are scarce (Marshall et al., 2006; Neffe et al., 2018).

To stay competitive, in today’s era of globalization, digitization, robotics, and AI technology organizations need to change continually (Doppler, Fuhrmann, Lebbe-Waschke,
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& Voigt, 2011, Faupel, 2018). However, research has shown that many organizations fail in their organizational change or do not reach the desired level of organizational change (Beer & Nohria, 2000; Burns, 2011; Faupel, 2018). There are several empirical studies available on the factors discussing why organizations fail in their change process (Herscovitch & Meyer, 2002; Oreg, Vakola, & Armenakis, 2011; Faupel, 2018).

One big hindrance to organizational change is the employees themselves as they are the people who must respond to change in a positive manner through variation in their routine tasks that arise due to change in the organization (e.g. Armenakis, & Schraeder, 2007; Bormann & Rowold, 2016; Oreg et al., 2011; Self; Faupel, 2018). Employee motivation and behavior are the most crucial factors that lead to successful organizational change (Woodman & Dewett, 2004; Kim, Hornung, & Rousseau, 2010; Van den Heuvel, Demerouti, Bakker, & Schaufeli, 2010; Faupel, 2018). Moreover, according to Conger and Kanungo (1998), a shared vision serves as a key to successful organizational change (Boyatzis, 2012).

Leaders are the individuals who not only help in articulating a vision in their employees but also help them through their charismatic nature to motivate them and to affect their behavior and attitude toward change positively (Oreg & Berson, 2011; Bass, 1985, 1999; Faupel, 2018).

In this study, we are going to explore how constructive leadership styles i.e. charismatic and servant leadership styles help in bringing the desired organizational change by positively influencing the behavior of employees by utilizing the mediator’s work engagement and valence (attractiveness associated with change), in family and non-family firms.

Literature Review

According to Avolio & Yammarino, (2002), and Dansereau & Yammarino, (1998) Over the past 2 decades, debate on leadership has been increasing between scholars and lots of research is present on this topic. The servant leadership style, as well as the transformational leadership styles, have both originated from the charismatic leadership style. The earlier models of charismatic leadership are closely related to the Max weber study. Research by Graham (1991) with the comparison with the Weberian charismatic view, argued that charismatic leadership provides a strong theoretical background for transformational and servant leadership as well. Therefore it is quite clear that both forms of leadership transformational and servant are moral and inspirational. (Graham, 991)

Servant leadership as a manifestation of transformational leadership

The Transformational style of leadership helps to satisfy their subordinates' needs and build relationships to increase motivation between their subordinates and leaders (Burns, 1978). Transformational leadership is positively linked with employees’ positive attitude (Bommer, Rich, & Rubin, 2005) increases the motivation of their subordinates (Burns, 1978), and inspires subordinates to share the vision and achieve their visions (Bass, 1996; Bass & Avolio, 1988, 1994, 1994). Transformational leadership helps their followers to remain persistent and motivated during change and see how they act and respond to the situation. (Bommer et al., 2005; Herrmann, Felfe, & Hardt, 2012) According to (Bass, 1996) transformational leadership means having four components such as idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation. Where servant leadership has six elements (Laub, 1999) valuing people, developing people, displaying authenticity, sharing leadership, providing leadership, and building community.
And no dimensions have been discussed in the literature for such specific behaviors (Bass, 1996; Bass & Avolio, 1994; Laub, 1999; Graham, 1991). So from the research of (Smith, Montagno, & Kuzmenko, 2004), we can say that transformational and servant leadership have quite similar characteristics.

We analyze the association between servant leadership, valence, and work engagement. By taking valance and work engagement as a mediator and checking their effect on championing the behavior of subordinates. According to Kim, Hornung, & Rousseau (2010) valence is the perception of unique and attractive results (Armenakis, Bernerth, Pitts, & Walker, 2007) and it can also motivate subordinates and support any organizational change. Besides, researchers also claim that transformational leaders have a positive influence on their subordinates’ work engagement. (Christian, Garza, & Slaughter, 2011; Ghadi, Fernando, & Caputi, 2013; Salanova, Lorente, Chambel, & Martinez, 2011; Zhu, Avolio, & Walumbwa, 2009) only by compelling them that is work is productive and important. These results can increase their enthusiasm and morale to achieve their objectives and can solve any problem which comes in between their objectives. (Schaufeli, Salanova, González-Romá, & Bakker, 2002).

H1: Servant leadership is positively associated with valence

H2: Servant leadership is positively associated with work engagement

Valence and Work Engagement

Valence and championing behavior

Good leaders through their charisma and inspirational motivation prevent job-related stress and employee burnout and help in increasing work engagement. Moreover, leaders engage employees during the organizational change process and create enthusiasm in them by significantly influencing their valence and trust in leaders (Islam et al., 2021). According to social bond theory (Hirschi, 1969), employees do not engage in organizational change activities due to the associated complexities and uncertainties with its process. However, according to Islam (2021), strong bonding and trust in leaders can reduce such kind of pessimistic attitudes and help employees in increased work commitment (Islam et
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Valence measures the attractiveness of a reward to an individual employee. (Fairbank et al., 2003, Armenakis, Bernerth, Pitts, & Walker, 2007). When the reward of performing well is consistent with employee needs valence is high (M. Nazmul Islam, Fumitaka Furuoka, and Aida Idris, 2021). According to (Armenakis et al., 2007) Valence acts as a motivating force for engaging employees in the organizational change process (Armenakis et al., 2007). While managing change, valence acts as an antecedent of employee behavior (Oreg et al., 2011). Valence also sheds light on the relationship between servant leadership and championing behavior during change. It is suggested that servant leaders facilitate employees in perceiving a higher amount of valence motivating them to exhibit championing behavior to support the change actively (Islam, Furuoka, & Idris, 2021).

H4: Valence is positively associated with championing behavior.

According to (Christian et al., 2011) even in normal working conditions work engagement is linked to task and extra task performance. Extra-role performance can be understood as an employee citizenship behavior that involves indirectly increasing productivity, such as helping colleagues during high workloads and covering each other’s shifts at times of absenteeism (Van den Heuvel et al., 2010). Championing behavior is quite similar to extra-role performance, however, it refers directly to the context of organizational change, as it is also characterized by helping colleagues to overcome the difficulties related to a change. This study is of the view that work engagement has explanatory power as it helps in bringing clarity to the leadership process during organizational change. Ensuring valence by leaders improves the bonding between leader and followers which ultimately enhances employee work engagement during change process (Faupel, & Süß, 2018).

H5: Work engagement is positively associated to Championing behavior.

Material and Methods

Survey Instrument

The constructs have been operationalized using 7 points Likert Scale. Servant leadership was adopted from (Huertas-Valdivia, Gallego-Burin, Castillo, & Ruiz, 2021).
while championing behavior scale was adopted from (Islam, Furuoka, & Idris, 2021). Work engagement Coffeng et al. (2014) and valance were adopted (Apoi, & Latip, 2019).

**Sampling**

A survey of Pakistan’s family and non-family firms from the citrus processing industry was chosen for data collection. The unit of analysis for the current study is the citrus processing family and nonfamily owned firms. Convenience sampling was deemed to be more appropriate due to the no availability of any official list. A total of 157 respondents responded to the survey. After complete scrutiny, only 139 useable responses were selected for further analysis.

**Measurement Model**

In this research, we used confirmatory factor analysis (CFA). Using (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003) criterion common method bias was established as the ratio of principal factor variance to total variance is 37.56% which is less than 50%. CR values are also according to the limits as prescribed by (Fornell & Larcker, 1981) while Nunnally and Bernstein (1994), also recommended values as low as 0.6 as acceptable as shown in Table 1. Furthermore, all loadings were above 0.5 (more than 50%) (Hair, Black, Babin, Anderson, & Tatham, 2006). Fornell and Larcker Criterion is also met for discriminant validity as shown in Table 2. HTMT value is below 0.90, discriminant validity has been upheld between two reflective constructs (Hair Jr, Hult, Ringle, and Sarstedt, 2016) as shown in Table 3. The VIF was found to be less than 2 as per the established criterion (Hair et al., 2016); hence the measurement model shows a good fit.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Cr &amp; AVE</th>
<th>Composite Reliability (CR)</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Championing Behavior</td>
<td>0.849</td>
<td>0.529</td>
<td></td>
</tr>
<tr>
<td>Servant Leadership</td>
<td>0.831</td>
<td>0.556</td>
<td></td>
</tr>
<tr>
<td>Valance</td>
<td>0.763</td>
<td>0.519</td>
<td></td>
</tr>
<tr>
<td>Work Engagement</td>
<td>0.840</td>
<td>0.636</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Discriminant Validity (Fornell and Larker Criterion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Championing Behavior</td>
<td>SL</td>
</tr>
<tr>
<td>Championing Behavior</td>
<td>0.728</td>
</tr>
<tr>
<td>Servant Leadership (SL)</td>
<td>0.426</td>
</tr>
<tr>
<td>Valance (V)</td>
<td>0.520</td>
</tr>
<tr>
<td>Work Engagement (WE)</td>
<td>0.324</td>
</tr>
</tbody>
</table>
Table 3

Discriminant Validity (HTMT)

<table>
<thead>
<tr>
<th>Championing Behavior</th>
<th>SL</th>
<th>Valance (V)</th>
<th>Work Engagement (WE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Championing Behavior</td>
<td></td>
<td>0.544</td>
<td></td>
</tr>
<tr>
<td>Servant Leadership (SL)</td>
<td>0.791</td>
<td>0.868</td>
<td></td>
</tr>
<tr>
<td>Valance (V)</td>
<td>0.430</td>
<td>0.484</td>
<td>0.515</td>
</tr>
<tr>
<td>Work Engagement (WE)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Assessment of Structural Model

The direct path as shown in Table 4, from SL to valance and work engagement is found to be statistically significant with (β = .533, p < 0.000) and (β = .264, p < 0.014) respectively. While the direct path from valance to championing behavior and work engagement was found to be significant (β = .464, p < 0.00) and (β = .172, p < 0.002) respectively. Similarly, work engagement to championing is also found to be statistically significant (β = .170, p < 0.052).

The indirect effect as shown in Table 5, of SL on championing behavior was exercised through valance with (β = .256, p < 0.00), while the direct path of Industry 4.0 to Innovation performance was found to be insignificant (β = .121, p < 0.301) thus making the mediation to be indirect only effect. The indirect effect of SL on championing behavior through valance and work engagement as dual mediation on innovation was exerted through BADC was found to be significant at (β = .294, p < 0.000), while the direct path of Industry 4.0 to Innovation performance was found to be insignificant (β = .121, p < 0.301) thus making the mediation to be indirect only effect.

Table 4

Direct Effects

<table>
<thead>
<tr>
<th></th>
<th>Original Sample (o)</th>
<th>T-Statistic</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SL----Valance</td>
<td>0.553</td>
<td>6.885</td>
<td>0.000</td>
</tr>
<tr>
<td>SL ----Work Engagement</td>
<td>0.264</td>
<td>2.464</td>
<td>0.014</td>
</tr>
<tr>
<td>Valance---Championing Behavior</td>
<td>0.464</td>
<td>5.373</td>
<td>0.000</td>
</tr>
<tr>
<td>Valance ---Work Engagement</td>
<td>0.172</td>
<td>2.214</td>
<td>0.002</td>
</tr>
<tr>
<td>Work Engagement ---Championing Behavior</td>
<td>0.177</td>
<td>1.942</td>
<td>0.052</td>
</tr>
</tbody>
</table>

Table 5

Indirect Effects

<table>
<thead>
<tr>
<th></th>
<th>Original Sample (o)</th>
<th>T-Statistic</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SL----Valance-- Championing Behavior</td>
<td>0.256</td>
<td>3.967</td>
<td>0.000</td>
</tr>
<tr>
<td>SL----Valance---Work Engagement --- Championing Behavior</td>
<td>0.294</td>
<td>2.984</td>
<td>0.000</td>
</tr>
</tbody>
</table>
Conclusion

Studies in the past have reported the key role played by the leadership in transforming the company into a market place champion by activating inner championing behavior (Kissi, Dainty, & Tuuli, 2013). Results of our study are also coherent to past studies conducted by (De Clercq, Bouckenooghe, Raja, & Matsyborska, 2014; Haar, Brougham, Roche, & Barney, 2017; Khan, Mubarik, Ahmed, Islam, Khan, Rehman, & Sohail, 2021) that servant leadership positively impacts employee outcomes such as work engagement. This suggests that servant leadership practices such as nobly serving others and putting the interests of workers first are linked to better employee work engagement, thus resulting into better organizational outcomes due to servant leadership, people e-centered approach (Zia et al, 2021).

According to Saks (2006), the association between servant style leadership and the employee is a reciprocal exchange. When employees perceive that their leaders priorities are tiled towards their growth and betterment they show high levels of engagement in the change process. Hence, from the lens of Family and non-Family firm literature, if owners consider themselves as servants to organization, their employees will be more committed and better engaged in positive organizational outcomes. Our results also indicated a positive association between valance and work engagement as well as valance and championing behavior. Previous literature is rather more theoretical and not much empirical evidence is present on these relationships, a gape full filed by our study.

Lata et al, (2021) a positive valance creates positive emotional engagement among employees thus leading to better outcomes. In other words valance is apposite stimuli that triggers positive emotions that further lead to personal engagement with the firm. Hence, family firms need to practice more positive valance in pursuance of deep emotional engagement of the firm employees for future growth. Our results are also consistent with the past studies conducted by (Abidin et al. 2021), who ended up with the findings that at workplace positive impact is achieved through better engagement of employees that only comes through positive valance. According to (Errida & Lotfi, 2021). The key contributing factors during any organizational change process is to keep the employee commitment levels high through valance and that will develop a championing behavior and lead towards success.

Therefore, the present study suggests that change is an important process but for family and non-family firms it could bring better if the leadership is more people centric like servant leadership style. Both Valence and work engagement can lead towards championing behavior. Our study contributes to the body of literature by providing strong empirical evidence and establishes a stronger theoretical foundation for understanding the relationship between valences, work engagement championing behavior.
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References


