Article:

Kim, K.Y. and Liden, R.C. (2025) CEO Servant Leadership and Organizational Profitability: A Social Exchange Perspective. Journal of Organizational Behavior. ISSN 0894-3796

https://doi.org/10.1002/job.2866

CEO SERVANT LEADERSHIP AND ORGANIZATIONAL PROFITABILITY:

A SOCIAL EXCHANGE PERSPECTIVE

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Keywords: servant leadership; servant leader behaviors; organizational profitability; workforce obligation; exchange ideology

Running head: CEO servant leadership

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Acknowledgement: We would like to thank Bo Kyung Kim, Ji-Hyun Kim, Hyuntak Roh, Wonsang Ryu, Duckjung Shin, and the seminar participants at Korea University and Yonsei University for their excellent comments.

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Abstract

Servant leaders emphasize serving others before oneself. Emerging evidence indicates that servant leadership results in a variety of positive outcomes, including favorable job attitudes and enhanced job performance. Extending this line of research, we examine *how* and *when* CEO servant leadership benefits the organizational bottom line (e.g., organizational profitability). Drawing upon multisource data from 102 organizations, our ordinary least squares regression analyses reveal that CEO servant leadership is associated with workforce obligation, subsequently leading to enhanced organizational profitability, particularly when workforce exchange ideology is high. The findings suggest that workforce obligation serves as an important mediating mechanism, while workforce exchange ideology acts as a critical boundary condition for the performance effect of CEO servant leadership. This research provides new insights as to how and why servant leadership relates to organizational financial performance.

Keywords: servant leadership; servant leader behaviors; organizational profitability; workforce obligation; exchange ideology

CEO Servant Leadership and Organizational Profitability:

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Servant leaders serve others before themselves inside and outside their organizations, including their local communities (Greenleaf, 1977). This leadership style has increasingly been considered a desirable leadership style for Chief Executive Officers (CEOs) in today's organizations. For example, CEOs such as Cheryl Bachelder of Popeyes, Bob Chapman of Barry-Wehmiller, and David K. Williams of Fishbowl have all highlighted servant leadership as a key factor in effectively leading an organization (Schwantes, 2017). Despite the growing interest in CEOs adopting a servant leadership style, there is limited knowledge in the literature about whether CEO servant leadership results in higher organizational profitability.

According to the literature, servant leadership is positively related to individual performance (Liden et al., 2014), citizenship behaviors (Hunter et al., 2013; Liao et al., 2021; Liden et al., 2014; Neubert et al., 2008; Sun et al., 2019), well-being (Peng et al., 2023), organizational commitment, identification, and work engagement (Kauppila, 2022; Liden et al., 2014; van Dierendonck et al., 2014). At the work group level, servant leadership has been found to have a positive relationship with group potency (Hu & Liden, 2011) and group performance (Schaubroeck et al., 2011). Based on these findings and considering that CEOs are arguably the most influential individuals within an organization (e.g., Cragun et al., 2020) who impact organizational dynamics (Liden et al., 2014), the literature suggests that CEO servant leadership may positively contribute to organizational financial performance (Giolito et al., 2021; Lemoine, Eva, et al., 2021).

Nevertheless, the lack of research on the performance effects of CEO servant leadership remains an important deficiency in the literature, as individual findings do not necessarily translate into organizational-level phenomena (i.e., atomistic fallacy; Klein & Kozlowski, 2000). In fact, many theories and studies indicate that individual-level findings and theorizing do not always apply at the CEO level. For example, while charismatic leadership is shown to enhance both in-role and extra-role performance at the individual level (Banks et al., 2017), CEOs' charisma has not been found to directly improve organizational-level performance (Tosi et al., 2004; Waldman et al., 2001). Similarly, while narcissism is generally associated with lower job performance and increased counterproductive behaviors (O'Boyle et al., 2012), recent research indicates that narcissism at the CEO level can positively contribute to organizational growth (Bachrach et al., 2023). Therefore, given the increasing prevalence of CEO servant leadership, theoretical and empirical investigation of its performance effects is warranted. Empirical evidence on the relationship between CEO servant leadership and organizational profitability would empower CEOs who have adopted this leadership style to maintain it with confidence, further fueling its growing momentum among practitioners as well as within academia.

To provide a nuanced understanding of the association between CEO servant leadership and organizational performance, we aim to investigate *how* CEO servant leadership positively affects organizational profitability, as well as the process through which the two are related. Drawing on social exchange theory (Blau, 1964), we contend that CEO servant leadership enhances organizational profitability through increased workforce obligation. Examining the mechanisms through which CEO servant leadership exerts its positive influence constitutes a substantial contribution (e.g., Sutton & Staw, 1995), as it fosters a comprehensive grasp of the relationship. Indeed, as Sutton and Staw (1995: p. 378) emphasize, an important theoretical contribution arises from delving "into underlying processes so as to understand the systematic reasons for a particular occurrence or nonoccurrence."

Based on our systematic literature review, another important limitation in servant leadership research involves understanding the boundary conditions influencing the impact of CEO servant leadership. Due to a lack of exploration in this area, Peterson et al. (2012, p. 589) state that "the role of context must be considered in the servant leadership and performance relationship." Consequently, research is needed to uncover the conditions under which the link between CEO servant leadership and organizational performance is strengthened or weakened. In this study, we examine the linkage between CEO servant leadership, workforce obligation, and organizational profitability as our baseline relationship. However, according to social exchange theory (Blau, 1964), the extent to which an entity fulfils its obligation depends on its exchange ideology, reflecting the degree to which obligation translates into actual reciprocity effort (e.g., work effort; Cropanzano & Mitchell, 2005). This suggests that in contexts where workforce exchange ideology is higher, employees as a collective are more likely to fulfill the obligation induced by CEO servant leadership. They may exert greater work effort, effectively meet their responsibilities, and willingly collaborate with one another to help the organization achieve its goals and objectives. We reason that such fulfilment of workforce obligation enhances organizational profitability. Conversely, when workforce exchange ideology is low, workforce obligation may go unmet, and the likelihood of increased organizational profitability diminishes.

Therefore, we posit that workforce exchange ideology moderates the relation between workforce obligation and organizational profitability. By theoretically and empirically examining this critical boundary condition, we aim to provide a nuanced exploration of why CEO servant leadership and organizational profitability are positively related through workforce obligation. In this study, we specifically investigate workforce exchange ideology as a moderator for the economic effects of CEO servant leadership.

To empirically test our conceptual model illustrated in Figure 1, we collected multisource data from a sample of 102 large firms across various industries. Overall, this study extends our understanding of servant leadership-outcome relations by investigating the mediating linkages among CEO servant leadership, workforce obligation, and organizational profitability, while also exploring the moderating role of workforce exchange ideology.

THEORETICAL BACKGROUND

Servant Leadership

Servant leadership was introduced over five decades ago in a classic essay by Robert Greenleaf (1970). It refers to leaders' behaviors that "place the needs of their subordinates before their own needs and center their effort on helping subordinates grow to reach their maximum potential and achieve optimal organizational and career success" (Liden et al., 2008: 163). It consists of seven dimensions such that servant leadership is manifested in all these dimensions (i.e., reflective construct). A servant leader pays close attention to followers' personal concerns (i.e., emotional healing) and career growth (i.e., helping subordinates grow and succeed), shares power with them (i.e., empowering), prioritizes their work needs (i.e., putting subordinates first), interacts with others within ethical boundaries (i.e., behaving ethically), has knowledge about organizational goals and relevant tasks that enable leaders to provide the best help and support to followers (i.e., conceptual skills)[1], and cares about creating value for the local community (Liden et al., 2008). The effectiveness of servant leadership is based on the premise that to best motivate followers, it is imperative for leaders to understand followers' concerns and prioritize the fulfillment of followers' needs over their own self-interest (Greenleaf, 1970). When this priority

[1] The conceptual skills dimension was defined by Liden et al. (2008, p. 162) as "possessing the knowledge of the organization and tasks at hand so as to be in a position to effectively support and assist others, especially immediate followers." The essence of the conceptual skills dimension is that for servant leaders to be in a position to help and support followers, they need to be knowledgeable members of the organization.

is made clear to followers, they view the servant leader as a positive role model and become intrinsically motivated to display necessary and appropriate work behaviors (Liden et al., 2014).

Its strong emphasis on prioritizing the needs of others makes servant leadership theoretically unique and distinct from other leadership approaches (Stone et al., 2004). Indeed, research has shown that servant leadership is theoretically (Eva et al., 2019; Graham, 1991; van Dierendonck, 2011; Xu et al., 2020) and empirically different from, for example, transformational leadership (van Dierendonck et al., 2014; Peterson et al., 2012), LMX (Newman et al., 2017), and initiating structure (Neubert et al., 2008). A meta-analysis by Hoch and her colleagues (2018) demonstrates that above and beyond transformational leadership, servant leadership has incremental validity in predicting followers' organizational citizenship behavior, engagement, organizational commitment, job satisfaction, and trust in leaders as well as the quality of exchange relationships with leaders. A meta-analysis by Lee et al. (2020) confirmed Hoch and colleagues' (2018) findings with a substantially larger number of studies, showing that above and beyond transformational leadership, ethical leadership, and authentic leadership, servant leadership is significantly associated with employees' performance outcomes such as in-role and extra-role performance, counterproductive work behavior, voice behavior, team performance, and team organizational citizenship behavior.

According to the servant leadership literature, by facilitating reciprocal exchanges, servant leadership also enhances customer service performance (Chen et al., 2015), customer satisfaction (Liden et al., 2014), and subjective ratings of store performance (Hunter et al., 2013). Giolito et al. (2021) reported that the higher store managers were rated on servant leadership, the higher the profits of their stores. Consistently, based on anecdotal evidence as well as empirical research, Lemoine, Hartnell, et al. (2021) argued that stakeholder-focused management approaches, including servant leadership, are more effective than those that focus solely on shareholders, such as transactional leadership and management by objectives. The shareholder-focused approach is primarily driven by the goal of achieving higher financial returns for shareholders, often at the expense of other crucial stakeholders such as employees and the community.

Based on our literature review, only one study explicitly focused on the association between CEO servant leadership and objective organizational financial performance. Peterson et al. (2012) discovered that CEOs who had founded their organizations and those lower in narcissism were higher in servant leadership, which in turn was positively related to firm ROA, surpassing the influence of CEO transformational leadership. Despite this initial empirical evidence on the performance effect of CEO servant leadership, the mechanisms through which it impacts organizational profitability remain a 'black box'. In their exploration of the direct impact of CEO servant leadership on organizational financial performance, Peterson et al. (2012) emphasized the necessity for research into the mechanisms by which CEO servant leadership affects financial outcomes, along with its contextual boundaries. Such research is crucial for developing a clear understanding of the CEO leadership-organizational performance relationship, given its complexity and reliance on various organizational factors. Building upon this research trajectory, we propose, based on social exchange theory (Blau, 1964) and the norm of reciprocity (Gouldner,1960), that workforce obligation is a key mechanism explaining the CEO servant leadership-performance effect. Specifically, CEOs' servant behaviors may invoke felt obligation in the workforce, driven by the norm of reciprocity, encouraging employees to reciprocate with higher performance, thereby enhancing organizational profitability. Therefore, in this study, we examine workforce obligation as a mediator in the association between CEO servant leadership and organizational profitability, with workforce exchange ideology serving as a moderator.

HYPOTHESIS DEVELOPMENT

Social Exchange Theory

We draw from social exchange theory (Blau, 1964) to theorize that CEO servant leadership is positively associated with workforce obligation. Social exchange is one of the most influential conceptual frameworks for understanding workforce behaviors. It posits that employees form social exchange relationships with various entities in the workplace (Cropanzano & Mitchell, 2005). These exchanges, involving socio-emotional and/or symbolic resources, lay the foundation for relationships among relevant parties, such as supervisors and top managers. Because these exchanges are interdependent, they are contingent on the behaviors of all involved (Cropanzano & Mitchell, 2005). A core tenet of social exchange theory is that when employees receive socio-emotional resources from others in the workplace, they feel obliged to behave reciprocally (Gouldner, 1960). This norm of reciprocity serves as a guideline for workplace behaviors, helping relationships gradually develop into trustful, loyal, and mutually committed bonds (Cropanzano & Mitchell, 2005). Concerning this reciprocity norm, Harold et al. (2016: 1515) state: “an employee’s emotional and behavioral reactions toward a given entity will be consistent with the nature of the exchange relationship that s/he perceives with said entity.”

Past research indicates that social exchange theory effectively explains workplace relationships. For example, Settoon, Bennet, and Liden (1996) found that when supervisors and subordinates engage in quality exchange relationships, subordinates develop a sense of obligation. This often leads them to perform better on tasks, dedicate more time and energy to meeting their supervisors' expectations and demands, and assist coworkers. Similarly, Kim, Eisenberger, and Baik (2016) demonstrated that when supervisors, acting as representatives of the organization, are friendly, implement subordinates' suggestions, and treat everyone equally, subordinates perceive that their well-being and contribution to the organization are valued. This perception creates obligation to reciprocate by committing more strongly to the organization, ultimately resulting in higher levels of affective organizational commitment. As these studies reveal, workforce obligation is a key mechanism in social exchange.

CEO Servant Leadership and Workforce Obligation

Examining CEO servant leadership behaviors from a social exchange theory perspective, servant CEOs, who represent their organizations, are in a social exchange relationship with their employees as a collective (Peterson et al., 2012). Strengthening this relationship, servant CEOs help employees better manage personal problems and navigate difficult times, invest in their development and growth, and grant job discretion, fostering a sense of ownership. By putting subordinates ahead of themselves, these CEOs ensure that employee well-being takes precedence and model ethical behavior to build trust within the organization. With strong conceptual skills, they guide the organization with a clear vision and strategy, and through community-focused initiatives, encourage employees to give back, reinforcing a culture of care and social responsibility within and beyond the organization. Through these actions, servant CEOs create a supportive culture where employees are not only encouraged to perform their best but also feel deeply connected to their work, each other, and the wider community (Kim et al., 2021).

Based on social exchange theory (Blau, 1964), we expect that CEO servant leadership behaviors evoke workforce obligation to reciprocate. When CEOs show concern for employees' personal issues, career growth, community, and the fulfillment of their work needs, such servant behaviors build trust between the organization's workforce and management (Schaubroeck et al., 2011; Lee et al., 2020), generating an obligation among employees as a collective to reciprocate by providing excellent performance. For example, servant CEOs may offer mental health resources or financial support during crises, such as covering unexpected medical expenses (i.e., emotional healing). They may also provide ample opportunities for continued education and professional development and actively participate in career development conversations with employees (i.e., career growth). Additionally, they may invest in better tools and technologies to improve employees' productivity, ensure adequate staffing to prevent burnout, and establish an open-door policy where employees can discuss any challenges or issues (i.e., work needs). By addressing employees' personal and professional needs in this way, servant CEOs foster a sense of obligation among the workforce. As social exchange theory predicts, this obligation motivates employees to reciprocate with enhanced performance, as they feel valued and supported by the CEO.

In terms of socio-emotional resources, when servant CEOs behave ethically and work to create value for the broader community and society—such as organizing company-wide volunteering days or establishing programs that give employees paid time off to volunteer for local causes—they fulfill employees' needs for belonging. Additionally, servant CEOs' behaviors of caring about employees' personal concerns and supporting their growth and success may satisfy employees' need for emotional support. Moreover, servant CEOs empower employees collectively and prioritize their needs. For example, they may foster a culture where employees are trusted to manage their work schedules, set their own goals, choose the methods they believe are most effective, and are encouraged to experiment with new ideas without fear of punishment if those ideas don't succeed. As a result, employees feel valued within the organization, which elevates their self-efficacy and self-esteem (Chen et al., 2015; de Cremer et al., 2005; Walumbwa et al., 2010). According to social exchange theory (Blau, 1964), receiving such socio-emotional resources leads the organization's workforce to feel obliged to return the favorable treatment from servant CEOs by helping the organization achieve its goals and objectives effectively (Liden et al., 2008).

Although the obligation to reciprocate is a fundamental component of social exchange theory (Gouldner, 1960), the association between servant leadership and workforce obligation has not been explicitly theorized or tested in the literature at the macro level, and we uncovered only one study at the micro level that explored this proposition. Results of an individual-level study conducted at lower levels of the organization by Arain and colleagues (2019) revealed that the more workgroup members reported their leader as practicing servant leadership, the more they felt the responsibility to engage in voice behaviors that benefit the leader. In sum, we hypothesize a positive relationship between CEO servant leadership and workforce obligation.

Hypothesis 1: CEO servant leadership is positively associated with workforce obligation.

Workforce Obligation and Organizational Profitability

Based on social exchange theory (Blau, 1964), we contend that workforce obligation helps improve organizational profitability. Merging theoretical arguments suggests that favorable treatment by servant CEOs generates workforce obligation to reciprocate as a collective by exerting the effort needed to meet and go beyond the performance standards in the organization (Peterson et al., 2012). The organization's workforce may also make constructive suggestions that help enhance organizational success, as well as take measures to address and/or avoid potential challenges (e.g., Wu & Parker, 2017). To balance the social exchange relationship, employees as a collective may also become more cooperative. They may assist each other with assigned responsibilities and collectively look for ways to enhance work and organizational processes (Peterson et al., 2012). These employees' collective efforts help the organization operate in a more effective manner and thereby perform better in the industry, yielding enhanced profitability (Ployhart et al., 2011).

Organizational profitability is highly dependent on employees because they are the ones who carry out the work of the organization. Although CEOs formulate a business strategy designed to maximize organizational profitability, it is the employees who execute the strategy. If they do not effectively perform their tasks, which are aligned with and contribute to strategic implementation, organizations cannot achieve a high level of organizational profitability. Thus, employees' work efforts and their performance can directly impact organizational short-term financial performance as well as long-term performance. Past research indeed shows that workforce performance directly affects organizations' short-term profitability (e.g., Borucki & Burke, 1999; Jiang et al., 2016; Kim et al., 2022).

Based on the norm of reciprocity (Gouldner, 1960), workforce obligation may also lead employees as a collective to acquire necessary knowledge, skills, and abilities (Eisenberger et al., 2010), and employees with a higher level of obligation are willing to utilize their human capital resources to ensure organizational effectiveness and profitability (i.e., enabler of human capital resources; Ployhart & Moliterno, 2011). Moreover, because they are more cooperative under servant CEOs (Hu & Liden, 2011), interactions among employees reinforce the common goals to help transform individual-level human capital into "a valuable unit-level resource" such that the entire workforce becomes more competent and achieves more than they can accomplish individually (Ployhart & Moliterno, 2011: 128). We reason that such enhanced unit-level human capital resources improve organizational profitability (Wright et al., 2001; Wright & McMahan, 1992; Ployhart & Moliterno, 2011).

Workforce obligation may be interpreted as a behavioral intention that is stimulated by servant CEOs, which in turn leads to collective work behaviors that result in increased organizational profitability. Thus, we reason that workforce obligation resulting from CEO servant leadership leads the organizational workforce to put in more effort for the organization's success, improving the work unit and overall organizational profitability. In sum, workforce obligation mediates the effect of CEO servant leadership on organizational profitability. This prediction suggests that CEOs can fulfill economic responsibilities by motivating workforce obligation through serving behaviors (e.g., empowering employees, putting them first, and assisting them in growing and succeeding).

Hypothesis 2: Workforce obligation mediates the effect of CEO servant leadership on organizational profitability such that CEO servant leadership contributes to organizational profitability indirectly through workforce obligation.

Workforce Exchange Ideology as a Boundary Condition

So far, we have assumed that the organizational workforce responds to CEO servant leadership similarly across different organizations. However, according to social exchange theory, the extent to which obligation translates into actual effort to reciprocate depends on exchange ideology (Cropanzano & Mitchell, 2005). Exchange ideology is defined as the degree to which an entity perceives that its "work effort should depend on treatment by the organization" (Eisenberger et al., 1986: 503). It is possible that CEO servant leadership influences workforce exchange ideology. Organizations led by servant CEOs might implement staffing practices to attract individuals with a strong exchange ideology, as these individuals value social exchange relationships. Consequently, organizations may intentionally hire people whose exchange ideology aligns with the philosophy of servant CEOs. Over time, this approach is likely to cultivate a high level of exchange ideology within the workforce. Despite the plausible association between CEO servant leadership and workforce exchange ideology, in this study, we focus on the moderating role of exchange ideology consistent with the broad framework of social exchange theory.

Exchange ideology essentially indicates the extent of an entity's endorsement of reciprocity and thus the fulfillment of obligations (Cropanzano & Mitchell, 2005). As Cropanzano and Mitchell (2005, p. 877) noted, "those high in an exchange ideology carefully track obligations (score keeping). Those low in exchange ideology are less concerned about obligations and are less likely to care if exchanges are not reciprocated." The notion that the association between obligation and effort/outcomes is dependent upon exchange ideology has been empirically substantiated. For example, Coyle-Shapiro and Neuman (2004) found that with a sample of approximately six thousand employees in various job categories, employees with a higher level of exchange ideology are more likely to meet their obligations. Specifically, they found that exchange ideology strongly moderated the relationship between employee obligations and employees' fulfillment of obligations.

Extending this view to the organizational level, we propose that workforce exchange ideology may strengthen the relation between workforce obligation and organizational profitability. Although employees under a servant CEO develop obligations to return the favorable treatment with greater effort toward organizational success, such obligation may not be adhered to by the employees with a lower exchange ideology (Cropanzano & Mitchell, 2005). This is because their work effort is not contingent upon how the organization treats them (Eisenberger et al., 1986). In organizations dominated by employees with lower exchange ideology, the association between workforce obligation and organizational profitability is weak or nil. On the contrary, a workforce with a high exchange ideology strongly cares about the fulfillment of obligation. Thus, we reason that the theorized effect of workforce obligation on organizational profitability (i.e., Hypothesis 2) is stronger when more employees share a higher exchange ideology. Based on the obligation, they may exert high levels of work effort to accomplish the assigned tasks as well as help each other. Through continuous collaborative interactions with one another, they may be able to develop and be more willing to utilize valuable unit-level human capital resources. (Wright et al., 2001; Wright & McMahan, 1992; Ployhart & Moliterno, 2011), consequently bolstering organizations' profitability. Based on the above arguments, we hypothesize that the effect of workforce obligation resulting from CEO servant leadership on organizational profitability (i.e., indirect effect of CEO servant leadership on organizational profitability) is moderated by workforce exchange ideology. This is a case of second-stage moderated mediation where the moderation of exchange ideology occurs in the second stage of the CEO servant leadership–workforce obligation–organizational profitability mediation relation (See Figure 1).

> *Hypothesis 3: The indirect effect of CEO servant leadership on organizational profitability through workforce obligation is moderated by workforce exchange ideology such that the positive effect of workforce obligation on organizational profitability is stronger when workforce exchange ideology is higher.*

This hypothesis is consistent with the notion that exchange ideology is concerned with fulfillment of obligation (Cropanzano & Mitchell, 2005), which is empirically supported by past research (e.g., Coyle-Shapiro & Neuman, 2004). However, some scholars argue that exchange ideology may also induce greater obligation from employees who receive favorable treatment (e.g., Eisenberger et al., 2001). According to this view, exchange ideology may moderate the relation between CEO servant leadership and workforce obligation. Evidence testing this view is mixed. For example, Redman and Snape (2005) found that exchange ideology rarely moderated the effect of perceived support on attitudinal and behavioral intention outcomes (e.g., commitment and intention to quit). Nevertheless, because exchange ideology is typically studied at the individual level and this suggested moderating effect has never been examined at the organizational level, we explore this potential moderating effect at the organizational level. Specifically, when servant CEOs, for example, prioritize employees' needs, workforces with higher levels of exchange ideology may develop stronger obligation to reciprocate. Then, when employees meet the obligation with greater work effort, organizations enjoy higher profitability. This is a case of first-stage moderated mediation (See Figure 1).

> *Hypothesis 4: The indirect effect of CEO servant leadership on organizational profitability through workforce obligation is moderated by workforce exchange ideology such that the effect of CEO servant leadership on workforce obligation is stronger when workforce exchange ideology is higher.*

METHODS

Sample

To obtain our research sample, we contacted a total of 200 large firms in Nigeria with the help of a market research firm. A manager in each firm received a cover letter which included information on the study's purpose, its potential employee and organization benefits, and an invitation to participate. The cover letter emphasized the voluntary nature of the survey. 147 organizations agreed to participate in this study. Following past research (e.g., Salanova et al., 2005), we used the random sampling approach to select participants, which improves the representativeness of the sample. As Kerlinger (1986, p. 110) noted, "although we can never be sure that a random sample is representative of the population," because each employee has an equal chance of being selected, the random selection approach allows a sample mean to be very similar to the population mean and it reduces the chance that any systematic factors (i.e., unobserved individual heterogeneity) contaminate the sample data. Some past research randomly chose three employees from each organization (Chang, 2015; Salanova et al., 2005). To obtain more reliable data, we randomly selected 11 employees from each organization. Specifically, all employees were arranged based on their organizational identifiers and trained research assistants used the "randbetween" excel function and assigned random numbers to employees. The first 11 employees were asked to complete the survey.

At Time 1, the research assistants administered paper-and-pencil surveys to the randomly selected employees during paid work hours. All survey participants received phone calling cards in return for their participation. In total, 1,617 surveys were distributed across the 147 organizations, and 1,368 completed surveys were returned (72.5%). At Time 2, approximately three months after Time 1 surveys were completed, we collected each organization's financial performance information from S&P Global Market Intelligence Data. We combined the archival data with our survey data. After removing observations with missing values in the survey data (effective response rate: 60%), our final sample includes 964 surveys from 102 firms, with an average of 9.4 employees per firm, ranging from 5 to 11 employees. Within-firm response rates range from 45% to 100%.

On average, the sampled organizations had $113 billion in total revenue. The industries represented in the sample included financial (29%), consumer staples (19%), industrials (e.g., capital goods; 13%), and materials (e.g., chemicals; 11%), and 28% were in other industries, including communication services. Most of the firms were located in the capital of Nigeria, Lagos (78%) and the remainder in other cities such as Abuja and Ikeja.

Measures

For CEO servant leadership, workforce obligation, workforce exchange ideology, and transformational leadership, a 7-point Likert response scale was used (1 = *strongly disagree*; 7 = *strongly agree*).

CEO servant leadership (Time 1). In the original scale development research (Liden et al., 2008), 9 factors were identified from Greenleaf's (1970) seminal essay and extant research on servant leadership. Seven of these dimensions were empirically supported and provided the basis for the 28-item measure. Hu and Liden (2011) subsequently demonstrated through higher order confirmatory factor analysis that the seven dimensions are unique, yet all load on the global or higher order servant leadership factor. Specifically, Hu and Liden (2011, p. 855) state, "the first-order factors (i.e., seven dimensions) are distinct, but all fell under a higher order factor (i.e., the construct of servant leadership)." Based on this support for a higher order global factor, Liden and colleagues (2015) developed a short (7-item) version of the scale with one item representing each dimension. They demonstrated with multiple diverse samples that correlations between the shortened version and the full 28-item scale range from 0.78 to 0.97. They also demonstrated the construct validity and reliability of the shortened scale.

We followed past research (Hartnell et al., 2023) and used a 7-item servant leadership scale to measure CEO servant leadership. Consistent with Liden et al. (2015), our convergent validation test showed that the 7-item servant leadership scale ($\alpha = 0.85$) was very highly correlated with the full scale ($\alpha = 0.96$; $r = 0.94$, $p < 0.01$).[2] To measure CEOs' servant behaviors to employees as a whole, we adapted the referent-shift consensus model (Chan, 1998) and adjusted the items' referent to focus on employees. Example items of this scale are "The CEO

[2] We followed past research (Carton & Lucas, 2018; Ertug et al., 2020) and surveyed 105 employees using Prolific. On average, 53% of participants were female with ages ranging from their 20s (19%), 30s (40%), 40s (23%), 50s (13%), to 60s (5%). In terms of educational level, 73% of them completed college, 22% completed high school or had some college education, and 2% had some high school education.

emphasizes the importance of giving back to the community" and "The CEO puts employees' best interests ahead of his/her own." Cronbach's alpha was 0.82. We aggregated the employees' ratings of CEO servant leadership to the organizational level. ICC(1) was 0.22, which falls within the typical range of ICC(1) (0.05-0.30; Bliese, 2000). This value indicates that 22% of variance is attributable to organizations (Bryk & Raudenbush, 1992). ICC(2) was 0.58, which indicates a moderate level of within-organization agreement (Schneider et al., 1998). ICC(2) should be assessed together with such aggregation statistics as r_{wg} because it is significantly affected by the number of raters within a unit (LeBreton & Senter, 2008). r_{wg} was 0.95, which suggests a high level of within-organization homogeneity. These statistics, taken together, justified the aggregation of CEO servant leadership.

Workforce obligation (Time 1). To measure workforce obligation, we adapted Eisenberger et al.'s (2001) 7-item obligation scale. Employing the referent-shift consensus model (Chan, 1998), we changed the items' referent to employees. Example items are "employees in this organization feel a personal obligation to do whatever they can to help the (name of the company) achieve its goals" and "employees in this organization feel that the only obligation they have to the (name of the company) is to fulfill the minimum requirements of their job" (reverse coded). We averaged the employees' ratings for each firm ($\alpha = 0.89$) and aggregated them to the organizational level. The following aggregation statistics justified the aggregation: ICC(1) = 0.49, ICC(2) = 0.81, and $r_{wg} = 0.97$.

Workforce exchange ideology (Time 1). To measure workforce exchange ideology, we followed past research and used a five-item exchange ideology scale from Eisenberger et al. (1986). Past research has shown that this scale has excellent psychometric properties, including construct validity and reliability (e.g., Redman & Snape, 2005). Example items include "employees' work effort should depend partly on how well the organization deals with their desires and concerns" and "how hard employees work should not be affected by how well the organization treats them" (reverse coded). Employees rated these five items (α = 0.88), and we aggregated their ratings to the organizational level to create the workforce exchange ideology measure; The aggregation was justified by ICC(1) = 0.28, ICC(2) = 0.64, and r_{wg} = 0.84.

Organizational financial performance (Time 2; 3 months after Time 1). In management research, organizational profitability is a widely used organizational financial metric because it reflects effectiveness as well as efficiency (Haveman et al., 2001). Following past research, we measured organizational profitability as net profit per sales (Haveman et al., 2001; Lee & Kapoor, 2017). For the purpose of facilitating the interpretation of the results, organizational profitability was standardized.

Control variables (Time 1). To mitigate potential alternative explanations for our conceptual model, we included several control variables. First, because of their effects on organizational profitability, we controlled organizations' strategic orientation and competitive dynamics impacts (Miles et al., 1978). Consistent with past research (Baik et al., 2019), definitions of three strategic orientations (i.e., prospector, defender, and analyzer) were presented in the survey and participants were asked to choose their organizations' strategic orientation given the definitions. We created prospector and defender dummies with analyzer as a reference group and included them in analysis models. For competitive dynamics, employees rated "the extent to which your organization's competitive environment is expected to change over the next five years" using a 7-point scale (1 = *not at all*; 7 = *extremely*) (Hagedoorn & Zobel, 2015). Employees' average score on competitive dynamics was controlled. Larger organizations tend to have higher profits. Thus, we also controlled organizational size, which was measured as the logarithm of total assets (Bloom & Michel, 2002). Among various leadership styles, transformational leadership (TFL), is considered to be one of the most effective leadership styles (e.g., Sun & Anderson, 2012; Waldman et al., 2006). We measured CEOs' TFL using a 23-item transformational leader behavior scale (Podsakoff et al., 1990). We then averaged employees' ratings on CEO TFL ($\alpha = 0.75$) and aggregated them to the organizational level (ICC(1) = 0.39, ICC(2) = 0.76, and $r_{wg} = 0.98$). Employees' demographics can impact organizational dynamics, including collaboration among employees (Ely, 2004; Wiersema & Bird, 1993). Thus, we also controlled employees' average age, sex, and tenure.

Because our sample organizations are from different industries, which could impact organizational performance (Datta et al., 2005), we controlled for industry-fixed effects. Similarly, an organization's location may impact its profitability. Lagos is different from many other cities in Nigeria in that it is a key African financial hub, as well as the largest city in Nigeria. Thus, we created a location dummy and included it in analysis models as a control variable. Despite many control variables, we could not completely rule out the potential endogeneity issues. According to prior research, past organizational profitability is arguably the strongest predictor of current organizational profitability, and it absorbs unobserved organizational effects (e.g., Pandey et al., 2022). Therefore, we controlled for past organizational profitability, measured in the same way as the dependent variable, current profitability. To more accurately assess past organizational profitability, we used the three-year average organizational profitability (Georgakakis & Ruigrok, 2017; Shen & Cannella, 2002) for the three years immediately preceding the collection of survey data at Time 1. This measure allows us to control the potential "regression to the mean" effect.

RESULTS

The descriptive statistics (e.g., means and standard deviations) of and correlations among the variables are presented in Table 1. Before conducting hypothesis testing, we performed a series of confirmatory factor analyses (CFAs) to examine the discriminant validity of three key latent constructs: CEO servant leadership, workforce obligation, and workforce exchange ideology. The CFA results, with five residual correlations allowed, showed that the hypothesized three-factor model fit the data well (CFI = 0.92; TLI = 0.91; SRMR = 0.08) and significantly better than the alternative two-factor model combining workforce obligation and exchange ideology ($\Delta\chi^2 = 292.77$, $p < 0.01$; CFI = 0.74; TLI = 0.69; SRMR = 0.17), and the one-factor model ($\Delta\chi^2 = 198.49$, $p < 0.01$; CFI = 0.62; TLI = 0.55; SRMR = 0.21). These results suggest that the three latent constructs are distinct from each other.

Collectiveness Test

Although the aggregation statistics indicate that employees tend to highly agree on CEO servant leadership, workforce obligation, and exchange ideology in an organization, we performed a more direct test of this aggregation. If employees perceive a similar level of CEO servant leadership, for example, then a focal employee's CEO servant leadership score should be significantly and positively predicted by the organization's CEO servant leadership (i.e., the average of employees' CEO servant leadership scores). To test such relationship, following past research (e.g., Glomb & Liao, 2003; Lim, Cortina, & Magley, 2008), we used the average CEO servant leadership, workforce obligation, and exchange ideology scores of all employees except the focal employee to predict organizations' scores. The results showed that the average of others' CEO servant leadership scores (without a focal employee's score) was significantly and positively associated with a focal employee's CEO servant leadership ($\beta = 0.47$, $SE = 0.07$, $p < 0.01$) above and beyond employees' age, tenure, and sex. The average of others' workforce obligation and exchange ideology scores also significantly and positively predicted a focal employee's workforce obligation ($\beta = 0.77$, $SE = 0.05$, $p < 0.01$) and exchange ideology ($\beta = 0.55$, $SE = 0.06$, $p < 0.01$), respectively.

Test of Hypotheses

We ran a series of hierarchical ordinary least squares regression analyses to test the proposed conceptual model. The results are presented in Table 2. Hypothesis 1 states that CEO servant leadership is positively associated with workforce obligation. To test this hypothesis, we included CEO servant leadership along with the control variables in Model 2. As shown in Table 2, CEO servant leadership is significant and positive with respect to workforce obligation above and beyond the effects of control variables ($\beta = 0.30$, $SE = 0.13$, $p = 0.02$). Hypothesis 1 was supported.

Hypothesis 2 predicts a mediating role of workforce obligation in the relation between CEO servant leadership and organizational profitability. To test this hypothesis, we included workforce obligation along with control variables in Model 5 where organizational profitability is the dependent variable. The results showed that workforce obligation is not significantly associated with organizational profitability ($\beta = 0.00$, $SE = 0.01$, $p = 0.74$). Because the mediator is not directly related to the dependent variable, the simple mediation effect cannot be statistically significant. Hypothesis 2 was not supported.

Hypothesis 3 proposes a positive moderating role of workforce exchange ideology in the second stage for the indirect effect of CEO servant leadership on organizational profitability via workforce obligation. We added the interaction term between workforce obligation and workforce exchange ideology in Model 6. Table 2 shows that the interaction effect is positively associated with organizational profitability ($\beta = 0.03$, $SE = 0.01$, $p = 0.02$). Using one standard deviation above and below the mean of workforce exchange ideology (Aiken & West, 1991), we graphed the moderating effect of exchange ideology and presented it in Figure 2a. Consistent with our expectations, when exchange ideology is high, workforce obligation enhances organizational profitability ($\beta = 0.03$, $SE = 0.01$, $p = 0.04$). For low exchange ideology, although the effect size appeared to be similar to that for high exchange ideology, the standard error was larger for the slope, which makes it non-significant ($\beta = –0.03$, $SE = 0.02$, $p = 0.09$). Thus, when exchange ideology is low, the relation between workforce obligation and organizational profitability is not significant.

Based on the significant moderation effect of exchange ideology, we then tested its moderating role for the indirect effect of CEO servant leadership. We followed past research and used the Monte Carlo Bootstrapping method to test the conditional indirect effect (e.g., Haggard & Park, 2018; Sun, Liden, & Ouyang, 2019). Results reveal that the indirect effect of CEO servant leadership on organizational profitability via workforce obligation is positive for high exchange ideology ($\beta = 0.01$, 95% CI = 0.00; 0.02) but not related for low exchange ideology ($\beta = –0.01$, 95% CI = –0.03; 0.00). Thus, Hypothesis 3 was supported.

Hypothesis 4 predicts a positive moderating role of workforce exchange ideology at the first stage for indirect effect of CEO servant leadership on organizational profitability via workforce obligation. We tested Hypothesis 4 in the same manner as Hypothesis 3. We first added the interaction effects of workforce exchange ideology with CEO servant leadership in Model 3. As Table 2 shows, workforce exchange ideology did not significantly moderate the relation between CEO servant leadership and workforce obligation ($\beta = –0.09$, $SE = 0.12$, $p = 0.44$). Because workforce exchange ideology did not moderate the CEO servant leadership–workforce obligation relation, it could not moderate the indirect effect of CEO servant leadership on organizational profitability at the first stage. Therefore, support was not found to Hypothesis 4.

Additional Analyses

In this research, we focused on organizational profitability, a measure of prime interest among both academics and practitioners. Additionally, we conducted supplementary analyses to examine organizational growth, another key performance measure. Organizational growth is an explicit or implicit goal of corporate strategy because larger organizations tend to have greater market influence and a greater chance of setting product or service standards in the industry. Thus, we tested whether the interaction effect of workforce exchange ideology and workforce obligation helps to explain organizational growth. Following past research (e.g., Engelen et al., 2015), organizational growth was calculated as the percentage increase in gross profit over the past three years. The results showed that workforce exchange ideology positively moderated the relation between workforce obligation and organizational growth ($\beta = 17.10$, $SE = 6.59$, $p = 0.01$). As shown in Figure 2b, the interaction plot replicated the interaction pattern in Figure 2a. Consistent with the main findings, while the indirect effect of CEO servant leadership was not statistically significant, its conditional indirect effect on organizational growth—specifically for high workforce exchange ideology through workforce obligation—was statistically significant and positive ($\beta = 4.95$, 95% CI = 0.21; 12.13).

We then employed the Durbin-Wu-Hausman approach to control potential endogeneity. We instrumented the independent variable, mediator, moderator, and their interaction effect. We followed past research and used industry-level means of these predictors, which are widely used instrumental variables (Krause et al., 2019). To enhance the validity of instruments, we used the Lewbel procedure (Lewbel, 2012). The two-stage least squares (2sls) regression showed that the

Durbin-Wu-Hausman tests are not statistically significant for either the CEO servant leadership–workforce obligation relation (Durbin score: $\chi^2 = 0.64$, $p = 0.42$; Wu-Hausman score: $F = 0.53$, $p = 0.47$) or the workforce obligation–organizational profitability relation (Durbin score: $\chi^2 = 4.42$, $p = 0.22$; Wu-Hausman score: $F = 1.19$, $p = 0.32$). Moreover, the 2sls regression results were consistent with the main findings. Based on these results, we did not reject the null hypothesis that the predictors in both stages are exogenous. These results indicate that endogeneity is not a critical issue in our model.

Lastly, although the aggregation statistics were high, employees did not reach 100% agreement on CEO servant leadership, workforce obligation, and exchange ideology. This level of disagreement may affect our conceptual model. To account for this, we re-tested the model while controlling r_{wg}. The results were consistent with the main findings. CEO servant leadership significantly predicts workforce obligation ($\beta = 0.27$, $SE = 0.14$, $p = 0.05$), and the relationship between workforce obligation and organizational performance is moderated by exchange ideology ($\beta = 0.03$, $SE = 0.01$, $p = 0.02$). r_{wg} did not predict any criterion variables. These additional results provide further support to our conceptual model.

DISCUSSION

In the present study, we explored the association between CEO servant leadership and organizational financial performance. Based on a sample of 102 firms in Nigeria, controlling for transformational leadership, we found that CEO servant leadership is positively related to workforce obligation. While workforce obligation was not directly associated with organizational profitability, drawing from social exchange theory (Blau, 1964), we identified the positive moderating effects of workforce exchange ideology on the relationship between workforce obligation and organizational profitability. As hypothesized, workforce exchange ideology moderated the mediating relationship (at the second stage, but not the first stage) between CEO servant leadership, workforce obligation, and organizational profitability. Exchange ideology strengthened the positive effect of workforce obligation, and thus elevated the positive indirect effect of CEO servant leadership on organizational profitability. These findings offer important theoretical and practical implications.

Theoretical Implications

The present investigation extends the servant leadership literature by theorizing and empirically examining the bottom-line effects of CEO servant leadership. Many prior studies have suggested that servant leadership at the CEO level should contribute to objective organizational performance (Lemoine, Eav, et al., 2021). One empirical study indeed found a positive impact of CEO servant leadership on firm ROA (Peterson et al., 2012). Our study extends the valuable contributions made by Peterson and colleagues (2012) by exploring the process—namely, workforce obligation—through which CEO servant leadership enhances organizational profitability. This area is of interest to both scholars and practitioners, as organizational profitability reflects both effectiveness and efficiency. CEO servant leadership facilitates social exchange processes that foster a sense of community among employees, where the collective feels obligated and motivated to go the extra mile for organizational success (e.g., organizational profitability). Thus, the positive effect of CEO servant leadership on organizational profitability through increased workforce obligation aligns with existing theory. Consistent with these theoretical expectations, our study revealed that CEO servant leadership is positively related to workforce obligation, with positive consequences for organizational profitability, particularly when workforce exchange ideology is higher.

The current study also contributes to the servant leadership literature by identifying an important boundary condition for the indirect relation between CEO servant leadership and organizational profitability. Despite the recent growth in servant leadership research, a notable gap remains in understanding the circumstances that might lead to variations in the performance effects of CEO servant leadership. As we theorized, CEO servant leadership increases workforce obligation, prompting employees to put forth greater effort on behalf of the organization, thereby improving organizational profitability. However, according to social exchange theory, this positive effect of CEO servant leadership should be strengthened by workforce exchange ideology (Cropanzano & Mitchell, 2005). When workforce obligation—fostered by a high level of CEO servant leadership—translates into significant work effort stimulated by high exchange ideology, CEO servant leadership can have a greater impact on organizational profitability. Consistent with this theory, we found that when exchange ideology was higher, the relation between workforce obligation and organizational profitability, as well as the indirect bottom-line effect of CEO servant leadership was stronger. These findings provide a more nuanced understanding of the relation between CEO servant leadership and organizational profitability. Moreover, these insights into the moderating role of workforce exchange ideology respond to the call for more research on the contextual factors influencing CEO servant leadership, as highlighted by Peterson et al. (2012).

We found that, without considering the boundary condition, workforce obligation was not directly linked to organizational profitability. While this underscores the importance of workforce exchange ideology as a critical boundary condition, it is worth exploring alternative mediation relationships. Given the role of CEOs in shaping organizational culture, a supportive culture may serve as another direct mechanism for the performance effect of CEO servant leadership (Liden et al., 2014), which can potentially be fostered by servant CEOs. In a supportive culture, employees gain a better understanding of their roles, develop the necessary skills to excel in their tasks, help each other, and better manage their relationships with various external stakeholders, including customers. This, in turn, likely leads to improved organizational profitability. We encourage scholars to conduct investigations into the role of supportive culture, which may further illuminate the performance effects of CEO servant leadership.

The current research also enhances the body of knowledge within the social exchange literature. While exchange ideology is a key factor influencing social exchange relationships (Cropanzano & Mitchell, 2005), its precise role in these processes remains unclear. Some scholars argue that exchange ideology facilitates the translation of obligation into work effort (e.g., Coyle-Shapiro & Neuman, 2004), while others suggest it may help develop greater obligation. According to our findings, at the organizational level, workforce exchange ideology plays a moderating role in the obligation–outcome relation, but not in the relation between favorable treatment and obligation. These findings align with the initial conceptualization of exchange ideology as “favoring the trade of work effort for material and symbolic benefits” (Eisenberger et al., 1986, p. 501). They are also consistent with past research, such as Redman and Snape (2005), who found that the moderating effect of exchange ideology was stronger for behavioral outcomes (e.g., organizational citizenship behaviors) than for attitudinal and behavioral intention variables.

The present research also extends the literature by clarifying the role of top management. The prevailing view in organizational literature and among Wall Street investors is that financial performance is driven by task-focused CEOs who concentrate on short-term tactics to increase profit and shareholder value. This often involves cost-cutting, pressuring suppliers to lower prices, and other strategies aimed at maximizing immediate financial gain. An alternative view emphasizes valuing stakeholders beyond shareholders for organizational success, with servant leadership representing this perspective (Lemoine, Hartnell, et al., 2021). There has been a longstanding debate over the “appropriate” role of top executives. In this context, our study suggests that servant leadership, as a stakeholder-focused approach, offers a different path to organizational effectiveness compared to typical task-focused leadership. Servant leaders focus on meeting employees’ needs and bringing out their full potential through, for example, empowerment, emotional support, opportunities for growth. When employees perceive that leaders prioritize their needs, they trust management and are motivated to reciprocate for the treatment they have received. Part of the reciprocation is to become part of a serving culture, that involves helping coworkers as well as customers. As employees work hard for organizational success, organizational revenue and profits follow (Lemoine, Eva, et al., 2021). Thus, although focusing on employee needs rather than directly targeting profit increase may seem counterintuitive, our results indicate that it is possible to help employees to thrive while at the same time enhancing organizational financial performance (Giolito et al., 2021).

Implications for Practice

In today’s organizations, an increasing number of practitioners value servant leadership and consider it an important competence for CEOs (Schwantes, 2020). For example, when Richard Wilkerson became the CEO of Michelin North America, he immediately started serving employees to help realize their full potential (Chastain & Watkins, 2020). Such valuation assumes that servant leadership helps fulfill followers and invigorate the organization such that it can effectively accomplish its goals and objectives (Burkhardt & Joslin, 2020). According to our findings, this assumption is well grounded and empirically supported, but it is context dependent.

Based on our findings, a one-unit increment on a seven-point CEO servant leadership scale translates to a 14% increase in organizational profitability when the organizational workforce cares for fulfilling their obligation (i.e., higher exchange ideology). However, when employees do not feel compelled to reciprocate, CEO servant leadership does not benefit the organization's bottom line. These findings suggest that organizations should consider assessing job applicants' exchange ideology as part of their employee selection process. Alternatively, CEOs can foster a culture where exchange ideology is valued, and reciprocal behaviors and mutual support are actively encouraged. Building a workforce of employees who are oriented towards reciprocating for support and guidance that they receive from the organization may increase their positive responses to servant leadership.

Results of the current investigation indicate the importance of embracing servant leadership as a fundamental core value for the sake of organizational effectiveness, particularly in cases where organizational members exhibit a heightened exchange ideology (Ruschman, 2002). Moreover, the findings offer guidance to management regarding the optimal approach for servant CEOs in steering organizations towards maximal benefit from their leadership practices. In this context, CEOs should consistently demonstrate servant leadership behaviors and cultivate either a formal or informal framework that fosters an environment wherein employees highly value their social exchange interactions with the employers.

Although the servant leadership-organizational financial performance relation has been examined in only a handful of studies, each was conducted in a different cultural setting. To elaborate, Peterson and colleagues' (2012) study encompassed small computer industry firms (with an average of 98 total employees and $7.8 million USD in annual sales) located in the Western U.S., while Giolito et al.'s (2021) investigation was conducted in France; however, it should be noted that the focus of their study was on store manager, not CEO servant leadership. The current study was conducted on another continent, encompassing very large (average annual revenue of $113 billion USD) Nigerian firms representing multiple industries. Given that all three studies clearly demonstrate the positive effects of servant leadership on the bottom line of organizations, it appears that the benefits of top-level servant leadership generalize across cultural settings, firm size, and industry.

Methodological Strengths, Limitations, and Future Research

We collected data from multiple sources, including employees and objective organizational financial reports, at two time points. Doing so helped us reduce common method variance and thus more reliably test our conceptual model (Podsakoff et al., 2003). However, our empirical methods could be strengthened in future research. First, due to a lack of data, we were unable to control CEO tenure. Although the endogeneity test results are robust, CEO tenure remains a conceptually important factor in our model. CEOs with longer tenure may be more effective in communicating their servant leadership philosophy to employees. They might also be better able to serve their employees by, for example, implementing human resource policies that enhance the influence of CEO servant leadership. Therefore, CEO tenure may not only directly impact perceived CEO servant leadership but could also interact with it. We encourage scholars to explore the interplay between CEO tenure and CEO servant leadership, as well as the direct effects of CEO tenure.

Second, while this study advances the servant leadership literature by exploring a key mediation mechanism (i.e., workforce obligation) that links CEO servant leadership with organizational profitability, there are additional and unobserved mediators in our theoretical model (e.g., employee performance and motivation). For example, if employees' actual performance (or customer satisfaction) was accurately measured, it might mediate the association between workforce obligation and organizational profitability. Because workforce performance is directly related to organizational effectiveness and profitability (Ployhart et al., 2011), in this study we examined the direct relation between workforce obligation and organizational profitability. Nevertheless, investigation of such additional mediators should help to develop a more complete picture of how CEO servant leadership impacts organizational profitability.

Third, surveying all employees in each organization would improve the validity and generalizability of the study. For this study, such an approach was not possible due to time and resource constraints. Because the random selection technique helps in obtaining data that are equivalent to data from an entire population (Kerlinger, 1986), we followed past research and employed random sampling. Although we improved upon previous research by sampling 11 employees from each organization rather than the more typical three employees, future work should replicate our theoretical model by sampling more employees from each organization.

Both a strength and limitation of our investigation is that our sample organizations are from Nigeria. This is a strength given that few organizational studies have been conducted in African countries. However, although servant leadership theory is not country specific (and at the individual and small group level has been largely supported in many cultural settings; Zhang et al., 2021), as a collectivist society (Hofstede, 2023) Nigeria is culturally different from individualistic countries, such as Australia, Germany, and the United States. Thus, some caution is required in generalizing the findings outside the context in which they were obtained. Future research might investigate the potential role of national culture in the effectiveness of CEO servant leadership, extending the work of Chaudhry et al. (2021) and Zhang et al. (2021) whose meta-analytic studies examined cultural moderators of servant leadership research conducted at low to mid-levels of the organization.

Conclusion

This research extends the servant leadership literature by demonstrating that CEO servant leadership effectively enhances workforce obligation, which subsequently influences organizational profitability, albeit only under circumstances of heightened workforce exchange ideology. According to our findings, in organizational contexts where employee reciprocation is lacking (i.e., low workforce exchange ideology), CEO servant leadership does not significantly contribute to the organization’s bottom line. However, when employees value reciprocating favorable treatment from servant CEOs, the performance effect of CEO servant leadership becomes significant, thereby resulting in higher organizational profitability. We hope these findings inform servant leadership scholarship by offering a more complete understanding of how and when CEO servant leadership benefits organizations’ bottom line.

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Table 1
Descriptive Statistics and Correlations

Variable	Mean	*SD*	1	2	3	4	5	6	7	8	9	10	11
1. Employees' average age	1.99	0.38	—										
2. Employees' average tenure	2.97	0.67	0.07	—									
3. Employees' average sex	0.42	0.19	0.25**	-0.01	—								
4. Organizational size	4.51	1.10	-0.02	-0.10	-0.01	—							
5. Prospector	0.39	0.32	-0.28**	0.20*	-0.18	-0.01	—						
6. Defender	0.24	0.26	0.07	0.02	0.10	0.00	-0.40**	—					
7. Competitive dynamics	5.43	0.89	0.16	0.19	0.23*	-0.01	-0.09	-0.09	—				
8. CEO TFL	5.73	0.50	0.20*	0.04	0.35**	0.12	0.16	-0.06	0.23*	(0.75)			
9. CEO servant leadership	5.48	0.59	0.41**	-0.08	0.23*	-0.23*	-0.13	0.03	0.02	0.50**	(0.82)		
10. Workforce obligation	5.74	0.91	0.25*	-0.08	0.00	-0.02	0.06	-0.20*	0.08	-0.06	0.21*	(0.89)	
11. Workforce exchange ideology	5.02	0.95	0.00	0.15	-0.36**	-0.05	0.32**	-0.11	-0.06	-0.04	-0.04	-0.04	(0.88)
12. Organizational profitability	0.00	1.00	0.06	0.11	0.11	0.08	0.06	0.10	-0.11	-0.03	-0.06	-0.10	0.06

*Note. N*s range from 100 to 102. TFL = transformational leadership. Reliability coefficients are reported in parentheses on the diagonal.
* $p < .05$, ** $p < .01$

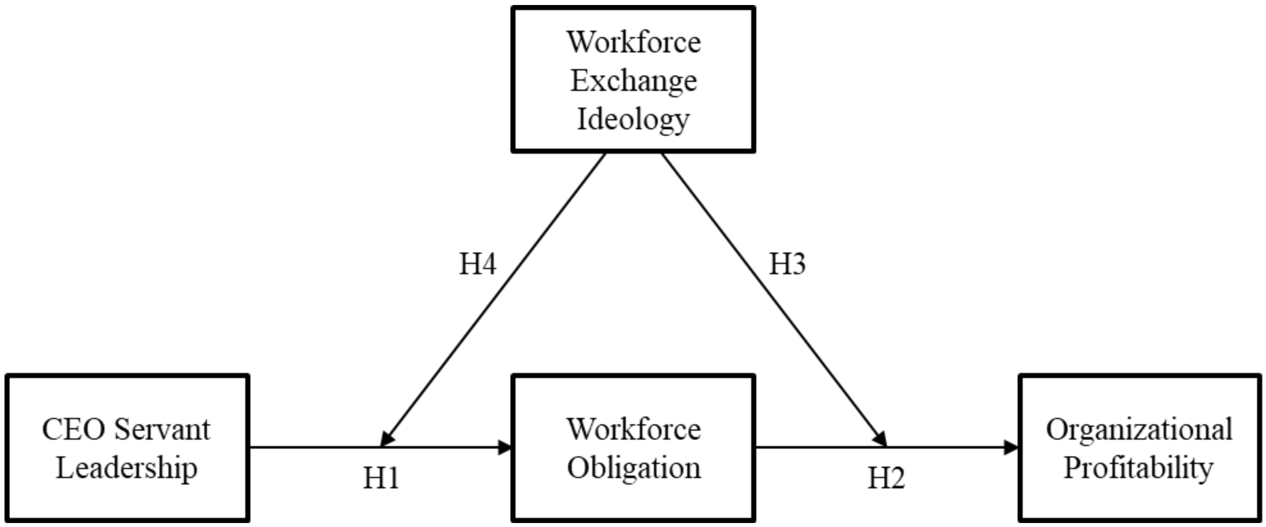
Table 2

Hierarchical Regression Results – CEO Servant Leadership and Financial Performance

Predictor	Workforce Obligation			Organizational Profitability		
	Model 1 β (*s.e.*)	Model 2 β (*s.e.*)	Model 3 β (*s.e.*)	Model 4 β (*s.e.*)	Model 5 β (*s.e.*)	Model 6 β (*s.e.*)
Intercept	-0.01 (0.09)	-0.01 (0.09)	-0.01 (0.09)	-1.19** (0.01)	-1.19** (0.01)	-1.19** (0.01)
Control Variables						
Employees' average age	0.24* (0.10)	0.15 (0.11)	0.16 (0.11)	0.00 (0.01)	0.00 (0.01)	-0.00 (0.01)
Employees' average tenure	-0.10 (0.10)	-0.07 (0.10)	-0.09 (0.10)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)
Employees' average sex	-0.06 (0.10)	-0.05 (0.10)	-0.07 (0.11)	-0.01 (0.01)	-0.01 (0.01)	0.00 (0.01)
Organizational size	0.03 (0.11)	0.12 (0.11)	0.12 (0.11)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)
Prospector	0.00 (0.12)	0.05 (0.12)	0.08 (0.12)	-0.01 (0.01)	-0.01 (0.01)	-0.02 (0.01)
Defender	-0.25* (0.10)	-0.24* (0.10)	-0.24* (0.10)	-0.00 (0.01)	-0.00 (0.01)	-0.01 (0.01)
Competitive dynamics	0.14 (0.10)	0.19 (0.10)	0.20 (0.11)	0.01 (0.01)	0.01 (0.01)	0.02 (0.01)
Past organizational profitability	0.36** (0.10)	0.33** (0.10)	0.32** (0.10)	12.10** (0.10)	12.10** (0.10)	12.10** (0.10)
CEO TFL	-0.07 (0.11)	-0.24 (0.13)	-0.25 (0.13)	0.00 (0.01)	0.00 (0.01)	0.00 (0.01)
Independent Variables						
CEO servant leadership (SL)		0.30* (0.13)	0.31* (0.13)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)
Workforce exchange ideology (IDE)			-0.04 (0.11)			0.01 (0.01)
SL × IDE			-0.09 (0.12)			
Workforce obligation (OBL)					0.00 (0.01)	-0.00 (0.01)
OBL × IDE						0.03* (0.01)
Industry & location dummies	Yes	Yes	Yes	Yes	Yes	Yes
Number of observations	102	102	102	100	100	100
F-statistics	2.49**	2.83**	2.55**	963.8**	897.4**	906.4**

Note. Standardized betas are reported. TFL = transformational leadership.
* $p < .05$, ** $p < .01$

Figure 1
Proposed Conceptual Model

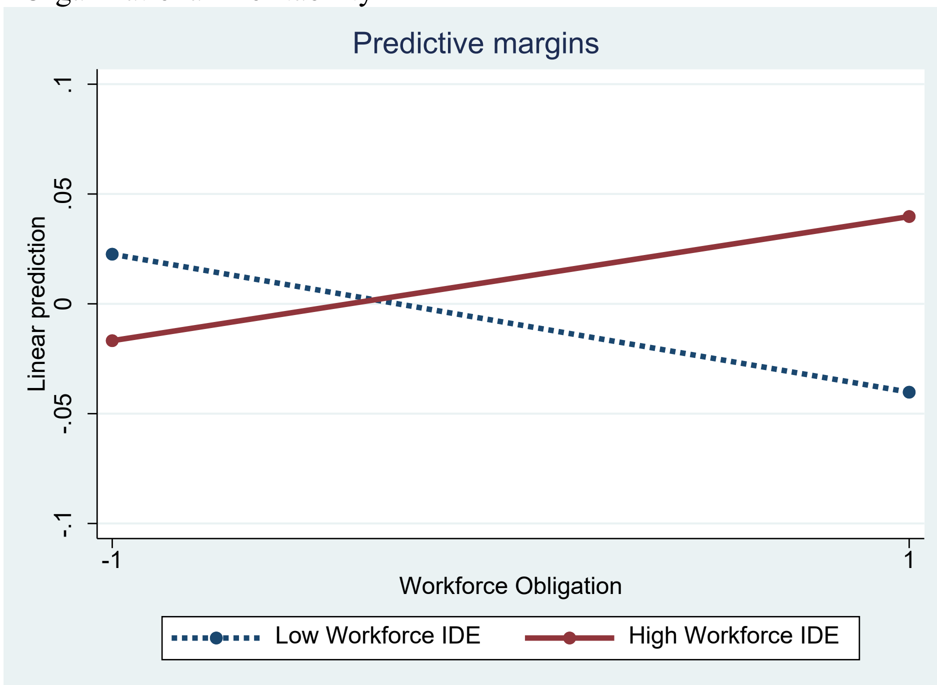


Note. H = hypothesis.

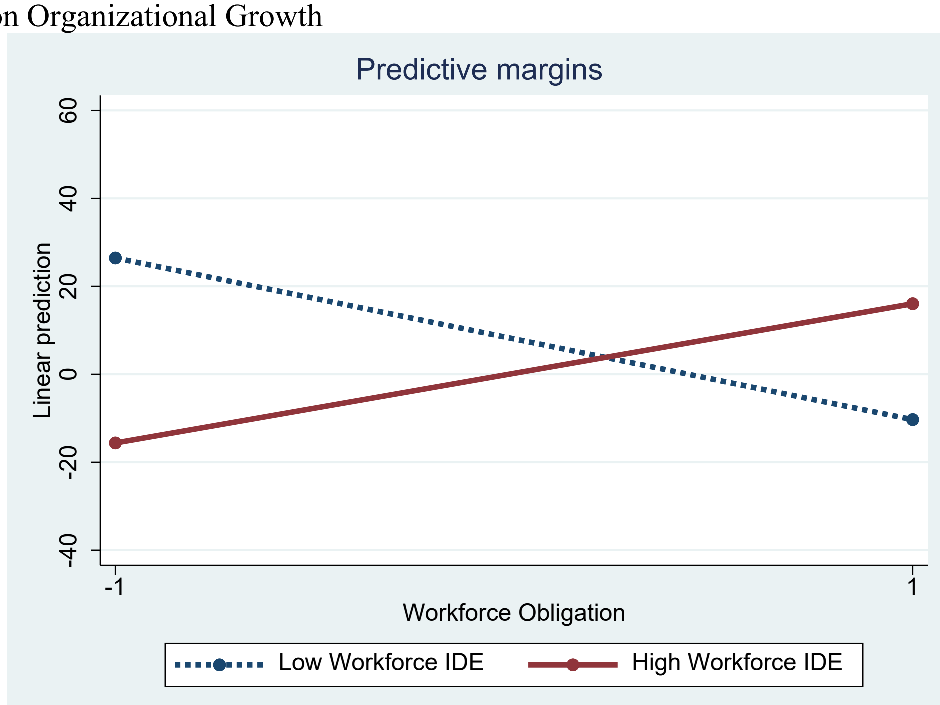
Figure 2

Moderating Effect of Exchange Ideology (IDE) on the Relationship between Workforce Obligation and Organizational Profitability

(a) Effect on Organizational Profitability



(b) Effect on Organizational Growth



Note. Organizational profitability as a function of workforce obligation at low (–1 SD) and high (+1 SD) levels of IDE. SD = standard deviation; IDE = exchange ideology.