Servant and transformational leadership: a supply chain management perspective

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Abstract
We examine the association between leadership style (transformational and servant) and the type of supply chain (efficient or responsive) and the impact of employee engagement on customer satisfaction. We present a model for examining the influence of transformational and servant leadership on the efficient and responsive type supply chains. We present 7 propositions and present a novel view of leadership by viewing it through the lens of contextual leadership theory in which the context is defined by the type of supply chain, effective or responsive. While both transformational and servant leadership are viewed as positive, even normative, forms of leadership, we have found that the efficacy of each type of leadership can be influenced by the context in which they operate and especially in supply chain environments.

1. Introduction

We examine the association between leadership style (transformational and servant) and the type of supply chain (efficient or responsive) and the impact of employee engagement on customer satisfaction. Prior research has examined leadership’s effect on supply chain management [7] (Birasnav, 2013; Teoman and Uleingin, 2018) regarding the challenge to balance both exploration and exploitation practices [19] (Gibson and Birkshaw, 2004) in periods of market uncertainty. Exploration involves the pursuit of new opportunities and exploitation involves reducing redundancies and leveraging supply chain management practices [30] (Kristal, Huang, and Roth, 2010). Management makes a rational decision as to the mix of exploration and exploitation and the leadership needed to perform and meet the firm's strategic intent.

Studies have evaluated the link between supply chain management and the various forms of leadership including transformational [5, 6] (Bass, 1999) and servant leadership (Eva, Robin, Sendjaya [46], van Dierendonck [52, 53] & Liden, 2018) [14, 31] in efforts to impact the performance of the firm. Birasnav (2013) hypothesized that transformational leadership behaviors are necessary to implement supply chain management practices. Other studies have found that the implementation of servant leadership enhances the ability of management’s need to meet customer demand to meet the supply chain goals of exploration and exploitation [12, 13] (Defee, Stank, Esper & Mentzer 2009).

The aim of this paper is to examine the gap in the literature to deliberate the influence of leadership as moderated by a responsive and efficient supply chain to meet organizational goals. This article examines the association between leadership style and the type of supply chain (responsive or efficient) which likely affects leadership behaviors in a firm, as the context of the two types of supply chains are quite different in that the two types of supply chains are trying to please their customers in different ways. The different types of supply chains target different production processes. Efficient supply chains (ESC) are primarily concerned with cost-effectiveness, getting large standardized orders to the customers quickly at low cost. Responsive supply chains (RSC) focus on flexibility and changing customer needs.
2.0 Literature Review

In Johns [28] (2006) seminal work on context, he implores organizational behavior researchers to consider the context when conducting research. He defines context “as situational opportunities and constraints that affect the occurrence and meaning of organizational behavior as well as functional relationships between variables” (Johns, 2006, p. 386) and describes two levels of context: omnibus and discrete. At the broad omnibus level, he illustrates the need to conduct research using the journalistic principles of who, what, where, when, and why, as person-situation variables can vary greatly based on constructs. Putting it in the terms of the model presented in this paper, the different contexts are 1) who--occupational context (customer service departments), 2) what--the type of research being conducted (type of supply chain and leadership behavior), 3) where--location of research (type of supply chain and industry), 4) when research events occur (day to day operations), and 5) why--the rationale for research (leadership effectiveness and customer service performance). The discrete context describes the particular contextual variables that shape behaviors and attitudes, including specific elements of the task, social situation, and physical environment (Johns, 2006).

Oc (2018) conducted a systematic review of contextual leadership, further highlighting the importance of contextual research and specifically pointing to the particular needs of leadership research to consider context, as the situations in which leadership occurs are highly dependent on the surrounding environment. Based on work by Hiller [26], DeChurch, Murase, & Doty (2011), Oc illustrates how omnibus (where, who, when) and discrete (task, social, physical, temporal) contexts impact leadership through influence (leader, follower, leader-follower dyad) and outcomes (effectiveness, cognition, attitude, behavior). Through this frame, we can see how the type of environment may determine leadership effectiveness and better meet the different customer demands of the two types of supply chains. The type of supply chain, efficient or responsive, dictates different job design elements and correspondingly demands different types of leadership to effectively respond to the different customer demands of the two types of supply chains.

The supply chain refers to the movement, transformation, and storage of goods from the raw material phase to the delivery of the final product to consumers. The increase in global competition has spurred firms to consider the subject of supply chain management as a key competitive issue in their decision-making process [15] (Ebrahimi, 2018). Fisher [17] (1997) was the first to characterize supply chains used for a competitive advantage as either efficient or responsive. In the transportation literature, parallel distinctions appear where both operational excellence (efficiency) and customer closeness (responsiveness) can be considered optimal methods of adding value to customers, depending on the market conditions [35] (Morash, 2000). Responsiveness can be defined as the ability of the supply chain to respond purposefully and within an appropriate timeframe to customer requests or changes in the marketplace.

The type of product that is produced and associated supply chain dictates the type of facility needed and the operational decisions that need to be made. For example, an RSC is distinguished by small-scale facilities, short production lead times, and small batch sizes that allow the responsive firm to adapt quickly to market demand, but often at a higher per-unit cost. RSCs respond quickly to unpredictable demand to minimize the costs associated with stockouts, forced markdowns, and obsolete inventory. In response, the manufacturing and inventory focus creates excess inventory as a buffer. The product design process uses a modular design to postpone product differentiation for as long as possible. Suppliers are selected primarily for speed, flexibility, and quality. These companies invest aggressively in ways to reduce leadtime.
Figure 2. Types of Supply Chains

Many RSC companies consider service time, defined as how long it takes to transport the products (services) to the customer site when they are needed, to be a critical performance metric. For example, General Motors Corporation developed a program to reduce the amount of time that Cadillac buyers waited for new cars and implemented a 24-hour delivery standard to deliver new cars held at DCs to dealers on order (Stern, 1995). IBM, in an effort to provide high-quality service, implemented a parts stocking plan to support a time-based service strategy to keep the response time within a threshold level (for example, 2 hours to one set of customers, 8 hours to another set of customers, and 24 hours for the rest of the customers) (Shen and Daskin, 2005).

ESCs supply predictable demand efficiently at the lowest possible cost by achieving economies of scale and maintaining a high average utilization rate, generating high inventory turnover and minimizing inventory throughout the supply chain. The product design process maximizes performance and minimizes cost and suppliers are selected primarily for cost and quality. An ESC can do this with large-scale facilities, longer production lead times, and larger batch sizes that allow the efficient firm to produce at a low unit cost, but often at the expense of market responsiveness (Randall et al., 2003).

Numerous studies discuss the supply chain design attempts to try to improve customer service and reduce operating costs (Shen and Daskin, 2005). Research regarding the success of a responsive or efficient supply chain has shown to be dependent on the alignment with the corporate culture, amount of uncertainty, product offerings, and quality of information. In this research, we study the effect of different organizational leadership types that are most applicable to supply chain initiatives and increased firm performance. For example, if a RSC can flourish not only with shorter lead times, having idle capacity/unused resources, scalability, better market information, more flexible suppliers, and better outsourcing strategies, which leadership style will enable this to happen? Alternatively, in ESCs where customers are satisfied when they get their products quickly at a low cost, which leadership style will enable the firm to provide this by longer production runs, improved capacity to understand demand, economies of scale, smaller product range, and postponement?
3.0 Conceptual Model

Researchers van Dierendonck, Stam, Boersma, Windt, & Alkema (2014) indicate that servant leadership and transformational leadership are different and are likely suitable to different environments as illustrated by several researchers [20, 21] (Bass, 1985; Graham, 1991; Graham, 1995; Mayer [33], Bardes, & Piccolo, 2008; Van Dierendonck, 2011). Servant leadership focuses on follower needs; while transformational leadership also works to meet follower needs, its primary benefit focuses on organizational effectiveness (Van Dierendonck, Stam, Boersma, de Windt, & Alkema, 2014).

Supply chains have different needs for customer satisfaction. Transformational leaders focus on organizational effectiveness and creating team cultures necessary for the efficient supply chains to optimize production processes and get the product to the customer quickly at the best cost. Servant leaders create employee work engagement and serving cultures to be responsive to customers changing needs. While there is evidence that transformational leaders also create employee work engagement (Zhu [57], Avolio, & Walumbwa [54], 2009), the processes through which this happens are different between the two leadership styles as servant leadership works via follower need satisfaction, and transformational leadership works via perceived leadership effectiveness (van Dierendonck et al., 2014).

In essence, because of the nature of efficient supply chains, in that they require speed and large uniform orders and therefore have a greater need for leadership effectiveness to optimize efficiency, transformational leaders would be more appropriate. In responsive supply chains, there is a fast pace and customized orders and servant leadership would be more appropriate (deSouza & van Dierendonck, 2013). The context under which leaders operate has a strong effect on outcomes, such as customer service satisfaction and perceived leadership efficacy.

We propose the following model in figure 1 for examining the influence of transformational and servant leadership on the efficient and responsive type supply chains. Transformational and servant leadership create a team and servant culture, respectively, as influenced and directed by the context of the supply chain.
4.0 Propositions

We propose the link between transformational leadership and supply chain management as follows:

*Proposition 1: Transformational leadership has a greater effect on efficient supply chain systems than responsive supply chain systems.*

Leadership can be defined as a process of influencing a group or individuals to achieve a common goal [36] (Northouse, 2013). Transformational leadership influences individuals and teams to achieve organizational goals by focusing on followers’ motives, meeting those needs and moves the followers beyond self-interest to achieve more than what is usually expected of them from a top-down perspective (Northouse, 2013). What distinguishes transformational leadership from other leadership concepts is the focus on four factors (Bass, 1985).

First, the factor of idealized influence moves the follower beyond self-interest through inspiration, intellectual support and a focus on the individual (Bass, 1999). In doing so, the transformational leader creates higher levels of maturity in the follower. The inspiration is amplified when the leader creates a vision, communicates how it can be achieved and is determined the vision can be achieved. Intellectual support for followers occurs when the leader supports and allows followers to be more innovative and creative. The transformational leader supports the development of the individual follower.

Second, the transformational leader provides the factor of inspirational motivation by communicating high standards of performance and expectations to meet the vision and shared values of the firm (Northouse, 2013). At a high level of follower maturity, followers dedicate themselves to the vision and achieving the standards of performance to support the firm as a whole (Bass, 1999).

Factor three involves the leader that stimulates followers to be innovative and creative by challenging their own beliefs and values and that of the organization (Barling, Weber, and Kelloway, 1996) to develop new ways of viewing old problems. In studies done where leaders exhibited intellectual stimulation, followers exhibited significant increases in organizational commitment (Barling et al., 1996).

Factor four of transformational leadership is individualized consideration (Northouse, 2013). This concept creates the leader’s perspective in the follower that the leader does not simply satisfy the individual follower’s needs but recognizing and developing the follower’s potential to achieve increasingly higher levels of performance.

We now will discuss the following proposition:

*Proposition 2: Servant leadership has a greater effect on responsive supply chain systems than efficient supply chain systems.*

A bottom-up form of leadership, servant leadership was introduced by Greenleaf [22] (1977) in a series of essays, having been inspired by Herman Hesse’s [24] novel A Journey to the East (Hesse, 1956). It is perhaps best described using Greenleaf’s definition:

*Servant leadership begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead. The difference manifests itself in the care taken by the servant--first to make sure that other people's highest priority needs are being served. The best test is: do those served grow as persons; do they, while being served, become...*
healthier, wiser, freer, more autonomous, more likely themselves to become a servant? And, what is the effect on the least privileged in society; will they benefit, or, at least, will they not be further deprived? (Greenleaf, 1977, p. 27)

Greenleaf describes servant leadership as a lifelong personal journey in which one's principal concern is to serve with an aspiration to lead (Greenleaf, 1977). Most research concerning servant leadership has been largely theoretical or aimed towards developing assessment tools. Researchers struggled to operationalize the concept, largely due to Greenleaf's description of servant leadership as a way of life [49, 50] (Spears, 2004) and his assertion that servant leadership would be difficult to operationalize and apply (Greenleaf, 1977). Parris and Peachey (2013) [37] describe three streams of research: a) servant leadership as a conceptual concept, b) a servant leadership measurement, and c) servant leadership model development. Little of this research, however, has been empirical (van Dierendonck, 2011), until recently.

Despite the lack of early empirical research, servant leadership has enjoyed much attention in the popular press and by management authors (e.g. Stephen Covey, Peter Senge, Max DePree, Ken Blanchard) and many organizations and universities have adopted servant leadership concepts (Spears, 2005). Five reviews of servant leadership have been conducted [3] (Russell and Stone [43], 2002; Barbuto and Wheeler, 2006; van Dierendonck, 2011; Parris and Peachey, 2013; Eva [16], Robin, Sendjaya, van Dierendonck, and Liden [31], 2019), though take different approaches which only underscores the reason there was a dearth of empirical research, as there does not seem to be consensus as to what servant leadership actually is. What is agreed through practitioner discussions and academic reviews is the fundamental dimension of serving and the willingness to serve others (Parris and Peachey, 2013).

In their 2013 review, Parris and Peachey were only able to identify 39 studies that explored servant leadership in organizational settings (Parris and Peachey, 2013). Since then, there has been a rise in empirical research such as studying antecedents and outcomes [27] (Hunter, Neubert, Perry, Witt, Penney, & Weinberger, 2013), employee engagement [10] (Carter & Baghurst, 2014), strategy (Overstreet [39], Hazen, Skipper, & Hanna, 2014), group citizenship behavior (Linueso-Langreo, Ruiz-Palomino, Elche-Hortelano 2018), and group performance [1] (Abu Bakar & McCann, 2018) to name a few. Eva et al. (2019), in their systematic review of servant leadership, were able to identify over 100 studies in just the past four years, indicating a marked rise in servant leadership research.

Eva et al. (2019) propose a new definition of servant leadership: Servant leadership is an other-oriented approach to leadership that focuses on individual follower needs and transforms self-concern into concern for others within the organization and larger community. The motive of a servant leader is not to promote their agenda but to serve others. Altruism and morality are important to their self-concept, and those that are unwilling to serve others are unable to engage in servant leadership. The mode of servant leaders is to recognize each person as an individual with their own needs, desires, goals, strengths, and weaknesses. Servant leaders endeavor to get to know the values and beliefs of the people with which they are working and strive to help them become a better version of themselves, creating a trusting relationship. The mindset of the servant leader is that of a trustee as they focus on the development of the people around them and demonstrate how to change from a self-oriented perspective to an other-oriented perspective. The motive, mode, and mindset of servant leadership starkly contrast with traditional approaches to leadership (Eva et al., 2019).

A team with high potency means that their members collectively see the team as being able to exert effort to reach high performance. We therefore propose:
Proposition 3: Transformational leadership has a greater effect on a team culture than a serving culture.

Proposition 4: Servant leadership has a greater effect on a serving culture than a team culture.

Due to the effect of servant leaders creating followers that are other-oriented towards the organization and larger community, a serving culture is created. Liden, Wayne, Chenwei, & Meuser (2014) found that a serving culture directly and positively influences performance (organizational and individual), creativity, customer service behaviors, and is negatively related to turnover intentions. This is particularly relevant to RSC work environments, characterized by shorter lead times, idle capacity/unused resources, scalability, better market information, more flexible suppliers, and better outsourcing strategies. A serving culture in which all employees are engaged with serving the unique and changing customer demands will have positive benefits for employees, customers, and the organization.

An efficient supply chain requires the focus on products that are stable in the marketplace with high growth rates. Since the customer demands are known, the focus becomes the efficient delivery. Transformational leadership and its top-down focus on creating a team culture focus on organizational effectiveness to meet that demand.

Transformational leadership develops a team culture that is built on team efficacy and potency. Team efficacy is defined as the team’s belief of its capability to accomplish at a given rate of performance (Barling et al., 1996). While efficacy is important at the individual employee level, the leadership required to develop team efficacy requires leading the belief in the organization’s vision and mission. This shared team mental model represents a leverage point to influence team performance, especially in task-specific environments.

While team efficacy relates to the team’s belief in its capability to accomplish a task, team potency is the generalized belief that the team can be effective [29] (Kozlowski and Ilgen, 2006) across multiple tasks.

Proposition 5 and Proposition 6 are as follows:

Proposition 5: Servant leadership in a responsive supply chain and employee work engagement have a positive association.

Proposition 6: Transformational leadership in an efficient supply chain and employee work engagement have a positive association.

Employee work engagement is defined as the fulfilling work-related state of an employee who possesses vigor, dedication, and absorption (Li, Wang, & Gao, 2015; Schaufeli [44], Salanova, Gonzales-Roma, & Bakker, 2002). Vigor is characterized by mental resilience of employees working in stressful environments with determination to resolve challenges encountered in both organization and personal missions (Yener [55], Yaldiran, & Ergun, 2012). Dedication is the eagerness to face obstacles and engage in organizational commitment (Menguc [34], Auh, Fisher, & Haddad, 2013). Absorption is the desire to put service before self and strive for excellence in every assigned task [38] Permarupan, Saufi, Kasim, & Balakrishnan, 2013). Employee engagement can be seen in the employee that is willing to put in extra time, cognition, and enthusiasm to the work environment to create positive, persistent working conditions and become fully engrossed in their tasks [18] (Schaufeli, et al., 2002; Frank, Finnegan, & Taylor, 2004).

In their work on servant leadership and engagement, Yang, Ming, and Ma (2017) also define employee work engagement as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption (Schaufeli,
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Salanova, González-Romá, & Bakker, 2002). Sharma and Kaur [47] (2014) conducted a qualitative content analysis and defined employee work engagement as “the extent to which an employee feels a sense of psychological investment in his/her work so that he/she is behaviorally (social) and intellectually focused on organizational goals” (p. 45).

Employee work engagement is where leadership creates an environment where employees are empowered to develop new, changing, and creative work environments to meet efficiency operating practices. The development of employee work engagement develops higher levels of organizational performance. Previous studies have found that the ability of teams and employees to create novel approaches have reduced the delivery cost of the supply chain (Yoon [56], Lee & Schniederjans, 2016).

Servant leadership has been studied with employee work engagement through several mediators, such as organizational identification and psychological empowerment (deSouza & van Dierendonck, 2014), follower need satisfaction (van Dierendonck et al., 2014), job resources [11] (Coetzer et al., 2017), and trust climate [32] (Ling et al., 2017). Employee work engagement is a mediator between servant leadership and innovative behavior (Rasheed [41] et al., 2016) and workplace deviant behavior (Sendjaya et al., 2018). Transformational leadership has been shown to enhance employee engagement (Zhu, Avoilio, & Walumbwa, 2009; van Dierendonck, et al., 2014).

Our final proposition, proposition 7, is as follows:

**Proposition 7: Employee work engagement has a positive association with customer satisfaction.**

Employee work engagement is critical to customer satisfaction [25] (Heymann, 2015). The link between customer satisfaction and employee work engagement is of particular interest to employers. A firm that provides survey tools to help evaluate and facilitate performance in the service sector revamped its tools to more closely tie their measures of employee work engagement to customer satisfaction. It was found they were more specifically able to answer the essential questions of their constituents, such as how to cost-effectively increase a customer’s intent to recommend and return, how to increase customer retention through employee work engagement, how to correlate employee work engagement and customer satisfaction to customer loyalty, and how employee training efforts impact customer satisfaction and rates of return (Heymann, 2015).

There are examples that relate employee work engagement to various outcomes. A 2012 study by Gallup analyzed 263 research studies over 192 organizations in 49 industries and 34 countries concerning employee work engagement and nine outcomes of performance finding increases of 22 percent in profitability, 21 percent in productivity, and 10 percent in customer ratings for firms with engaged employees [23] (Harter, Schmidt, Agrawal, & Plowman, 2013). Another 2009 study (Schneider [45], Macey, Barbera, & Martin, 2009) found a correlation of .45 (p < .01) between engagement behaviors and the American Customer Satisfaction Index [2] (Anderson, & Fornell, 2000). Further evidence is provided in 2006, when Harrah’s Casinos embarked on an ambitious training initiative to use employee work engagement as a competitive advantage. They found quick success with gains in employee opinion, a reduction of employee turnover, and four quarters of customer satisfaction growth the following year (Schneider et al., 2009).

Employee work engagement is particularly relevant to supply chains due to the nature of the unique customer demands in a RSC and the fast-paced, high volume environment of ESCs. Engaged employees are more likely to have greater involvement and participation in both the task and work environment (Sharma and Kaur, 2014). As customer demands in RSCs are ever-changing and require higher levels of attention from employees and fast and accurate order completion is vital in ESCs, engaged employees are required to meet these various needs.
Conclusion

This paper presents a novel view of leadership by viewing it through the lens of contextual leadership theory in which the context is defined by the type of supply chain, effective or responsive (see Figure 1). Both transformational and servant leadership have been studied extensively, but rarely through the context of supply chain. Servant leadership, in particular, has enjoyed a recent upsurge in empirical research (see Eva et al., 2019). While both transformational and servant leadership are viewed as positive, even normative, forms of leadership, the efficacy of each type of leadership can be influenced by the environment. ESCs are utilized by companies because they need to fill large, uniform orders at a fast pace. Transformational leaders are able to create a team culture and we propose that this type of leadership is more effective in ESCs because the ability for employees to work together efficiently and effectively is vital in producing the type of products demanded and getting them to customers quickly and cost-efficiently through the reduction of errors. RSCs are utilized by companies that specialize in small batch, customized orders. Customer demands change frequently and uniquely. Employees must respond to the numerous requirements placed on them by their customers on an individual basis. In order to do so, employees must be highly engaged with their work to meet the specific task requirements. Servant leadership creates a serving culture in which all employees are engaged in their work, using an other-oriented approach to satisfy unique customer needs (Eva et al., 2019).

This research contributes to both the practitioner and academic. For the practitioner, training transformational leadership in ESCs will enable the creation of a team culture, allowing them to better satisfy the customer needs of receiving large, uniform orders at an acceptable cost. Training servant leadership in RSCs will help create serving cultures in which employees are highly engaged with their work, allowing them to meet the unique and changing demands of their customers and improve customer satisfaction by helping the customer to feel valued as each of their specific and varied needs are met by the engaged employee.

In their systematic review of servant leadership, Eva et al. (2019) made several calls for research to further clarify the field of servant leadership. Our research attempts to answer some of their proposed research questions: Does the organizational context moderate the relationship between servant leadership and organizational outcomes? Does servant leadership have a different level of success depending on the type of organization? Does servant leadership predict organizational, team, and follower outcomes above and beyond instrumental, authentic, ethical, transformational leadership (Eva et al., 2019)? We feel our proposed study will help answer these questions and further expand and clarify the field of servant leadership research.

REFERENCES


