Examination of the Relationship between Servant Leadership and Agency Problems

Gender Matters

Politis, John; Politis, Denis

Published in:
Leadership and Organization Development Journal

DOI:
10.1108/LODJ-01-2016-0020

Published: 18/01/2018

Document Version
Peer reviewed version

Examination of the relationship between servant leadership and agency problems: Gender matters

Abstract

Purpose – The paper examines the relationship between servant leadership and agency problems. Also, it seeks to determine whether gender plays a role in this relationship.

Design/methodology/approach - A survey of 276 employees was carried out to investigate the relationship between the characteristics of servant leadership and the constructs of agency problems of thirty six male and twenty two female managers/supervisors in the banking sector months before the financial crisis in Cyprus. The responses were subjected to a series of correlational and structural equation modelling analyses.

Findings – The study revealed three major findings. Firstly, the relationship between servant leadership behaviour and agency problems is near zero and not significant. Secondly, the servant leadership behaviour of female managers/supervisors brings the desired negative influence on the constructs of agency problems. Finally, the servant leadership behaviour of males has a more positive and significant influence on agency problems than that of females. These findings should be interpreted with caution, because more female than male participants rated the male managers/supervisors, and salient traits might cause followers to feel that female managers display more servant leadership characteristics, regardless of whether they exhibit them or not.

Research limitations/implications – The conclusions cannot be generalised because the research was conducted in a country undergoing a financial crisis. However, this study provides a springboard to further explore whether the findings are valid if the sample is taken from a country not facing financial crisis, and if an equal number of male and female participants involved in rating male managers/supervisors.

Practical implications – These findings provide evidence that servant leadership is not a gender-neutral ethical construct, and practitioners should focus to develop or recruit managers who possess an ethic of care that could bring the desired negative outcome on the constructs of agency problems.

Originality/value – This is the first study empirically investigating the agency problems – ethical leadership relationship in Cyprus. Moreover, the potential role played by gender for the aforementioned relationship was empirically examined.

Keywords: Agency problems, Cyprus, Ethical leadership, Gender, Servant leadership

Paper type Research paper

Introduction

Accountability, transparency and public criticism are important discussion topics with the increased media reporting of the corporate scandals (Leslie and Canwell, 2010). Although it is required by organisations to “enforce ethics” (Jones, 2011, p. 500), evidence suggests that some executives act opportunistically by manipulating the accounts in order to obtain dishonest benefits (Carnegie and O’Connell, 2014; Salter, 2003). It is notable that executives from Enron, Global Grossing, Qwest, Siemens and WorldCom were found to be involved in ‘creative accounting’ practices and agency problems for self-interest benefits (Tassadaq and Malik, 2015). In relation to the current study, the financial institutions in Cyprus suffered damages of between 4.6 and 8.0 billion euros (Orphanides, 2014).

In light of the recent business scandals, academics and organisations have become increasingly interested in providing answers regarding unethical conduct that contributed to these scandals and accounting frauds (Politis, 2016, 2015; Leslie and Canwell, 2010). Turner *et al.* (2002) posit that organisational researchers become interested in examining the "moral potential of leadership" (p. 304) because leaders are able to influence ethical or unethical behaviour in organisations (Yukl, 2010). Although ethical leadership values can be found in authentic leadership, spiritual leadership, servant leadership and transformational leadership (Van Dierendonck, 2011; Yukl, 2010), this study focuses on *servant leadership*, because it is reported that the ethical needs of successful organisations are fulfilled through the development of servant leadership behaviours (Van Dierendonck, 2011), and the term servant-leader implies "characteristics from the gendered perspective" (Reynolds, 2011, p. 158). In relation to organisational ethical needs, it is acknowledged that servant leadership "represents a solid foundation for ethical behaviour within an organisation" (McMahone, 2012, p. 343), and it serves as "an antidote to corporate scandals" (Wong and Page, 2003, p. 1). In relation to the gender perspective, it is reported that females make more ethical decisions than males (Washington *et al.,* 2006), and females are described as "less assertive,…….. more risk averse, and more ethical" (Ho *et al.,* 2015, p. 351). It is implied in these claims that females are more conservative and have a low propensity to commit fraud (Politis, 2016; Powell and Ansic, 1997), and report organisational earnings more conservatively (Ho *et al.,* 2015). In view of these claims, the gender-neutral applicability and practice of servant leadership could not be assumed due to the "underlying gendered implications of the terms involved" (Minnis and Callahan, 2010, p. 7). Therefore, it is important to understand the servant leadership behaviour through its gender effect on agency problems, especially when females make up 60% of workforce of the financial sector (Zahidi and Ibarra, 2010).

A review of the literature revealed that there are limited studies examining the effect of gender on the relationship between servant leadership and agency problems. However, a few conceptual models argued that there is a negative relationship between ethical leadership and agency problems (Politis, 2015; Pontiggia and Politis, 2012), and a recent study found that female supervisors exercise more ethical leadership and self-regulation compared to their male counterparts (Politis, 2016). Arguing that female executives are more conservative in their financial reporting than males (Ho *et al.,* 2015; Francis *et al.,* 2013), and conservatism provides a means of minimising 'creative accounting' practices (Ho *et al.,* 2015) and agency problems between shareholders and debtholders (Watts, 2003), this study intends to fulfil two research objectives. Firstly, it empirically examines the relationship between servant leadership and the determinants of agency problems, and secondly it seeks to determine whether gender plays a role in the agency problems–servant leadership relationship.

Literature review and hypotheses

Constructs of agency problems

A plethora of scholars have addressed the agency problems and the long-term implications on organisational profit and growth, customer relations and product/service quality (Eisenhardt, 1989). It was first acknowledged by Ross (1973) who argued that the agent (i.e. manager) should pursue the principal's (i.e. shareholder's) goals as efficiently as possible. Therefore, the relationship between the managers/CEOs and shareholders is embedded in the principle-agent relationship. This relationship could be undermined if the agent does not act in the best interests of the principal, and it can even be aggravated through the immoral behaviour of the agents (i.e. 'creative accounting' practices) for self-monetary incentives (Carnegie and O'Connell, 2014). According to Walker (1993, p. 98), "fictitious asset values had been used to support borrowings" in order for agents to receive excessive remuneration (Salter, 2003). It is also reported that agents could hide the riskiness of loans for self-interest benefits (Carnegie and O'Connell, 2014). These unethical and rather opportunistic behaviours can be measured by a questionnaire, which evaluates four determinants of agency problems, known in the literature as "*direct wealth transfer*; *asset substitution*; *underinvestment* and *overinvestment"* (de Jong and van Dijk, 2002, p. 21).

In relation to *direct wealth transfer*, the agents issue debt with higher priority and increase dividends (Smith and Warner, 1979) because they are driven by selfish extrinsic motivation. In the case of *asset substitution*, managers could cancel current projects that are characterised by low risk in order to embark on higher risk projects to generate greater profit (Jensen and Meckling, 1976) for agents' higher remuneration. In the case of *underinvestment*, the managers do not exercise prudent growth investments due to the equity required to finance growth opportunities (Myers, 1977), and through creative accounting practices (Tassadaq and Malik, 2015) hide the true financial position of the organisation. The *overinvestment* is caused by growing the organisations beyond their optimal size if managers accept projects with a negative value to the firm (Jensen, 1986). It is argued that these agency problems could be reduced through the ethical and moral values found in the normative theories of servant leadership, spiritual leadership, and authentic leadership (Johnson, 2015; Van Dierendonck, 2011; Yukl, 2010).

This study focuses on servant leadership, because its sceptics claim that it does not work well during difficult economic times and servant leaders "will hinder corporate financial success" (Giampetro-Meyer *et al.,* 1998, p. 1734) if organisations require short-run profits, which was the case in the current study. Moreover, gender-neutral applicability and practice of servant leadership could not be assumed (Minnis and Callahan, 2010) due to the perceptions of incongruity between the female gender role and leadership roles (Eagly and Karau, 2002). Therefore, the study of servant leadership is closely tied to the research objectives stated in the introduction by investigating the ethical inclinations of gender on the agency problems of the Cypriot financial institutions. The model to be tested contains the constructs of servant leadership and agency problems shown in Figure 1.

Insert Figure 1 Here

Servant leadership and agency problems

The inception of servant leadership has its roots in Robert Greenleaf's (1970) concept, whereby leaders put the concerns of followers first. Servant leadership is one of the constructs of normative theories, which is clearly built on moral norms and principles and "provide guidance for promoting ethical leader behaviour" (Johnson, 2015, p. 229). Moreover, servant leaders exhibit ethical characteristics in terms of serving the good of the whole, trustworthiness, integrity and caring for people (Van Dierendonck, 2011), and they are less likely to take advantage of their followers' trust in order to accumulate power and money (Johnson, 2015). Therefore, if we accept servant leadership is the "ultimate level of ethicality" (Griffith, 2007, p. 6), then the leader's resilience to sustain moral actions and develop ethical culture (Johnson, 2015), will draw upon reserves of moral capacity to address ethical issues in organisations, such as the agency problems. Extending this line of argument, Politis (2015) devised a conceptual model which suggests there is negative relationship between servant leadership and agency problems.

Although some researchers have raised concerns regarding the feminine and masculine characteristics of servant leadership due to gender differences (Reynolds, 2011; Eicher-Catt, 2005), the findings on the differences between females and males in their servant leadership behaviour are inconclusive and inconsistent (Diehl, 2015; Barbuto and Gifford, 2008). Therefore, in addressing the first objective of this research we assume servant leadership is gender neutral, because true service is genderless and true leadership is gender blind, an argument echoed by Bailey (2014). Viewing servant leadership from the genderless perspective of 'hide nothing' in financial reporting, engage in accounting conservatism and exercise ethical behaviour (Diehl, 2015; Van Dierendonck, 2011; Liden *et al.,* 2008), it is plausible to assume the agency problems could be subsided due to servant leader's ethicality and opposition to accounting frauds (Ho *et al.,* 2015; Griffith, 2007). Hence, it is hypothesised:

H1. Servant leadership behaviour will be negatively and significantly related to agency problems.

Amongst the available instruments for measuring servant leadership (i.e. Liden e*t al.,* 2008; Wong and Page, 2003), the instrument by Barbuto and Wheeler (2006) offers a comprehensive framework for measuring the servant leadership constructs of *altruistic calling*, *emotional healing*, *wisdom*, *persuasive mapping*, and *organisational stewardship* (Beck, 2014), known as the Servant Leadership Questionnaire (SLQ). *H1* is based on the assumption that we are studying servant leadership from gender neutrality. However, some existing literature indicates gender differences in the practices of servant leadership (Beck, 2014; Washington *et al.,* 2006). Therefore, exploring the influence of gender in servant leadership behaviour following the recent high-profile corporate scandals is warranted, especially if gender is found to be a confounding factor between the relationships that have been specified in the model of Figure 1.

Agency problems, gender and servant leadership

While it is important to understand the influence of servant leadership on agency problems, understanding this relationship from the gender perspective is especially important, as gender-neutral applicability and practice could not be assumed in the concept of servant leadership due to the "underlying gendered implications of the terms involved" (Minnis and Callahan, 2010, p. 7). Moreover, it is argued by Minnis and Callahan (2010) that coining the term servant-leader creates a contradiction in the description of servant leadership, as Greenleaf's (1970) writings lacked an operational definition. In particular, the gender-neutral applicability and practice of servant leadership is questioned by McMahone, who reiterated Eicher-Catt's (2005) argument that the "juxtaposition of the words servant and leadership, fail to create a gender-neutral concept" (McMahone, 2012, p. 343). Eicher-Catt (2005) has gone as far as characterising the servant leadership discourse as "deceptively ambiguous, especially when it comes to the nature of leadership responsibility, authority and accountability" (p. 18). Therefore, the purpose of the current study is to expand the literature by assessing whether the gender implications of the servant leadership concept play a role in the agency problems – servant leadership relationship, especially when females hold only 2% of the executive positions in the financial sector, despite making up 60% of its global workforce (Zahidi and Ibarra, 2010).

A review of the literature revealed that there is a variability defining the amount of incongruity between female gender roles and leader roles. Eagly and Karau (2002) posit that the incongruity is greater in defining leader roles from the masculine terms, in that less masculine leader roles would be more congruent with the female gender role as opposed to male gender role. If we accept Eicher-Catt's (2005) argument that the concept of 'leader' is associated with domination (masculinity), whilst the concept of 'servant' is associated with subjugation (femininity), then the term 'leader' is by default associated with maleness (Johanson, 2008), and the term 'servant' is associated with the feminine ethic of care (Noddings, 2003). Therefore, one could argue that *altruistic calling*, *emotional healing* and *organisational stewardship* are considered as feminine (communal) constructs (Barbuto and Gifford, 2008), whilst *wisdom* and *persuasive mapping* are considered as masculine (agentic) constructs (Diehl, 2015; Coleman, 2003; Eagly and Karau, 2002). Due to agentic behaviour, males are perceived as being aggressive, assertive, confident and dominant (Koenig *et al.,* 2011), and by default associated with male socialisation (Coleman, 2003).

Moreover, it was reported that females, due to femininity, have been found to be more ethical and engage in less risky financial matters than males (Ho *et al.,* 2015), and are less likely to commit fraud (Powell and Ansic, 1997). Extending this line of argument, we related in this study the females' ethical disposition to another financial services context, namely the agency problems. Along this rationale, Ho *et al.* (2015) argued that "the stronger disposition of female leaders translates into stronger ethical leadership, and ………promotes honesty in financial reporting" (p. 356). Thus, we accept that female leaders exhibit more feminine leadership approaches (Barbuto and Gifford, 2008), are more ethical and more risk averse, and have low propensity to commit fraud (Ho *at al.* 2015; Powell and Ansic, 1997). Therefore, it is the feminine ethic of care and interpersonal behaviours (Noddings, 2003) of the servant leadership which results in higher level of ethical behaviour in females compared to males, an argument supported by Washington *et al.* (2006). It is thus reasonable to assume gender will act as a confounding factor between servant leadership and agency problems. If gender is proven to be a confounding factor, then female servant leaders might avoid unethical behaviours and costly agency problems. These assumptions are expressed by *H2* and *H3,* respectively.

H2. The supervisors' gender will confound the relation between servant leadership and agency problems.

H3. The correlation between servant leadership behaviour of females and agency problems will be strong, negative and significant.

Conversely, males are perceived as being aggressive, assertive, confident and dominant, due to agentic behaviour (Diehl, 2015; Koenig *et al.,* 2011), and by default associated with male socialisation (Coleman, 2003). If we accept male leaders exhibit a more masculine approach (Koenig *et al.,* 2011; Coleman, 2003; Eagly and Karau, 2002), it is plausible that male servant leaders will be assertive, less ethical and more risky (Washington *et al.,* 2006) that could lead to financial scandals, creative accounting practices and agency problems. Given this reasoning, it is hypothesised:

H4. Correlations between servant leadership behaviour of males with agency problems will be more positive and significant, than those found with females.

Subjects and analytical procedure

Sample

The sample was drawn from two financial institutions in Cyprus, months before the financial crisis in 2013. Data was collected from 276 full-time employees, who volunteered and agreed to complete the questionnaire. The survey was administered during office hours, by employees of the participating organisations. Employees who participated in the survey were told that the findings would be used for research purposes only and that the responses remain anonymous and confidential. The sample consists of 61.6 % females and 38.4% males, with a response rate of 73.2%. The final sample consists of 80.8% analysts, auditors, customer advisors, credit clerks, loan officers, foreign-exchange dealers, mortgage bankers, and sales representatives; 12.7% engaged in first level supervisory role, whilst 6.5% were branch managers. The employees assessed the leadership behaviour of their own 22 female and 36 male managers/supervisors. The description of the women and men ratings of female and male supervisors is depicted in Table 1.

Insert Table I Here

Moreover, 36.6% of the respondents were employed for more than 15 years in the same institution, whilst 15.6% were employed between 10-15 years. 46.7% knew their manager/supervisor more than 10 years; it is thus reasonable to assume that the respondents have a reasonably accurate view of their supervisors' behavioural practices. In relation to the level of risk associated with the participating institutions, it is believed that the risk was comparable, because 'Troika' requested a bail-in of "6.75% levy contribution on all deposits and 9.9% levy on deposits above € 100,000" (Alexander, 2013, p. 4) from the financial institutions. Moreover, respondents acknowledged this risk before the 2013 'hair cut', as 60.5% of the respondents believe their institutions are exposed to high risk investments, and 31.2% consider the investments are of a moderate risk. Only 8.3% perceived their institutions have engaged in low risk investments. As a result, 71.7% of the respondents believe their future employment is in jeopardy due to the institutions' involvement in risky projects.

In addition, at the end of the data collection, informal discussion was conducted on-site with 31 employees of the 80.8% who had no supervisory role. A typical response was given by an individual over 40 years of age, who replied “can’t you see the media reporting every day how the Greek billion euros debt will destroy our financial institution”? A similar response was echoed by all 31 employees. Their responses are supported by the facts confirming that the financial institutions have invested in risky Greek Government bonds for greater profit. For example, the Annual Financial Report published by the Cyprus Popular Bank clearly shows that the Bank was the effective holder of the high risk companies, such as, the “Investment Bank of Greece, the Marfin Global Asset Management Mutual Funds Management, the Marfin Leasing and the Marfin Factors and Forfeiters operating in Greece, with 97%, 99%, 100% and 100% holding”, respectively (Loizides-Lambert 2012, p.36). This clearly demonstrates the managers’ behaviour in relation to asset substitution and overinvestment for higher financial gains. Moreover, all employees of the same institution are organised in “trade unions” (Cyprus Popular Bank Public, 2012, p.174) aiming at receiving information on the bank’s investment portfolio and the associated risks stemming from the agency problems. Furthermore, a significant number of the employees are shareholders of their institutions; hence they had a vested interest in ascertaining information on the quality of their investment and participated in the shareholder annual general meetings. For example, the Cyprus Popular Bank Public (2012) advertising bulletin confirmed that 2268 employees (p.177) of the total 8883 staff (p.173) are shareholders of their institution (i.e. 25.5%). These facts, coupled with employees’ anecdotal evidence, suggest that the respondents had adequate information to understand the risks associated with the investments of their institutions, and were able to provide reasonable feedback to the survey assessing the agency problems.

Analytical procedure

A factor analysis (FA) was employed to investigate the latent structure underlying the set of factors investigated in this study. Having confirmed the first order factors, a composite scale was created for each latent construct, using Politis’s (2001) approach. Thereafter, the validity and reliability of each of the first order constructs was confirmed, and the correlations between the agency problems and servant leadership variables were computed using SPSS. The convergent validity and reliability of the constructs were examined through the computation of the average variance extracted (AVE), and the Cronbach alpha (α) coefficient, respectively. By convention, convergent validity is accepted when the AVE is ≥ 0.5 (Fornell and Larker, 1981). The coefficient alpha (α) of ≥ 0.70 was considered as an acceptable reliability (Hair *et al.,* 2010). Finally, Politis’s (2001) process was used to build a structural model from the first order latent constructs. The hypotheses were tested using the Analysis of Moment Structures (AMOS) software developed by Arbuckle (2007). The structural model fit was assessed using a number of recommended fit-indices found in the AMOS output. The structural model was accepted as good data-model fit when the chi-square to degrees of freedom (χ^2/df) is ≤ 3.0 (Schermelleh-Engel and Moosbrugger, 2003), and $p \geq 0.05$ (Hair *et al.,* 2010). Moreover, a good-fitting model was accepted if the value of the adjusted goodness-of-fit (AGFI); the goodness-of-fit (GFI) indices (Hair *et al.,* 2010); the Tucker and Lewis (1973) index (TLI); the incremental fit index (IFI); the normed fit index (NFI) and the comparative fit index (CFI) (Bentler, 1990) is ≥ 0.90 (Hair *et al.,* 2010). In addition, an adequate-fitting model was accepted if the AMOS computed value of the root mean square residual (RMR) = 0.05, and the root mean square error approximation (RMSEA) is between 0.05 - 0.08 (Hair *et al.,* 2010). Finally, Allison (2012) suggested that there is no concern of collinearity if the variation inflation factor (VIF) is ≤ 2.50.

Measures

Independent variable

The dimensions of servant leadership were assessed using Barbuto and Wheeler's (2006) reduced SLQ of 23 items. These items appear to have a 'unique and strong loading' in Barbuto and Wheeler's (2006) empirical study. The servant leadership subscales showed means ranging from 2.32 to 2.72 (1 = strongly disagree to 4 = strongly agree). The FA supported the independency of each servant leadership latent construct shown in Figure 1. Their α coefficient and SD are shown in Table II. The first order latent constructs demonstrated AVE ranging from 0.39 to 0.51, lending marginal support to the convergent validity. However, the second order factor of servant leadership has demonstrated high convergent validity (AVE = 0.68), with $\alpha = 0.88$, $\mu = 2.56$ and SD = 0.62.

Dependent variable

The dimensions of agency problems were assessed using de Jong and van Dijk's (2002) 16-item scale. The agency problems constructs showed means ranging from 4.40 to 4.77 (1 = fully disagree to 7 = fully agree). The results lent support to the independence of each agency problems latent construct shown in Figure 1. Their α coefficient and SD are shown in Table II. The first order latent constructs demonstrated AVE ranging from 0.30 to 0.47, lending marginal support to the convergent validity. However, the second order factor of agency problems has demonstrated good convergent validity (AVE = 0.63), with $\alpha = 0.79$, $\mu = 4.56$ and SD = 0.70.

Control variable

To reduce the likelihood that gender would confound relations examined in this research, the gender of the supervisors was measured and controlled in the analyses. Controlling for gender, the regression weight in the AMOS output showed a significant relationship between gender and the endogenous variable of agency problems ($r = 0.18$, $p < 0.01$). This means the gender of the supervisors does confound the relationship between servant leadership and agency problems, supporting *H2*. Based on this finding, the examination of the agency problems – servant leadership from the gender perspective is warranted. Since the investigators did not determine the range of behaviours that could be demonstrated by men and woman (i.e. some men will act more feminine and some women will act more masculine) and the study had female and male supervisors, it would be valuable in studying the role females and males play on the agency problems–servant leadership. Hence, *H3* and *H4* will be tested.

Results and test of hypotheses

Table II depicts the correlations among the variables investigated in this study for the entire sample (n = 276) testing *H1*. As shown in Table II, the correlations between servant leadership and the first order constructs of the agency problems are uniformly near zero across the model (excluding the asset substitution) not supporting *H1*.

Insert Table II Here

In order to test *H3* and *H4*, we partitioned the sample into two subsamples, based on whether the managers/supervisors were female or male. Table III depicts the correlations among the variables investigated in this study for twenty two (n = 22) female managers/supervisors, whereas Table IV depicts the correlations for thirty six (n = 36) male managers/supervisors.

Insert Table III Here
Insert Table IV Here

As expected, the overall pattern of relationship between servant leadership behaviour of female managers/supervisors and most of the agency problems constructs were uniformly negative and mostly significant, largely supporting *H3* (see Table III). These findings might not be susceptible to participants' bias, because almost equal number of women (32) and men (31) rated the female supervisors. Hence, they can be interpreted with a greater degree of confidence. Comparing the findings of Table III and Table IV, it is clearly demonstrated that most of the relationships between servant leadership behaviour of male managers/supervisors and agency problems were uniformly more positive and significant compared to their female counterparts, lending partial support to *H4*. For example, the variable of asset substitution is more positively related to emotional healing (r_{male} = -0.18, $p < 0.01$, and r_{female} = -0.32, $p <$ 0.05), etc. However, these findings might be susceptible to participants' bias, especially in regards to servant leadership exercised by males, because more women participants (138) than men (75) rated the 36 male supervisors. Therefore, the findings of Table III and Table IV should be cautiously interpreted and the inference made from the results may be misleading.

Structural equation models

The first hypothesised relationship (*H1*) was also tested, using the structural path shown of Model 1. The quality of Model 1 was improved by editing few covariances between some error terms. For example, a covariance was detected between altruistic calling (ac) and organisational stewardship (os) ($r_{ac,os}$ = 0.17, p = 0.001); underinvestment (ui) and overinvestment (oi) ($rui_{,oi}$ = 0.11, p = 0.05), etc., raising the issue of collinearity. The collinearity statistics showed that the VIFs ≤ 1.01 (Table V; Model 1), hence there is no concern for collinearity because the VIF ≤ 2.5. Adding the covariances yielded acceptable model fit statistics (see fit-indices in Table V) with the exception of the p-value. However, the literature suggests that the p-value might not be statistically significant for sample sizes greater than

200 provided there is an overall good model fit (Schermelleh-Engel and Moosbrugger, 2003). Thus, we retain Model 1 to examine *H1*.

Insert Table V Here

Insert Model 1 Here

In order to examine *H3*, we tested the structural path of Model 2, using the subsample of n = 22 female managers/supervisors. The quality of Model 2 was improved significantly by editing covariances between the error terms of persuasive mapping (pm) and organisational stewardship (os) ($r_{pm,os}$ = 0.22, p = 0.001); wisdom (wis) and organisational stewardship (os) ($r_{wis,os}$ = 0.11, p = 0.05), etc. The collinearity statistics showed that the VIFs ≤ 1.02, hereafter there is no concern for collinearity. As shown in Table V Model 2 yielded a good-fitting model (see fit-indices in Table V), hence was retained to examine *H3*. Finally, *H4* was tested by comparing the regression coefficients *γ's* of Model 2 and Model 3. The subsample of n = 36 male managers/supervisors was used to test the quality of Model 3. Model 3 was improved significantly by editing covariances between the error terms of direct wealth transfer (dwt) and asset substitution (as) ($r_{dwt,as}$ = 0.11, p = 0.01); emotional healing (eh) and wisdom (wis) ($r_{eh,wis}$ = 0.15, p = 0.001), and wisdom (wis) and persuasive mapping (pm) ($r_{wis,pm}$ = 0.17, p = 0.001). The collinearity statistics showed that the VIFs ≤ 1.02, hence there is no concern for collinearity. As shown in Table V the overall Model 3 fit statistics demonstrate adequate model fit.

Insert Model 2 Here

Insert Model 3 Here

Research findings

The findings clearly support *H2* in that the gender of the supervisors does confound the relationship between servant leadership and agency problems (r = 0.18, $p < 0.01$). The regression coefficients of the structural models uniformly parallel the Pearson's' bivariate correlations shown in Tables II, III and IV. At the part of hypotheses confirmation *H1* is not supported because the regression path of Model 1 is near zero and not significant (γ_1 = -0.07). In support of *H3*, a significant negative path estimate was found between agency problems and servant leadership behaviour of the female managers/supervisors (γ_{female} = -0.42, $p < 0.01$; Model 2). As predicted by *H4*, the path estimate between agency problems and servant leadership behaviour of males is more positive and significant (γ_{male} = 0.14, $p < 0.10$; Model 3) compared to the path estimate between agency problems and servant leadership behaviour of females (γ_{female} = -0.42, $p < 0.01$; Model 2). This regression coefficient difference, $\Delta\gamma$ = 0.56 ((γ_{male} = 0.14 – (γ_{female} = -0.42)) should be interpreted with caution for a number of reasons which are presented in the discussion section.

Discussion

This study contributes towards understanding the relationship between servant leadership and agency problems in the financial sector during a period of financial crisis in Cyprus. The findings indicate that servant leaders do not necessarily affect positively or negatively the agency problems, not supporting

Politis' (2015) conceptual model which argued there is a negative relationship between agency problems and servant leadership. The results, however, reveal that the servant leadership behaviour of female managers/supervisors brings the desired negative influence on the constructs of agency problems. The strong, negative and significant relationship between agency problems and the servant leadership behaviour of females (γ_{female} = -0.42, $p < 0.01$) suggests that female managers are inclined to support moral actions addressing opportunistic behaviours (Tassadaq and Malik, 2015) in financial service organisations, which by extension could lead to the reduction of agency problems. This finding is consistent with Ho *et al.'s* (2015) argument, in that females create stronger ethical leadership and by extension ethical work environment. The finding is also consistent with Francis *et al.'s* (2013) suggestion that servant leadership female executives are inclined to practice less earning management practices, which could shirk costly agency problems through the feminine socialisation (Noddings, 2003). These results suggest that leaders need to adopt what Beck (2014) called the communal servant leadership approach of altruistic calling, emotional healing and organisational stewardship, which could bring ethics in financial reporting and accounting practices, even in periods of financial crisis. In addition, it was found that the servant leadership behaviour of males exhibit more positive and significant influence on agency problems than that of females, which is more negative and significant. Thus, the results of this study support Beck's (2014) argument, in that the masculine constructs of servant leadership (i.e. wisdom and persuasive mapping) may have contributed to more risky investment decisions, leading to agency problems, or even financial scandals, especially in periods of financial crisis.

However, this inference should be cautiously interpreted due to the high value of $\Delta\gamma$. The $\Delta\gamma$ of 0.56 between male and female servant leadership – agency problems relationships raise a question as to whether more salient characteristics to the women versus the men are embodied in the servant leadership dimensions. For example, the traits of 'likableness or appealing' (Arkkelin and O'Connor, 1992) may dominate gender typing, and followers imbue female managers display more servant leadership characteristics, regardless of whether they exhibit them or not. Therefore, future studies should investigate the servant leadership – agency problems relationship by including in the set of predictor variables the traits of 'likableness or appealing', coupled with a satisfactory or a workplace engagement survey. In addition, other underlying attributes found in Wong and Page's (2003) servant leadership profile could reduce the agency problems making female and male managers to be more likely servant leaders. These attributes include, but are not limited to, 'caring for others', 'shared decision making', 'servanthood', 'integrity', and 'trust', and should be investigated by future studies. Finally, the findings should be interpreted with caution due to gender bias, because more women participants than men (138 versus 75) rated the 36 male supervisors. If an equal number of female and male participants were involved in rating male supervisors, the findings could be interpreted with a greater degree of confidence. Although the inference associated with *H4* should be cautiously interpreted, the findings highlight that we cannot ignore that servant leadership is not a gender-neutral ethical construct, especially "when it comes to the nature of leadership responsibility, authority, and accountability" (Eicher-Catt, 2005, p. 18).

Concluding, the results of this study offer an understanding of the influence of servant leadership behaviour on agency problems of organisations in the financial services sector. Specifically, the results highlight that servant leadership might not be a gender-neutral ethical construct when organisations operate in a turbulent financial environment. Thus, this study is of value to investors, since it serves as a reminder to organisations that the managers' and supervisors' gender should be considered in the decision making process of risky investments. Organisations may focus in developing or recruiting managers who possess the communal servant leadership characteristics of altruistic calling, emotional healing and organisational stewardship (Beck, 2014), which also were considered important ethical servant leadership characteristics by Van Dierendonck (2011). Servant leadership training programs should be considered to develop leaders' ethic of care, which might bring the desired negative influence on the constructs of agency problems. Finally, the servant leadership – agency problem relationship could be more significant and more negative if organisations operate in environments not going through a financial crisis. That is because servant leadership is rooted in ethical and caring behaviour found in authentic leadership, transformational leadership, spiritual leadership, and ethical leadership (Johnson, 2015; Van Dierendonck, 2011; Yukl, 2010).

Limitations and directions for future research

While this study offers an understanding of the influence of servant leadership behaviour on agency problems in organisations during a period of financial turbulence, a number of limitations must be addressed. Firstly, the participants were employees by financial institutions in a country undergoing a financial crisis, hence the conclusions cannot be generalised. Additional research with a sample from a country not going through a financial crisis would be necessary to confirm these findings. Secondly, the conclusion associated with *H4* might be attributed to more salient traits of 'likableness or appealing' in that followers feel female managers display more servant leadership characteristics, regardless of whether they exhibit them or not. Although this conclusion should be interpreted cautiously, it provides a springboard to further explore whether these results are valid if we include in the set of predictor variables the traits of 'likableness or appealing'. Thirdly, the cross-sectional design of the study does not allow the examination of causal inferences. To add a higher degree of confidence in the relationship of the examined constructs, future research should replicate the findings by employing a longitudinal methodology and should get participants to rate the range of feminine and masculine behaviour of the female and male supervisors. Finally, future research should include some of the Wong and Page's (2003) servant leadership attributes together with the Barbuto and Wheeler's (2006) constructs to better understand the servant leadership – agency problems relationship.

In conclusion, the findings of this research contribute to the understanding of the ethical constructs of servant leadership behaviour into an area of great concern to society and organisations during periods of scandals and frauds. The numerous financial scandals that are inherent in the decision-making process of risky investments demand corporations to employ leaders who exhibit ethic of care that might reduce creative accounting practices and agency problems, particularly in organisations susceptible to scandals. We hope this study will assist to guide future research.

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