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# Servant Leadership Influencing Store-Level Profit: The Mediating Effect of Employee Flourishing

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## Abstract

Servant leadership and other ethical and moral approaches to leadership have been criticized for focusing on followers to the potential detriment of other stakeholders, specifically shareholders. With individual data collected from 485 respondents nested in 55 similar stores in a single company, within a large metropolitan area in France, we tested a multilevel model whereby servant leadership relates positively to business-unit performance measured by profit growth—a key indicator for shareholders—through the mediation of employee flourishing and revenue growth. With financial performance data collected approximately 15 months after servant leadership was measured, results supported the hypothesized relationships. At the individual level, this study also showed the association of servant leadership and employee flourishing to be negatively moderated by individual perceptions of power distance orientation: the weaker the power distance orientation, the stronger the influence of servant leadership on employee flourishing. Improving on prior studies that relied on data aggregated at the group level and proximal indicators of performance, this multilevel study sheds light on how servant leadership, a prominent form of ethically conscious leadership, may resolve the fundamental tension leaders face vis-à-vis the potentially diverging interests of their stakeholders.

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## Introduction

Ethical and moral approaches to leadership have received considerable attention of late, with hundreds of publications in scholarly, peer-reviewed journals (Anderson and Sun 2015; Hoch et al. 2018; Lemoine et al. 2019). Yet recently, a number of authors have argued that positioning ethics as a core element of leadership may ignore the reality of organizations in terms of performance and profit (Liu 2019). They argue that moral approaches have a strong focus on the good of one group of stakeholders, that is, followers, at the risk of downplaying that leaders are accountable for delivering organizational results to multiple stakeholders (Banks et al. 2016; Donaldson and Preston 1995), including those demanding financial performance (Mumford and Fried 2014). In commercial organizations, the effectiveness of a business-unit leader is measured by objective, financial indicators, typically the increase in profit (“bottom-line”) of the business-unit, as organizational growth is the critical performance indicator for shareholders (Davis et al. 1997; Grant 2012).

Servant leadership is prominent among moral and ethical approaches to leadership (Eva et al. 2019; Lemoine et al. 2019). It focuses on humble and self-effacing leaders who

behave ethically, for example offering listening, empathy, empowerment, and stewardship to their followers (Eva et al. 2019; Parris and Peachey 2013; Sun 2013; van Dierendonck 2011; Xu et al. 2020). Servant leadership promotes the self-growth of employees as a pathway toward their living to their full potential, which is expressed in perceptions of flourishing (Colbert et al. 2016; Huppert and So 2013; Ribera and Ceja 2018; Seligman 2011). Servant leadership uniquely prioritizes followers' needs above those of the organization and of the leaders themselves (Eva et al. 2019; Liden et al. 2008). It explicitly posits performance as a by-product of employees' self-fulfillment (Frick 2004; Greenleaf 1970). By contrast, mainstream leadership theories, exemplified by transformational leadership (Bass and Steidlmeier 1999; Bass and Riggio 2005), prioritize collective objectives, making positive outcomes for followers a corollary. Because research has shown that servant leadership explains variance in several performance indicators and employees' need satisfaction above and beyond transformational, authentic and ethical leadership (Hoch et al. 2018; Lee et al. 2020), servant leadership might also resolve the fundamental tension between the needs of employees and those of other stakeholders. Extant evidence has relied almost exclusively on follower outcome variables (e.g., need satisfaction, individual performance: Chiniara and Bentein 2016; team organizational citizenship behavior: Ehrhart 2004). Of the few exceptions, Chen et al. (2015) and Liden et al. (2014) examined customer satisfaction as a unit-level dependent variable, and Peterson et al. (2012) focused on organizations' return on assets as the dependent variable in their research<sup>1</sup>.

To provide clarity on this issue, our main research question was whether in a commercial organization, servant leadership is positively related to financial performance, measured in profit growth, while at the same time enhancing employees' flourishing. Put differently, does prioritizing the needs of followers jeopardize an organization's financial performance? This question called for two precautions. First, exploring outcomes across levels in management research requires disentangling individual- and group-level respective effects (Preacher et al. 2010). Although business-unit profit is the outcome of a group-level effort, perception variables are primarily individual; and to the extent that followers within a group share those perceptions, they may represent a group-level effect (Klein and Kozlowski 2000a). We built a multilevel model that delineates group-level (i.e., between-groups) and individual-level effects. To test it while eliminating exogenous factors influencing group-level

performance, we obtained data from a retail chain in a single area in France ( $N=485$  employees nested in 55 similar stores) (Clapp-Smith et al. 2008; Rego et al. 2015). The second precaution pertains to factors that can influence followers' perceptions, most notably their implicit leadership theories (Offermann et al. 1994) and their relationships with peers. In our model we thus introduced power distance orientation (Kirkman et al. 2009) and team-member exchange (Seers 1989).

From a theoretical perspective, we argue that our study expands knowledge on servant leadership in three ways. First, whether financial performance of organizational units can coexist with efforts designed to enhance employee flourishing largely remains an empirical question. Although strong arguments can be made for the altruistic value in bringing to fruition the full potential of employees through servant leadership regardless of organizational outcomes, for organizations to be sustainable, organizational effectiveness is essential (Mumford and Fried 2014). Second, this study introduces the construct of employee flourishing (Seligman 2011). Flourishing, developed within the stream of positive psychology (Seligman and Csikszentmihalyi 2000), represents an Aristotelian view which posits well-being as people's active and relational participation in realizing their unique potential (McMullin 2018; Waterman 1990, 1993, 2007). Flourishing is an integrative construct (Ribera and Ceja 2018). While encompassing job satisfaction (Cropanzano and Wright 1999) and the satisfaction of basic needs for self-determination and intrinsic motivation (Deci and Ryan 2000), it adds that people need to perceive meaning in what they do; and constantly measure their accomplishments toward personal goals (Seligman 2011). Third, by introducing power distance orientation as a moderating variable, our study brings about details on a boundary condition relating to the influence of servant leadership. Finally, we examine team-member exchange (TMX), which refers to the quality of relationship that an individual has with other group members (Seers 1989), as a force that complements servant leadership in influencing employee flourishing. For practitioners, this work offers servant leadership as a novel pathway for business organizations to attain critical outcomes expected by two key stakeholders—employees and shareholders. To the best of our knowledge, no other study on ethical and moral forms of leadership had developed a model including financial profit as an outcome variable.

## Theoretical Background

### Servant Leadership

Sometimes presented as just one among several recent leadership theories infused with ethical and moral values

<sup>1</sup> Peterson and colleagues (2012), measured financial performance by corporate return on assets, which may depend on organizational choices independent from the leader-followers relationship.

(Anderson and Sun 2015), servant leadership retains a distinctive particularity: servant leaders put the people they lead first (Graham 1991; Stone et al. 2004; van Dierendonck 2011). Servant leaders set “the following priorities in their leadership focus: followers [needs] first, organizations second, and their own last” (Eva et al. 2019, p. 113). This priority for followers distinguishes servant leadership from other leadership theories, most notably transformational leadership (Eva et al. 2019; Hoch et al. 2018; Parolini et al. 2009; van Dierendonck et al. 2014).

### Individual Level

Servant leaders enact specific behaviors with individual followers in the leader–follower relationship (for reviews see Eva et al. 2019; van Dierendonck 2011). Liden et al. (2008) identified seven behavioral dimensions. Servant leaders (1) provide emotional healing by caring for each individual employee when he or she incurs setbacks in their professional or even personal life; (2) display conceptual skills; (3) empower people, providing the employee with latitude to find their own best way to work; (4) behave ethically and willingly help the employee to make difficult, values-loaded decisions; (5) put their followers first; (6) help them grow and succeed; and (7) invite individual followers to create value for the community, even beyond the boundaries of the organization. Those seven dimensions have been shown to closely reflect other characteristics of servant leadership proposed in the literature, particularly listening, providing direction, offering interpersonal acceptance and tolerance for errors. Individual perceptions of servant leadership have been shown to be associated with a number of individual-level positive outcomes (Barbuto and Wheeler 2006; Ehrhart 2004; Eva et al. 2019; Liden et al. 2008; Page and Wong 2000; Sendjaya et al. 2008; van Dierendonck and Nuijten 2011). Recent studies in sales organizations have shown that servant leadership influences salespersons’ individual performance both directly and through the mediation of perceived organizational support (DeConinck et al. 2018). Servant leadership also is positively associated with proactive behavior and, in turn, higher salesperson performance (Varela et al. 2019). Conversely, servant leadership is negatively associated with individual job boredom (Harju et al. 2018).

### Group Level

It is essential to note that the servant leadership behaviors play a role not only in the relationship between the leader and an individual follower, but also with a team as a whole, bringing about group-level, bottom-up outcomes (Klein and Kozlowski 2000b). Experiencing servant leadership behaviors from a leader is likely to bring about a group consensus (Bliese and Halverson 1998) that has a collective,

group-level function towards the group’s actions (Morgeson and Hofmann 1999). Servant leaders are stewards of their teams (van Dierendonck and Nuijten 2011), in the sense that for them, “collectivistic behaviors have higher utility than individualistic, self-serving behaviors” (Davis et al. 1997, p. 24). The group-level consensus of servant leadership perceptions has been shown to be associated with a number of group-level outcomes: procedural justice climate (Ehrhart 2004), team potency (Hu and Liden 2011), group trust (Schaubroeck et al. 2011) and, in turn, group service culture and operational quality (Liden et al. 2014).

### Flourishing

#### Individual Level

Responding to calls for research beyond the “narrow focus on job satisfaction” (Inceoglu et al. 2018, p. 180), individual flourishing has received recent attention from organizational scholars (Colbert et al. 2016). Seligman contends that flourishing consists of doing things “for their own sake” (2011, p. 97), not in the expectation of obtaining rewards or avoiding inconveniences. This view aligns with an Aristotelian, eudemonic vision of individual well-being that includes the active, conscious and interactive realization of one’s own unique personality (e.g., Waterman et al. 2006). In the most developed model to date, Seligman (2011) conceived of flourishing as the association of five dimensions<sup>2</sup>: (1) positive emotions, such as joy and contentment (Fredrickson 1998, 2000); (2) flow, referring to the perception of being immersed in an activity to the point of losing the sense of oneself and time (Csikszentmihalyi 1991), for example by exerting a creative activity (Conner et al. 2018); (3) high-quality interpersonal relationships, as a foundation for mutual trust (Colbert et al. 2016; Dutton and Heaphy 2003; Heaphy and Dutton 2008); (4) meaning, i.e., the amount of significance something holds for an individual in relation to their cognitive evaluation of what is important in life<sup>3</sup> (Pratt and Ashforth 2003; cited by Rosso et al. 2010); and (5) accomplishment, as manifested in the attainment of goals valued by an individual (Judge et al. 2005; Latham et al. 2010; Sheldon and Houser-Marko 2001).

Flourishing brings about an expansion of prior well-being constructs, as it introduces two important dimensions missing in prior conceptualizations: a time perspective through the dimension of accomplishment, by which individuals

<sup>2</sup> Seligman (2011) refers to this conceptualization as the PERMA model of flourishing, with flow reworded as engagement.

<sup>3</sup> Building on Rosso et al.’ (2010) remarks on the confusion of meaning and meaningfulness of work, we use here the definition of meaningfulness.

recognize how they grow, as evidenced by the progress they make towards goals they value (Bandura 1971; Stajkovic and Luthans 1998); and the perception of working toward meaningful, not meaningless goals (Seligman 2011). In addition, employee flourishing encompasses prior constructs: (a) job satisfaction (Cropanzano and Wright 1999; Wright et al. 2007; Wright and Cropanzano 2004) through the dimension of positive emotions (Fredrickson 1998); and (b) the satisfaction of critical needs for autonomy, competency and relatedness identified by self-determination theory (Deci and Ryan 2000; Ryan and Deci 2000), as autonomy and competency are represented in the “flow” dimension of flourishing (Csikszentmihalyi 1991), and relatedness corresponds to the relationships dimension of flourishing (Dutton and Heaphy 2003). The construct of employee flourishing recognizes that people cannot flourish in isolation, but, on the contrary, experience personal growth in their relationships with others and the world (McMullin 2018).

In sum, individual flourishing brings about an active and interactive representation of well-being. While prior theories examine to what extent people *have* a good life, employee flourishing reflects the extent to which people think and feel that they *lead* a fulfilling life in the world (Huppert and So 2013; Keyes 1998, 2002; McMullin 2018; Ryff and Singer 2000).

### Group Level

Employee flourishing, like related well-being constructs, has a collective dimension (Barsade and Knight 2015). Social interaction within a group generates a sharing of cognitive and affective perceptions, creating a consensus that determines an average level of well-being in a given group and a bottom-up, group-level phenomenon (Klein and Kozlowski 2000b; Preacher et al. 2010). On the affective side, one mechanism for such a group-level consensus is emotional contagion, referring to the transfer of moods between people (Barsade 2002), which can result either in more positive or more negative group affect (Dasborough et al. 2009). On the cognitive side, what employees share and agree on about the functioning of the group, for example about their leader, serves as a structure for the collective perception of flourishing (Morgeson and Hofmann 1999). Group-level employee flourishing, in that sense, builds on what has been proposed as collective well-being, referring to a group’s “positive feelings linked to a desire to contribute to effective performance” (Warr and Nielsen 2018, p. 10). Also termed employee morale (Bowles and Cooper 2009), group-level well-being has started to receive scholarly attention in the context of schools and the military (e.g., Britt and Dickinson 2006). We reason that the consensus of group-level employee flourishing should emerge in other types of organizations as well, in both the public and private sectors.

## Power Distance Orientation

### Individual Level

Not all employees agree on what the ideal leader is (Offermann and Coats 2017), as “individuals possess their own naïve, implicit theories of leadership” (Offermann et al. 1994, p. 44). Implicit leadership theories refer to “cognitive structures or schemas specifying traits and behaviors that followers expect from leaders” (Epitropaki and Martin 2004, p. 293). At the individual level, followers develop their own standards (Bandura 1991, 2001, 2006) based on their implicit leadership theories, against which they judge leaders and in turn react—cognitively, affectively, and behaviorally—to leaders’ behaviors. We propose that one specific individual implicit leadership theory, power distance *orientation*, plays a role in how followers perceive servant leadership. Building on cultural studies,<sup>4</sup> Kirkman et al. (2009) have defined power distance orientation as an individual-level construct that represents the leader-followers gradient that followers take for granted. For example, an individual employee with low power distance orientation accepts and even appreciates when the leader asks about their personal life; conversely, an employee with high power distance orientation believes that he or she should *not* engage in personal relationships with the leader (Daniels and Greguras 2014; Kirkman et al. 2009). In the latter case, because servant leaders do tend to engage in personal relationships with followers, it might result in cognitive dissonance and negative affect for followers.

### Group Level

As with many other individual-level variables, power distance orientation may aggregate to the group level to the extent that group members form a consensus about the acceptable distance that should separate them from the leader. The consensus level of power distance orientation that emerges at the group level of analysis (Kozlowski and Klein 2000) is likely to play a role in the relationship between the leader and the collective formed by group members (Hu et al. 2018; Schaubroeck et al. 2007). For example, in occasions that involve a dialogue between the leader and the group (e.g., group meetings), it is likely that a consensus level of high power distance orientation makes servant leaders less effective in conveying behaviors of emotional

<sup>4</sup> Initially, power distance had been defined at a national level to describe the degree to which people perceive that it is appropriate for power to be distributed unequally (Daniels and Greguras 2014; Hofstede et al. 2010; House et al. 1999).



healing (Liden et al. 2008) to appease collective negative emotions—and conversely.

### Team-Member Exchange (TMX)

While people increasingly work within teams (Bishop and Scott 2000), Seers (1989) aptly observed that people in the workplace are influenced not only by leaders but also, and perhaps primarily, by their peers and coworkers (Shapiro et al. 2016). The quality of intra-group relationships between followers can thus emerge as a configural property (Klein and Kozlowski 2000a) that can be distinct from the influence of the leader.

At the individual level, Seers (1989) developed the individual TMX construct to describe how employees, as members of a team, assess other members' willingness to assist peers and to share ideas and feedback in the context of work. TMX reflects the degree to which individuals within a working group perceive they communicate, collaborate and coordinate (Cohen and Bailey 1997). It parallels, but is distinct from the leader-member exchange construct (for reviews: Dulebohn et al. 2012; Rockstuhl et al. 2012).

At the group level, the aggregation of TMX is relevant to the extent that team members share perceptions about collaboration in their team. The group-level consensus is likely to be formed by comparison to other groups that employees have been part of, or by comparison in time with perceptions of collaboration in the same team at an earlier date. The consensus may result in a shared perception of belonging to a “good group”, i.e., communicating collaborating, and coordinating effectively and agreeably, in turn influencing group-level outcomes (Hoegl and Gemuenden 2001; Valentine et al. 2015).

## Hypotheses Development

### Servant Leadership, Employee Flourishing and Power Distance Orientation

#### Individual-Level Relationships

We reason that servant leadership may be associated with individual employee flourishing in several ways, fulfilling the promise that servant leaders contribute to employees experiencing self-growth to become “healthier, wiser, freer, more autonomous” (Greenleaf 1977, p. 7). Prior studies have shown servant leadership as conducive to various understandings of individual well-being for followers, from job satisfaction (Donia et al. 2016; Hoch et al. 2018) and job crafting (Harju et al. 2018) to the fulfillment of the basic needs of autonomy, competency and relatedness proposed by self-determination theory (e.g.,

Chiniara and Bentein 2016; Mayer et al. 2008). Although these are important outcomes, we contend that employee flourishing (Seligman 2011), representing a broader and integrative construct, is capable of enhancing servant leadership theory for several reasons.

Building on Liden et al.' (2008) delineation of seven servant leadership behavioral dimensions, we first propose that servant leaders' emotional healing fosters an individual employee's positive emotions by providing comfort that helps ease negative emotions (Fredrickson 2000). Second, servant leaders' efforts to empower people allow the employee to experience flow, for example, by being assigned to a position in which he or she can exert competency yet face some form of challenge (Csikszentmihalyi 1991). Third, servant leaders enhance employees' perceptions of a high-quality dyadic relationships with them by putting subordinates first and helping them grow and succeed. Fourth, through their conceptual skills, ethical behavior and concern for creating value for the community, servant leaders also develop the meaning the individual employee perceives in his or her work (Asag-Gau and van Dierendonck 2011). Finally, because servant leaders help followers grow and succeed—for example by providing frequent feedback—they cultivate the sense of accomplishment that the employee perceives toward his or her individual objectives (Spears 2002). In essence, we expect a positive association between individual perceptions of servant leadership and employee flourishing.

We further reason, however, that the nature of leader–follower dyadic relationships is dependent on the employee's individual power distance orientation. Power distance orientation has a specific salience in relation to servant leadership, because servant leaders become closer to followers than other leaders, as servant leaders help followers grow and succeed, and even tend to their emotional difficulties (Liden et al. 2008). Greenleaf (1977) conceived of the servant leader as *primus inter pares*, not a power holder (van Dierendonck 2011). So, we reason that there is a strong tension between servant leadership, which implies a blurring of the lines between professional and personal lives in the leader–follower relationship (Eva et al. 2019), and high power distance orientation, which in the follower's mind separates the roles and, in turn, the people enacting them. For example, high individual differences in power distance orientation between leader and follower have been shown to be associated with high employees' perceptions of conflict with the leader (Graham et al. 2018). We suggest that individual power distance orientation may play a moderation role in the relation between individual perceptions of servant leadership and employee flourishing. For example, individual power distance orientation positively moderates the negative influence of abusive supervision—the opposite of servant leadership—on both employee individual

job satisfaction and psychological health, the latter being a construct close to employee flourishing (Lin et al. 2013).

We suggest that the direction of the moderation is *negative*: the higher the individual level of power distance orientation, the weaker the association between individual perceptions of servant leadership and employee flourishing. We propose these differential effects despite the consistent findings that transformational leadership and servant leadership tend to be positively correlated, and that the power distance moderation has been shown to be positive for transformational leadership (Schaubroeck et al. 2007). Our logic is that servant and transformational leadership are quite different with respect to the moderating role of power distance orientation. There is a strong rationale for why adherence to authority among high power distance followers would increase allegiance to conforming with the leader's vision within transformational leadership (Schaubroeck et al. 2007). However, servant leaders' prioritization of follower needs over organizational goals and their own needs suggests that a much closer relationship between leader and follower is needed in order for servant leadership to show its strongest relationships with outcomes (Graham et al. 2018). The rationale for the negative moderation effect is that, whereas power distance orientation aligns positively with transformational leadership in isolating the visionary, charismatic leader from the inspired followers, servant leadership by contrast makes the leader and followers closer to each other as team members (Chiniara and Bentein 2016).

**Hypothesis 1a** At the individual level, servant leadership is positively associated with employee flourishing, and power distance orientation negatively moderates this relationship so that the greater the employee power distance orientation, the weaker the relationship between servant leadership and employee flourishing.

### Group-Level Relationships

We reason that at the group level under the direction of a single leader, such as in a business-unit (e.g., a store), the relationships hold in a parallel fashion (Preacher et al. 2010). Schaubroeck et al. (2011) noted that unlike many approaches to leadership in which leaders strive to gain and retain power, servant leadership is group-oriented and aims at building a shared sense of community among employees by promoting teamwork and sharing. They went on to describe servant leaders as: (a) minimizing conflicts within the group, thereby avoiding unnecessary negative emotions and fostering shared positive emotions, one dimension of group-level employee flourishing (Barsade 2002; Ilies et al. 2007); and (b) nurturing a group consensus of positive relationships between team members, another dimension of flourishing. As servant leaders offer followers a sense of

serving the community at large, beyond the strict definitions of their duties (Liden et al. 2008), they satisfy the aspiration for a shared meaning among employees called for by group-level employee flourishing. Servant leadership, moreover, is enacted by transparent communication, allowing for group-level psychological safety (Edmondson 1999; Edmondson and Lei 2014; Schaubroeck et al. 2011), thereby enabling the sense of collective accomplishment that is part of group-level employee flourishing.

We also argue that the nature of the relationship between group-level perceptions of servant leadership and employee flourishing might differ depending on degree of the consensus of power distance orientation within the group. For example, group-level power distance orientation has been shown to positively moderate the impact of transformational leadership on performance-related outcomes (Schaubroeck et al. 2007). Yet, mirroring the reasoning at the individual level, we contend that group-level power distance orientation *negatively* moderates the relationship between group-level servant leadership and employee flourishing. For example, while leader humility is a feature of servant leadership, it has been shown that humble leaders may obtain higher team performance in terms of team creativity only within teams where power distance is low (Hu et al. 2018). In essence, we suggest that high group-level power distance orientation prevents servant leaders from fully taking advantage of their closeness with the group they lead.

**Hypothesis 1b** At the business-unit (store) level, servant leadership is positively associated with employee flourishing; and power distance orientation negatively moderates this relationship so that the greater the employee power distance orientation, the weaker the relationship from servant leadership to employee flourishing.

### Group-Level Servant Leadership, Flourishing, and Performance

#### Group-Level Servant Leadership and Performance

Extensive evidence exists of an association between servant leadership and performance at the group level (Eva et al. 2019). For example, researchers have shown that servant leadership explains team performance measured as supervisor-rated group task effectiveness, to a greater extent than transformational leadership (Schaubroeck et al. 2011). Multilevel studies have observed servant leadership as conducive to team innovation (Yoshida et al. 2014) and service climate (Walumbwa et al. 2010). Complementarily, research on leader humility—a characteristic of servant leaders—has shown humility to positively influence team performance (Rego et al. 2019). Increasingly, research has focused on external measures of performance at the group level, and

shown its positive association, for example, with indicators of service quality measured by external audits and customer satisfaction ratings (Liden et al. 2014). Yet as is apparent in a recent and exhaustive review (Eva et al. 2019), scholars have not explored the impact of servant leadership on financial indicators as outcome variables at collective levels (see Peterson et al. 2012 for an exception at the organizational level).

Moreover, variables indicating team performance in prior works relate to the quantity and quality of followers' output, without examining to what extent resource allocation may influence such performance. Leaders, servant or else, are also managers enacting HR processes (López-Cotarelo 2018). As such, they have some discretion in allocating resources (Wangrow et al. 2015) ranging, in the case of retail stores, from local advertising budget to individual employee bonuses. One could argue that servant leaders obtain higher performance by awarding them more generous bonuses (Fried et al. 1999), which would add to costs at the business-unit level. As profits equal revenue minus costs, growing profits along with revenue requires that business-unit leaders control costs. Hence, business-unit "bottom-line" financial outcomes, such as profit growth, allow for more robust inferences based on the broadest responsibilities of leaders. By refraining from being generous with organizational resources, servant leaders would thus preserve the interests of shareholders along with those of followers.

For business leaders, growth in revenue and profit is critical (Davis et al. 1997; Grant 2012). Revenue growth in stores has been shown to be an outcome of other forms of leadership, such as transformational leadership and authentic leadership (e.g., Clapp-Smith et al. 2008; Rego et al. 2015). We reason that servant leadership is positively related to business-unit growth in revenue, because it develops employee behaviors, such as helping others, service orientation and sharing, that are conducive to higher sales. Further, we argue that, notwithstanding the arguments that leaders might devote more resources to their teams, servant leaders are able to control costs. Servant leadership should hence be associated with both revenue growth and profit growth.

### Group-Level Flourishing and Performance

Building on the perspective of flourishing individuals in flourishing institutions (e.g., the workplace) proposed by positive psychology (Seligman and Csikszentmihalyi 2000), we reason that the relationship between group-level perceptions of servant leadership and store profit growth may not be direct, but rather, mediated by group-level employee flourishing (Bowles and Cooper 2009; Peterson et al. 2008) and revenue growth.

All dimensions of group-level flourishing (Seligman 2011) seem conducive to performance (Lacanieta et al.

2018) and, specifically in a commercial organization, to higher business-unit revenue (Varela et al. 2019). Employees' positive emotions facilitate contact with clients as they broaden behavioral repertoires (Fredrickson 1998) and favor empathy, which has been shown to be a predictor of customer orientation and, in turn, the loyalty of customers (Gerlach et al. 2016). Employees experiencing flow demonstrate competency and autonomy (Csikszentmihalyi 1991), which should be appreciated by customers. Group-level employee flourishing involves high-quality relationships between group members that facilitate interdependent task assistance and thus better service (Colbert et al. 2016). Moreover, as a flourishing group of employees finds meaning in the shared mission, it can build on it to collectively deepen the relationships with customers. We reason that flourishing employees: (a) work to the best of their capacities to increase store revenue, a critical goal at the group (store) level; and (b) do so without increasing store costs, hence increasing profits (Fried et al. 1999; López-Cotarelo 2018).

**Hypothesis 2** At the business-unit (store) level, servant leadership is positively associated with profit growth through the mediation of employee flourishing and revenue growth.

### Team-Member Exchange (TMX)

#### Individual Level

Several studies have confirmed individual perceptions of TMX as a significant variable for explaining employee job satisfaction (Liden et al. 2000; Seers 1989; Seers et al. 1995). Conversely, loneliness tends to lower individual performance (Ozcelik and Barsade 2018). We thus reasoned that communication, collaboration and coordination expressed by TMX also influence individual employee flourishing (Seligman 2011) in at least four of its five dimensions: (a) positive emotions, which are captured by individual perceptions of job satisfaction; (b) the affective quality of relationships an employee perceives he or she has with others at work, as relationships quality is determined by frequency of and benevolence in interactions (Dutton and Heaphy 2003); (c) the meaning an employee assigns to their work; and (d) the perception of accomplishment he or she derives from it, due to the feedback they receive from others (Liden et al. 2000).

**Hypothesis 3a** At the individual level, employee TMX is positively associated with employee flourishing.

#### Group Level

Team-member exchange is also a construct relevant at the group level of analysis based on the consensus emerging from group members' perceptions (Valentine et al. 2015).



**Table 1** Descriptive statistics and correlations, individual level

	Mean	SD	Min	Max	Median	1	2	3	4	5	6
1. Servant leadership <sup>†</sup>	3.53	0.82	1.00	5.00	3.57						
2. Employee flourishing <sup>††</sup>	7.15	1.05	3.33	10.00	7.26	0.50**					
3. Power distance orientation <sup>†</sup>	2.53	0.83	1.00	5.00	2.40	0.14**	− 0.04				
4. TMX <sup>†</sup>	3.93	0.62	1.00	5.00	4.00	0.37**	0.51**	− 0.01			
5. Age <sup>†††</sup>	39.23	10.55	19.00	64.00	39.00	0.12**	0.00	0.12**	0.06		
6. Tenure with leader <sup>†††</sup>	4.07	4.33	1.00	37.00	3.00	0.07	− 0.03	0.12**	0.09*	0.24**	
7. Tenure in job <sup>†††</sup>	6.71	6.28	1.00	33.00	5.00	0.07	− 0.04	0.09	0.09	0.50**	0.27**

<sup>†</sup>1–5 scale; <sup>††</sup>1–10 scale; <sup>†††</sup>years ( $N=485$  followers)

\*\* $p < 0.01$ ; \* $p < 0.05$

One study, based on a construct very similar to group-level TMX, showed it to be positively associated with higher levels of team performance as rated by team members, team leaders, and external raters (Hoegl and Gemuenden 2001). Another study found that high group-level TMX offsets the negative effect of low leader-member exchange (Wang and Hollenbeck 2018). We thus reason that group-level perceptions of TMX are positively associated with employee flourishing.

**Hypothesis 3b** At the business-unit (store) level, TMX is positively associated with employee flourishing.

## Method

### Settings, Sample, and Procedure

To minimize the potential impact of exogenous factors, the empirical study that we designed to test our multilevel model was undertaken in a single company, a retail chain in a major metropolitan area of France, where all stores (referred to as business-units in the hypotheses) directly report to general management. Several prior studies relied on this type of setting (Clapp-Smith et al. 2008; Hunter et al. 2013; Liden et al. 2014; López-Cotarelo 2018; Rego et al. 2015), which allows for a comparison between analogous, yet independent groups (formed by store employees) to examine the influence of leaders on their respective teams. The retail chain of our sample is part of a larger, publicly listed group. At the time of the study, it employed 12,000 people in 900 stores. To avoid potential regional differences (e.g., in economic conjuncture), we focused on one geographic area, where we initially selected all the 72 stores. In each store there was only one level of leadership, with all employees directly reporting to the leader (a salaried manager, not a franchisee). For example, the store leader conducted annual performance reviews with each employee individually; and set priorities for the day's

work by holding a morning meeting with all employees as a group. Within stores, employees broke down in three major functions: sales at the counter; goods delivery; and administrative tasks. They interacted with each other on a daily if not hourly basis.

We narrowed down the sample in several steps. In order to ensure stability in leadership, we first excluded two stores whose leader was missing due to internal re-assignments. We also excluded: seven stores where the manager had less than one year in tenure; eight stores where a majority of employees had less than one year in tenure with the manager; and two stores with fewer than three employees, as smaller unit sizes do not provide adequate power for multi-level analyses (Bliese 2000). We made sure that leaders had remained the same for the entire period during which we collected the performance data. The final sample consisted of 485 respondents (employees) with one year or more of tenure in their job and with their store manager, nested in 55 stores.

Among the 485 respondents in the sample, 78.6% were male. Average age was 39.26 years overall (SD 10.53 years; range 19–64 years). Following French regulations, ethnicity was not asked. Average tenure with store leader was 4.08 years (SD 4.32; range 1–37). Average tenure in the job was 6.72 years (SD 6.27; range; 1–33). The level of education was a high school degree or lower for 79% of the respondents. Key individual-level descriptive statistics and correlations are reported in Table 1.

In the final sample of 55 business-units, the average number of respondents was 8.82 per business-unit (SD 5.61; range 3–33, see descriptive statistics and correlations for business-units in Table 2). The HR department at the company confirmed that leaders in the business-units we retained did not change over the following year, and that employee turnover was less than 3% per year. Average growth was negative for both revenue (− 2.26%) and profit (− 1.80%), reflecting in part a lower number of working days due to

**Table 2** Descriptive statistics and correlations, group level

	Mean	SD	Min	Max	Median	1	2	3	4	5	6
1. Servant leadership <sup>†</sup>	3.59	0.38	2.84	4.43	3.57						
2. Employee flourishing <sup>††</sup>	7.18	0.39	6.36	7.98	7.27	0.38**					
3. Power distance orientation <sup>†</sup>	2.53	0.37	1.44	3.47	2.48	0.12	0.04				
4. TMX <sup>†</sup>	3.98	0.30	3.38	4.79	3.96	0.15	0.50**	0.00			
5. Revenue growth <sup>†††</sup>	-2.26	9.95	-20.45	25.07	-2.33	0.34*	0.50**	0.18	0.17		
6. Profit growth <sup>†††</sup>	-1.80	2.31	-6.95	3.37	0.03	0.05	0.14	-0.02	0.06	0.38**	
7. Store size	8.82	5.61	3.00	33.00	8.00	-0.24	-0.13	0.02	-0.26	-0.09	0.02

<sup>†</sup>1–5 scale; <sup>††</sup>1–10 scale; <sup>†††</sup>percentage points (*N* = 55 stores)

\*\**p* < 0.01; \**p* < 0.05

bank holidays (- 1.30%) and in part poor economic conditions at the time of the investigation.<sup>5</sup>

The lead author personally visited all stores and administered paper-and-pencil questionnaires to employees during paid work hours at Time 1. Several precautions addressed the risk of bias incurred with investigations based on surveys (Podsakoff et al. 2003). To avoid influence from leaders, the lead author exposed the objective of the research and the directions without leaders being present, making clear that participation was not mandatory and that the research was not commissioned by the company. Employees completed questionnaires in the presence of the lead author, the leader being outside of the room. To guarantee anonymity of the questionnaires, respondents were identified by a code, not by their names. Only five employees in the final sample declined to participate (response rate: 99%). In some larger stores of the sample, not all staff were present to fill out the survey due to holidays and two-shift workdays. Overall the respondents represented 72% of total staff in the 55 business-units.

Performance data were obtained from company records 15 months after the survey. As such, they were subject to internal and external audits according to procedures applicable to a publicly listed group. Respondents to the questionnaire could not know of the future performance of their own business-unit at the time of the survey.

### Variable Operationalization

We measured variables of interest with existing instruments that had met the requirements of internal consistency, reliability and validity in prior studies. Scale items

were translated into French and verified via back translation (Brislin 1979).

### Servant Leadership

Servant leadership was assessed with the SL-7 scale developed and validated by Liden et al. (2015), which is one of the three scales recommended for its rigor by Eva et al. (2019) out of 16 existing instruments for measuring servant leadership. The scale represents the seven behavioral dimensions of servant leadership with the item from each of the 7 dimensions of the original 28-item scale (Liden et al. 2008) having the highest factor loading. Examples of questions are: “My [store] manager notices right away when there is a work-related problem” (conceptual skills); “My manager puts my best interests ahead of his/her own” (putting subordinates first); “I would seek help from my manager if I had a personal problem” (emotional healing). Multiple scholars have used Liden et al.’s (2008) original 28-item scale (e.g., Schaubroeck et al. 2011), the SL-7 (Liden et al. 2015), or another variant of the scale (Peterson et al. 2012).

The SL-7 was shown to closely parallel the SL-28: in a series of six studies with five different samples (Liden et al. 2015), correlations between the SL-7 and the SL-28 ranged from 0.78 to 0.97 and its criterion-related validities mirrored those of the SL-28 (Liden et al. 2008). Questionnaire length concerns guided the choice of the SL-7, as other scales are comprised of 14 to 30 items (Ehrhart 2004; van Dieren-donck and Nuijten 2011). We employed a 5-point scale with “strongly disagree” to “strongly agree” endpoints. We conducted a confirmatory factor analysis at the individual level and found values consistent with findings by Liden et al. (2015), confirming its use as a one-dimensional scale. Cronbach’s alpha was 0.82. We used individual data in each store for individual-level analyses, and the store mean for group-level (between-groups) analyses.

<sup>5</sup> The dispersion in revenue growth was high, as indicated by the standard deviation in Table 2. Suspecting that outliers may have a disproportionate influence, we tested our model without the stores with extreme values. The results were not different.

## Store Performance

Store performance was measured as follows. Fifteen months after the survey, the company provided the revenue (store sales) and operating profit (calculated as store revenue minus operational expenses, i.e., cost of goods sold and salaries, excluding financing, depreciations and one-off costs) of each store. Figures related to the semester in which survey data were collected (Time 1), and the same semester one year later (Time 2) (Harter et al. 2010), so as to offset seasonality issues typical in the specific sector. We chose semester over yearly data, because a longer period would have led to exclude more stores due to leader changes among business-units. We calculated: (a) the revenue growth of each store, measured as the percentage difference in total sales to customers between the Time 1 and Time 2; and (b) the profit growth of each store, measured as the difference in profit margins (calculated as the ratio of operating profit over revenue, expressed in percentage points) between Time 1 and Time 2. Our operationalization of profit corresponds to what businesspeople typically refer to as profitability.

## Employee Flourishing

Employee flourishing was operationalized as follows. Based on Seligman's (2011) theorization, Butler and Kern (2016) created a 15-item survey, with three items representing each dimension of the PERMA construct (positive emotions, flow, good relationships, meaning, and accomplishment). Several studies have used this instrument (Kern et al. 2015; Khaw and Kern 2015). We used a 10-point version of the survey adapted for the workplace with "never-always" or "absolutely not-absolutely" anchors. Items included (Butler and Kern 2016): "At work, how often do you feel joyful?" (Positive emotions); "At work, how often do you become absorbed in what you are doing?" (Flow); "To what extent do you receive help from your coworkers when you need help?" (Relationships); "To what extent do you generally feel that you have a sense of direction in your work?" (Meaning); "How often do you feel you are making progress towards accomplishing your work goals?" (Accomplishment). Because PERMA dimensions coalesce in a single flourishing construct, we averaged the scores from the five dimensions to obtain the measure of employee flourishing at work (Butler and Kern 2016). Internal consistency was verified with a Cronbach's alpha of 0.86. We used individual data in each store for individual-level analyses, and the store mean for group-level (between-groups) analyses.

## Power Distance Orientation

We measured power distance orientation with the scale developed by Dorfman and Howell (1988). The instrument

consists of 6 items loading on a single factor and rated along a 5-point Likert-style scale (endpoints were "absolutely agree" to "absolutely disagree"). Example items are: "Managers should make most decisions without consulting subordinates"; "It is frequently necessary for a manager to use authority and power when dealing with subordinates"; "Managers should seldom ask for the opinions of employees". We had to remove one item ("Managers and employees should have personal relationships outside work") because a number of respondents reacted forcefully and refused to answer the question during data collection. Cronbach's alpha was 0.70. We used individual data in each store for individual-level analyses, and the store mean for group-level (between-groups) analyses.

## Team-Member Exchange (TMX)

Seers (1989) elaborated and tested a 34-item scale for TMX. Based on it, Liden et al (2000) developed a 9-item version, which we used after translation into French. Questions include: "I feel that I am loyal to my coworkers"; "My coworkers have asked for my advice in solving a job-related problem of theirs"; "My coworkers value the skills and expertise that I contribute to our work group". Raters responded on a 5-point scale denoting their degree of agreement (anchors: "absolutely disagree" to "absolutely agree"). Cronbach's alpha for the TMX scale was 0.85. We used individual data in each store for individual-level analyses, and the store mean for group-level (between-groups) analyses.

## Convergent and Discriminant Validity, Aggregation

We tested the convergent validity of our instruments by means of confirmatory factor analyses (CFAs). Because the data were nested within supervisor, the number of estimated parameters had to be less than the number of supervisors (55) to have an identified model for estimating the standard errors. Hence, we needed to break down the measurement models in a three-step process. First, we tested servant leadership and TMX; then employee flourishing and power distance orientation; eventually we tested employee flourishing, power distance orientation and TMX as summated scales and servant leadership as a latent variable. We kept servant leadership as a latent variable to provide adequate degrees of freedom; if all variables were summated scales, the number of degrees of freedom would have been zero. The last model provided fit indices as follows:  $\chi^2 = 67.07$ ;  $df = 32$ ;  $\chi^2/df = 2.10$ ; CFI = 0.97; TLI = 0.95; RMSEA = 0.05; SRMR 0.03; all values were within the limits generally accepted for this type of models (Hu and Bentler 1999). The correlation coefficient among the four variables ranged from  $-0.110$  to  $0.567$ , which are all significantly lower than 1.

**Table 3** Aggregation and within-group agreement indices

	ICC			$r_{wg}$		$a_{wg}$		
	ICC(1)	ICC(2)	Min	Mean	Max	Min	Max	
Servant leadership	0.28	0.77	0.21	0.73	1.00	0.34	0.72	0.96
Employee flourishing	0.14	0.59	0.56	0.88	0.99	0.67	0.90	0.99
Power distance orientation	0.23	0.73	0.20	0.69	0.98	0.23	0.70	0.97
TMX	0.27	0.77	0.28	0.83	0.98	0.35	0.77	0.96

We sought aggregation indices for all of our variables, that is, how variance can be “explained” by belonging to a group (Bliese and Halverson 1996; Bliese 2000). For servant leadership, ICC(1) was 0.28; ICC(2) was 0.77. For employee flourishing, ICC(1) was 0.14; ICC(2) was 0.59. For power distance orientation, ICC(1) was 0.23; ICC(2) was 0.73. For TMX, ICC(1) was 0.27; ICC(2) was 0.77. All indices were in the range commonly accepted for aggregating data at the group (Bliese 2000; James et al. 1984). The ICC(2) for employee flourishing was an exception. However, flourishing is by essence an individual construct (Seligman 2008, 2011), making its aggregation at the group level a formative variable (Klein and Kozlowski 2000a). In such cases, interrater agreement associated with the group-level may be less relevant, particularly when the number of groups is moderate, group size is small (below 10), and the sampling ratio is high (over 66%) (Bliese 2000; Lüdtke et al. 2008). Additionally, within-group agreement measures,  $r_{wg}$  (James et al. 1993) and  $a_{wg}$  (Brown and Hauenstein 2005) were found to be at or above the generally accepted 0.7 cutoff value. Aggregation indices and within-group agreement measures are reported in Table 3.

## Analysis

Multilevel analyses pose specific statistical issues due to the nesting of respondents in groups, particularly in moderated mediation models. Preacher et al. (2010) suggest that researchers should run the same model simultaneously at both the individual level and group level (business-unit level, i.e., between-groups), and we did accordingly. We tested our model with an Unconflated Multilevel Modeling (UMM) approach, which is close to hierarchical linear modeling and allows for a repartition of variance into individual and group levels (Preacher et al. 2010). We chose UMM instead of the multilevel structural equation modeling (MSEM) framework because of the relatively small number of groups (business-units), small group size ( $n < 10$ ), formative measure for flourishing, a high sampling ratio (> 66%), and low ICCs. In such cases, MSEM results will have large variability and RMSE (root mean square error) will be large (Lüdtke et al. 2008). The UMM approach delineates moderated mediation in multilevel models (Bauer et al. 2006), improving on analyses

relying only on variables aggregated at the group level (e.g., Clapp-Smith et al. 2008; Rego et al. 2015). UMM analysis allows for a simultaneous analysis of mediation effects and thus improves on step-by-step mediation analysis (Baron and Kenny 1986). At the individual level, the independent, mediating and moderating variables, i.e., servant leadership, power distance orientation and TMX were group-mean centered. At the group level (between-groups), all variables were group means.

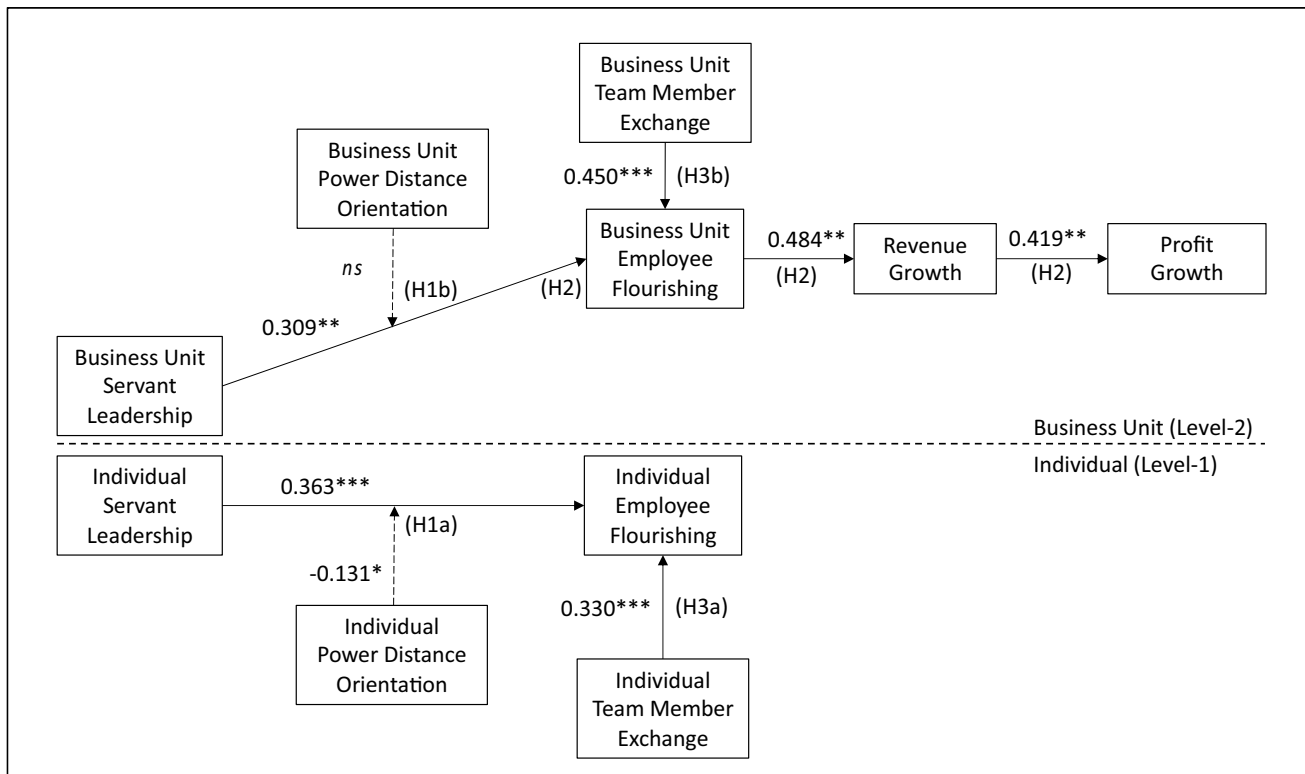
To examine if the mediating effects were partial or full mediations, we included the direct relationships: (a) from servant leadership to revenue growth; (b) from servant leadership to profit growth; and (c) from employee flourishing to revenue growth. We included interaction terms at individual and group levels to examine moderation effects. We ran the main analyses with the Mplus package with multilevel functionalities (Muthén and Muthén 2013). Specific analyses (e.g., Cronbach’s alpha, correlations, aggregation indices) were run with the R software language and its multilevel package (Bliese 2013).

## Results

### Correlations and Control Variables

#### Individual Level

Prior to running the analysis of our hypothesized model, we obtained bivariate correlations of the variables and controls. At the individual level, servant leadership was correlated with employee flourishing, power distance orientation and TMX. Additionally, employee flourishing was correlated with TMX. As for demographic control variables, servant leadership was correlated with employee age; power distance orientation was correlated with employee age and tenure with leader. TMX was correlated with leader tenure. A perceptual control variable relating to person-organization fit (Kim et al. 2005; Vondy 2010) was not correlated to any other variable. Individual correlations are reported in Table 1. There was no correlation between the variables of our model and employees’ sex, level of education, and function (sales, delivery, administration).



Standardized coefficients.  
 \*\*\*:  $p < .001$ ; \*\*:  $p < .01$ ; \*:  $p < .05$ .

Fig. 1 Model results. Standardized coefficients

## Group Level

At the group level (between-groups), servant leadership was positively correlated with employee flourishing and revenue growth as reported in Table 2. Employee flourishing was correlated with revenue growth and TMX. Revenue growth was correlated with profit growth. There was no correlation between the variables of our model and control variables representing group-level characteristics, including geographic subarea, prior store performance, leader's tenure in job and with their own leaders, and leaders' ratings of their own servant leadership, flourishing, power distance orientation, and TMX. We also included store size as a control variable, as servant leadership may be thought of as less effective in larger groups, because of the leader–follower proximity it implies; store size was found to be uncorrelated to other variables. Finally, we found no relationship between our variables of interest and leader sex and education level.

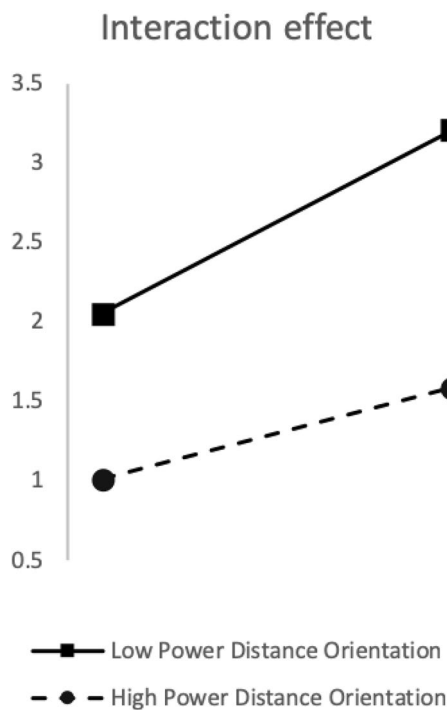
## Test of Hypotheses

### Main Model

We first ran our model at both individual and group levels with all control variables. None of the control variables had a significant effect. Hence, consistent with Becker's recommendation (2005), we did not include them in our model for testing the hypotheses to preserve the number of parameters we could estimate in the model (the number of estimated parameters needs to be smaller than the number of business-units). Model fit information was as follows:  $\chi^2 = 7.42$ ;  $df = 11$ ;  $\chi^2/df = 0.67$ ;  $CFI = 1.00$ ;  $TLI = 1.04$ ;  $RMSEA = 0.00$ ;  $SRMR = 0.01$  (individual) and 0.04 (group level, between-groups), within acceptable limits (Hu and Bentler 1999). Overall model results appear in Fig. 1.

Hypothesis 1a proposed that, at the individual level, servant leadership is positively associated with employee





**Fig. 2** The interaction effect of power distance orientation. The horizontal axis represents servant leadership; the vertical axis represents employee flourishing (individual level)

flourishing, and that power distance orientation negatively moderates this relationship so that the greater the employee power distance orientation, the weaker the relationship between individual perceptions of servant leadership and employee flourishing. Individual perceptions of servant leadership were found to be positively associated with employee flourishing ( $b = 0.53$ ;  $p < 0.001$ ; 95% CI [0.42, 0.64];  $\beta = 0.36$ ). The interaction term denoting the moderating effect of power distance orientation was found to be statistically significant ( $b = -0.24$ ;  $p < 0.05$ ; 95% CI [-0.46, -0.01];  $\beta = -0.13$ ). Simple slope test results showed that servant leadership was positively associated with employee flourishing when power distance orientation was high (power distance orientation at mean plus one standard deviation;  $b = 0.35$ ;  $p < 0.01$ ; 95% CI [0.12, 0.58]), and the positive relationship was stronger when power distance orientation was low (power distance orientation at mean minus one standard deviation;  $b = 0.71$ ;  $p < 0.01$ ; 95% CI [0.53, 0.89]). Hypothesis 1a was supported. The interaction is depicted in Fig. 2.

Hypothesis 1b suggested that, at the group level (between-groups), servant leadership is positively associated with employee flourishing, and that power distance orientation negatively moderates the positive relationship from servant leadership to employee flourishing, so that

the greater the employee power distance orientation, the weaker the positive relationship from servant leadership to employee flourishing. Between-groups servant leadership was found to be positively associated with employee flourishing ( $b = 0.32$ ;  $p < 0.01$ ; 95% CI [0.09, 0.56];  $\beta = 0.31$ ). The interaction term denoting a moderation of group-level power distance orientation was not statistically significant ( $b = -0.04$ ;  $p = 0.89$ ; 95% CI [-0.67, 0.58];  $\beta = -0.01$ ). Hypothesis 1b was partially supported: although the moderating effect was not supported, the main effect of a positive association between servant leadership and employee flourishing at the group level was statistically significant.

Hypothesis 2 proposed that, at the group level (between-groups), servant leadership is positively associated with profit growth through the mediation of employee flourishing and revenue growth. As indicated above, group-level perceptions of servant leadership and employee flourishing were found to be positively associated. In turn, group-level employee flourishing was positively associated with revenue growth ( $b = 12.19$ ;  $p < 0.01$ ; 95% CI [4.28, 20.11];  $\beta = 0.48$ ). And profit growth was positively associated with revenue growth ( $b = 0.10$ ;  $p < 0.01$ ; 95% CI [0.04, 0.16];  $\beta = 0.42$ ). The group-level direct relationships: (a) from servant leadership to revenue growth; (b) from servant leadership to profit growth; and (c) from employee flourishing to revenue growth were all statistically non-significant. This means that, at the group level, the positive association from servant leadership to profit growth was fully mediated by employee flourishing and revenue growth. We estimated confidence intervals of indirect effects with parametric bootstrapping (Efron and Tibshirani 1993) of 50,000 cases using the Monte-Carlo simulation function of Mplus. In the relationship from servant leadership to employee flourishing to revenue growth, the estimated unstandardized coefficient was 3.90 ( $p < 0.01$ ); the 95% bias-corrected confidence interval (BCCI) was [0.99, 8.93]. In the full relationship between servant leadership to employee flourishing to revenue growth and profit growth, the estimated unstandardized coefficient was 0.38 ( $p < 0.01$ ); the 95% BCCI was [0.08, 1.14]. Hypothesis 2 was supported.

Hypothesis 3a proposed that, at the individual level, individual perceptions of TMX and employee flourishing were positively associated. We found a positive association between individual-level TMX and employee flourishing ( $b = 0.62$ ;  $p < 0.01$ ; 95% CI [0.48, 0.76];  $\beta = 0.33$ ), providing support for Hypothesis 3a. Hypothesis 3b suggested that, at the group level (between-groups), TMX is positively associated with employee flourishing. We found a positive association between group-level TMX and employee flourishing ( $b = 0.61$ ;  $p < 0.01$ ; 95% CI [0.33, 0.88];  $\beta = 0.45$ ). Hypothesis 3b was supported.

## Supplementary Analyses

To check potential alternative explanations, we conducted several analyses in addition to running our main model. At the business-unit (group) level, because revenue growth and profit growth can be thought of as a single dimension of business-unit performance, we combined both variables in a single variable representing business-unit financial performance. The analysis showed employee flourishing still mediating the relationship between group (store) level servant leadership and business-unit financial performance. In part because the influence of power distance orientation was somewhat small, we ran a model without this variable; we found the same significant relationships between servant leadership, employee flourishing and revenue growth and profit growth. At the individual level, we tested whether TMX mediated the relationship from servant leadership to employee flourishing; we did not find a significant mediation. At the store level, although a mediating effect of TMX was significant, the majority of the effects of servant leadership on employee flourishing did not go through TMX, as indicated by a large direct effect from servant leadership to employee flourishing. Regarding control variables, supplementary analyses with employee age and tenure with leader, as well as leader age and tenure with director showed these control variables did not have any significant effects. The conclusions on our hypotheses remained the same.

## Discussion

The test of our multilevel, moderated mediation model verified that, at the group level of analysis (between-groups), servant leadership is positively associated with store profit growth, through the full mediation of group-level employee flourishing and store revenue growth. This finding demonstrated that organizations do not sacrifice financial outcomes by practicing servant leadership, a form of leadership that is recognized for being ethical and employee-focused. Additionally, group-level TMX was positively associated with employee flourishing. At the individual level of analysis, servant leadership was associated with employee flourishing, as was TMX. The individual-level relationship between servant leadership and employee flourishing was negatively moderated by individual power distance orientation, so that the higher the power distance orientation, the weaker the association between servant leadership and employee flourishing. Although causal inferences cannot be drawn from a correlational field study, our results lead to a number of contributions.

## Theoretical Implications

### Servant Leadership

The present study expands knowledge on the implications of servant leadership at the group level of analysis in at least two ways. First, it empirically counters some theoretical arguments proposed by critics of ethical and moral approaches to leadership (Alvesson and Einola 2019; Liu 2019). Some scholars have argued that moral approaches to leadership, including servant leadership, “simply do not work in the real world” (Mumford and Fried 2014, p. 630), because leaders must tend to the needs of stakeholders other than their followers. The prioritization of followers, they reason, overlooks the tensions to which managers are confronted: “positive, prosocial interactions with followers may occur only by sacrificing the concerns of other stakeholders” (Mumford and Fried 2014, p. 626). First in line among other stakeholders come shareholders demanding profit. Managers are judged based on their ability to grow profit, which supposes to control costs. Critics note that a leader may succeed in boosting follower satisfaction because followers “like” him or her (Brown and Keeping 2005), possibly by using managerial discretion through the reward system in a way that is favorable to followers, thus increasing costs and lowering profits (Fried et al. 1999). Prior research had left this issue open. Earlier studies had shown servant leadership associated with higher subjective performance assessments and customer satisfaction ratings, but had remained essentially silent regarding the implications on costs and profits. Our results show that indeed, servant leadership, *by* putting employees’ needs first (Eva et al. 2019; van Dierendonck 2011), fulfills the promise of growing profit, a key metric for shareholders (Davis et al. 1997). Servant leaders control costs and preserve profits. In that sense our findings close a loop in the association of servant leadership with various indicators of performance. This study thus invites viewing servant leaders as stewards of the collective in the broadest sense, effectively acting for the good of a set of stakeholders with diverse and often conflicting interests, from employees aspiring to self-growth to shareholders demanding profit growth (van Dierendonck 2011).

Second, by delineating both individual- and group-level processes in a moderated mediation model, this investigation adds to prior studies conducted only at the group level showing that ethical and moral approaches to leadership contribute to improve operational performance measured in business-unit revenue (Clapp-Smith et al. 2008; Rego et al. 2015). Our study also complements the only study on servant leadership that had a financial indicator as the outcome variable (returns on assets at the organizational level only: Peterson et al. 2012), by showing effects at both individual and group levels within a homogenous sample, thus

eliminating a number of exogenous factors that may interfere at the organizational level of analysis.

Incidentally, our findings also rebut the suspicion that ethical and moral leadership approaches foster performance only when circumstances are favorable (Cohen et al. 2004; Humphreys 2005). The reasoning was that while servant leadership might be effective when leaders can afford to demonstrate ethical, moral and prosocial behaviors, challenging environments warranted a more visionary, or even authoritarian leadership. Because we found a positive association of servant leadership and performance amid a business downturn, with negative average revenue and profit growth in store revenue and profit, we suggest that, on the contrary, servant leaders may contribute to better collective outcomes in a variety of environments. Out of the 22 stores that achieved positive growth in revenues, 18 had leaders rated above average on servant leadership. It thus seems that servant leadership may prove effective in both good times and bad.

### Power Distance Orientation

At the individual level, our study provides evidence that individual power distance may serve as a boundary condition related to the effectiveness of servant leadership. This finding invites to recognize that indeed, ethical and moral approaches to leadership may not constitute the only “one best way to lead” (Mumford and Fried 2014, p. 623). In particular, factors contributing to servant leadership and other ethical and moral forms should be sought in employees’ implicit leadership theories (Rush et al. 1977). Interestingly, although we found a significant positive unit-level relationship between servant leadership and flourishing, support was not found for a moderating effect of power distance orientation at the group level. It is possible that the decreased variance and lower power available at the unit level of analysis may have contributed to difficulties in finding any moderating effect that may exist in the population. Nonetheless, the main effect showing that servant leadership at the group level relates positively with group-level flourishing indicates that although servant leadership behaviors tend to be provided to followers on an individual/dyadic basis, the group also flourishes as a whole under the influence of a servant leader. One possible explanation is that coworkers are aware of and sensitive to the way their colleagues are treated by the leader (Peng et al. 2014).

### Employee Flourishing

While prior studies had shown servant leadership to be associated with job satisfaction and the meeting of fundamental needs for self-determination and intrinsic motivation (Eva et al. 2019; van Dierendonck 2011), we suggest

that introducing employee flourishing goes one important step further. On the one hand, the construct serves an integrative purpose, thus complementing explorations on the impact of ethical forms of leadership on specific aspects of well-being in the workplace (e.g., Harju et al. 2018 on job crafting; Rego et al. 2019 on psychological capital). Flourishing integrates job satisfaction, which mostly captures self-reported positive emotions, with the perceptions of competency, autonomy, and relatedness, the three critical needs for intrinsic motivation identified by self-determination theory (Ryan and Deci 2000). Introducing the construct responds to the calls for broader and more complex conceptualizations of well-being in leadership studies (Inceoglu et al. 2018).

Flourishing adds two more cognitive dimensions: meaning and accomplishment. Toward providing meaning, the morally-connoted behaviors of servant leadership, such as behaving ethically, helping followers grow and succeed, and tending to their emotional pains (Liden et al. 2008, 2015), play an important role. “The servant leader elevates people”, noted Ciulla (1995, p. 17), implying that by reciprocation (Blau 1964) and/or social learning (Bandura 1977), followers should develop the sense of right and wrong, good and evil, and act in accord with the former while rejecting the latter. Finally, accomplishment reflects people’s aspiration for progress toward personal goals, and their constant monitoring of such progress (Colbert et al. 2016). Implicit here is the assumption that people value self-growth toward the realization of their full potential of leading a good life, an important domain of ethics, particularly in the Aristotelian perspective of well-being based on eudemonia or self-fulfilling, as opposed to hedonism or the pursuit of positive feelings and the avoidance of pain (Waterman 1993, 2007).

### Team-Member Exchange (TMX)

Perhaps the most critical source of support for employees other than their immediate leader is coworkers. Although leaders typically possess more power and control over resources, team members may best understand the difficulties faced by their peers, thus putting them in a position to be able to provide meaningful job-related and emotional support. Indeed, our results demonstrate a strong positive relationship between TMX and employee flourishing at both the individual and team levels. These results, combined with the positive relationship between servant leadership and flourishing, indicate that servant leadership and TMX work in tandem to positively influence employees’ degree of flourishing and, in turn, collective performance.

### Strengths and Limitations

Objective financial measures of performance as the dependent variables represent a strength of our research, as they

mitigate the risk of same source-common method bias and perceptual biases (Podsakoff et al. 2003). The high level of homogeneity between the stores—same brand, same region, same general management, and same simple hierarchical structure—reduced the possibility of exogenous factors influencing relationships among variables. The high response rate made possible by the collection of data on-site during paid work hours may have precluded biases based on employees' willingness participation to the research (Timmerman 2005). Collecting the data on-site likely served to increase the quality of the data, because respondents were not rushed as participants tend to be when completing surveys on their own time. Data quality was also enhanced, because a researcher was present to answer questions and increase assurance of the confidential handling of the data.

An additional strength of our work lies in the time-lagged data collection, with independent variables collected in Time 1, and dependent variables in Time 2 over a year later. This design addresses a common objection to cross-sectional results linking leadership and performance, i.e., the potential for reverse causality (Antonakis et al. 2010; Phillips and Lord 1981). Lagged data collection, in our study, provides a temporal element for assuming causality, with employees' perceptions of leadership and flourishing preceding business outcomes. Our findings align with the conclusions from Harter et al. (2010): Based on longitudinal analyses of the Gallup investigations in over 2,000 business-units in 10 organizations over 10 years, they concluded that reverse causality (i.e., performance at Time 1 improving employee perceptions at Time 2) "existed, but was weaker" than the main effect of employee perceptions at Time 1 influencing performance at Time 2 (2010, p. 378).

A weakness of our study, however, pertains to the limited number of variables that could be included. Also, generalizability may be limited by the collection of data in a specific region of France. Although servant leadership has been shown to predict favorable outcomes in a wide variety of cultural settings (Hu and Liden 2011; Liden et al. 2014; Mittal and Dorfman 2012; Pekerti and Sendjaya 2010; Schaubroeck et al. 2011; van Dierendonck 2011; Walumbwa et al. 2010), its relationship with our specific variables needs to be investigated more broadly. Nevertheless, our conclusions dovetail those of prior studies in the retail sector (Clapp-Smith et al. 2008; Rego et al. 2015).

### Avenues for Future Research

Having shown the importance of employee flourishing for understanding group-level performance, our research first invites for a broadening of well-being conceptualizations in organizational research. Second, from a theoretical standpoint, we also encourage renewed attention to the broad set of stakeholders that leaders have to face (Donaldson and

Preston 1995). Building on our multilevel approach, we suggest that researchers go one step further by exploring servant leadership, employee flourishing and performance at the organizational level. The way was paved by Peterson et al. (2012), and should inspire future studies of executive leadership that include variables relating to people in the organization. Access to CEOs is notoriously difficult. One possible approach is to develop research designs that capture servant leadership on the part of executives, in the vein of upper-echelons studies (Hayward and Hambrick 1997). Researchers may also build on a recent study by Stollberger et al. (2019) on a three-level, "trickle-down" effect of servant leadership on performance by including objective financial indicators as outcome variable. In addition, heeding recent works (e.g., Katz-Navon et al. 2019; Li et al. 2018), colleagues may want to investigate potential curvilinear, not linear influences of ethical forms of leadership.

Lastly, our findings showing a strong effect of TMX on employee flourishing and in turn on revenue and profit growth may invite further investigation on how the quality of interrelationships within a business-unit may contribute to well-being and performance. Consistent with the writings of Greenleaf (1970), who stressed the importance of servant leaders promoting helping and communal sharing, leaders may positively influence follower TMX. Indeed, initial studies (Malingumu et al. 2016; Xu and Wang 2019; Zou et al. 2015) seem to support this idea, suggesting that future research should address the degree to which servant leaders may influence a wide range of team process variables.

### Implications for Practitioners

Paradoxical as it still is, servant leadership inevitably raises a question from the business community: Does servant leadership really "work"? Our results, combined with those of prior studies showing servant leadership to be associated with a range of performance indicators, question the veridicality of this criticism. Indeed, our investigation demonstrates that the more business-unit managers were rated as engaging in servant leadership, the better they developed their businesses relative to managers rated lower on servant leadership, even as judged by the objective financial indicators used to operationalize unit performance in our investigation. Revenue and profit growth are perhaps the most salient of all organizational effectiveness measures, critical to virtually all corporate organizations, and relevant at all levels of the organization, from frontline leaders to CEOs and boards. Because servant leadership has also been shown to explain a higher proportion of variance than other forms of leadership with respect to many proximal outcomes (Hoch et al. 2018; Lee et al. 2020), it might be that servant leadership is the most "effective" form of leadership from a strict business point of view.



A second contribution of interest for practitioners lays in the association of servant leadership with flourishing. Business leaders increasingly consider the perceptions of their workforce as an important factor, were it only to attract talented employees (Turban and Cable 2003). By introducing employee flourishing as an outcome of servant leadership and an antecedent to performance, our study confirms the salience of this approach.

## Conclusion

We set out to examine two critical promises of servant leadership, one of the prominent ethical and moral approaches on leadership: its ability to help followers experience personal growth through flourishing, and to fulfill collective, business goals objectively measured by financial indicators. Our model describes a virtuous model whereby leaders may simultaneously contribute to followers' most critical self-developmental goals and to the objective goals of business organizations. We discovered that servant leadership enables followers to flourish without sacrificing the financial performance of the organization. Our findings offer servant leadership as a possible pathway to meeting both economic and humanistic goals. We wish that our study may inspire scholars to seek a deeper understanding of servant leadership and practitioners to find practical applications in organizations.

## Compliance with Ethical Standards

**Conflict of interest** The authors declare that they have no conflict of interest.

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