To Keep Your Agents: Consider Servant Leadership

By Fernando Jaramillo, Douglas B. Grisaffe, Lawrence B. Chonko, and James A. Roberts

Introduction

Sales force retention is a critical objective facing managers. The costs of high turnover rates can be substantial and include lost sales, abandoned sales territories and costs associated with recruitment and training. Industries, such as Real Estate, that heavily rely on a sales force to generate and maintain revenue, are especially attuned to this issue. Research has shown that salespeople develop turnover intentions when they are dissatisfied with their jobs, uncommitted to the organization and find their jobs overly stressful (Babakus et al. 1999). One consideration leaders may find helpful for addressing these issues is the adoption of a servant leadership approach. In a research study of 501 full-time salespeople, we discovered that servant leadership affects turnover intention through a complex chain-of-effects that involves the organization’s ethical climate, person-organization fit, and organizational commitment.

Servant Leadership: Serving the Needs of Others

Managers who adopt a servant leadership approach strive to serve the needs of others, and place the needs of others above the attainment of organizational or individual goals. Servant leaders appear to be driven by core personal values of honesty and integrity, and by their nature, they value humility, equality, and respect for others (Russell 2001). In addition to these elements of servant leadership, Ehrhart (2004) identifies seven major behaviors of a servant leader:

1. Forming relationships with subordinates
2. Empowering subordinates
3. Helping subordinates grow and succeed
4. Behaving ethically
5. Having conceptual skills
6. Putting subordinates first
7. Creating value for those outside the organization

Research abounds to reveal that subordinates respond favorably to the employee-oriented approach of servant leadership and demonstrate increased intrinsic motivation, job satisfaction, and lower role stress. Our particular research uncovers an expansion of the positive effects resulting from servant leadership behavior to include an improvement in turnover intention.
Servant Leadership’s Effect on Ethical Organizational Climate

The ethical climate of the organization, which is highly influenced by the behaviors and outlook of the leader, shapes employee perceptions that influence retention. Specifically, as identified by Grisaffe and Jaramillo (2007), salespeople who believe that the firm operates at a higher ethical level:

- Think that the firm cares about them
- Exhibit greater pride working for the company
- Believe that their job allows them to grow and develop
- Think that their job is challenging
- Report higher levels of sense of achievement
- Are less stressed with their jobs
- Report positive job attitudes

As employees perceive organizations as more ethical, their intention to want to continue working there increases. Our research of servant leadership, as it pertains to the development of an ethical organizational climate, shows a positive relationship between servant leadership and salesperson’s perceptions of the ethical level of the organization. We can therefore conclude that leaders who adopt a servant leadership approach will positively affect their follower’s perceptions about the ethical standards of the organization and thereby increase employee job satisfaction as well as the likelihood of retention.

Servant Leadership Effect on Person-Organization Fit

Person-organization fit speaks to the compatibility between employee and company values, beliefs, and goals. When employee-company values are not aligned, both employee and employer become dissatisfied with the relationship, and the employee will likely leave or be terminated. Person-organization fit is typically viewed as an important antecedent of salesperson’s attitudes, especially those attitudes that influence retention. Our findings indicate that sales people report a higher level of person-organization fit when they believe that their supervisor is a servant leader who embraces the organization’s values. Servant leadership behavior therefore, enhances the salesperson’s belief that the supervisor’s values (i.e. concern for others, integrity, fairness) align with the values of the organization. The servant leader helps subordinates assimilate better and/or feel like they truly fit at the organization, which enhances the subordinate’s perception of person-organization fit.

Servant Leadership Effect on Organizational Commitment

Organizational commitment involves the level of attachment and identification an employee feels for his/her employer. The results of our research demonstrate that servant leadership positively effects organizational commitment, enhancing employee attitudes about the employing
organization. As employees become more committed to the organization, they express a deeper desire to stay with the organization. This is especially relevant to sales-driven organizations such as real estate, where agents can easily transition from agency to agency. By developing organizational commitment, managers can create a sense of employee dedication thereby increasing the likelihood of their commitment to the agency and their retention.

**Conclusion**

Servant leadership is well established as a leadership style that creates positive benefits to organizations. In particular, this study reveals that adopting an employee-oriented approach will also improve turnover intention, a common problem in sales industries such as real estate. The key concept to embrace in order to successfully implement servant leadership is an ordering of priorities that places the needs of employees as most important. Leaders who operate from this perspective serve as role models to their employees and reap the benefit of improved employee attitude and job satisfaction. Another especially pertinent benefit of servant leadership in real estate is the impact this leadership style has on customer relationships. Real estate agents certainly understand that forming solid relationships with customers is an essential key to overall success. Research shows that servant leadership plays a fundamental role in a firm’s journey toward developing a service-oriented culture (Lyte, Hom, and Mokwa 1998). Essentially, employees learn how to treat their customers by observing how their managers treat them. While it may on the surface appear counter intuitive to place employee needs as a top priority, even above company objectives, this study, as well as supporting research, demonstrates that servant leadership has myriad benefits to the organization and is an effective tool to retain employees.
References


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