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The Relationship Between Servant Leadership and Agency Problems: A Conceptual Model.

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Title:	The Relationship Between Servant Leadership and Agency Problems: A Conceptual Model
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Abstract:	<p>Leadership and agency theory research still has to provide a conclusive response to questions "why do so many corporate scandals, budget deficits, and bankruptcies are witnessed in most of the OECD countries?" "Why private, government and even non-profit organisations are not addressing the challenges created from ethical failures"? This paper makes a contribution to this quest by addressing which of the inherent moral leadership components could reduce a potential conflict arising between managers and shareholders, i.e. agency problems. Relating agency problems to ethical leadership styles, such as servant leadership, in itself holds great promise for the development of the leadership and corporate governance fields, an area of inquiry that has not been fully investigated in the literature. This study reviews some of the root causes that contribute to agency problems and identifies theories of leadership that could achieve sustainable moral actions and ethical conduct, which in turn could reduce corporate scandals. The outcome of the paper is a conceptual model, which incorporates elements of ethical leadership and the underlying variables of agency problems. The proposed model is articulated into a research hypothesis, which could be tested empirically in future studies. Important implications for leadership and corporate governance will be discussed in response to the outcome of this study.</p>