

**SERVANT LEADERSHIP AND EMPLOYEE INNOVATIVE
BEHAVIOR: EVIDENCE FROM THE PAKISTANI BANKING
SECTOR**

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Abstract

This study examines the direct connection between creative employee behavior and servant leadership in Pakistan's banking industry. Our hypothesis, which draws from Social Exchange Theory and Social Cognitive Theory, is that servant leadership has a favorable impact on workers' inclination to come up with, advocate for, and execute innovative ideas. 407 banking workers in Peshawar were surveyed using a three-wave time-lag technique. Regression analysis was used to examine the data. The findings show that servant leadership significantly and favorably influences creative activity. By offering concrete data from a developing-country financial environment and useful advice for promoting innovation in service-oriented businesses, the findings add to the body of research on leadership.

Keywords: Servant Leadership, Innovative Behavior, Social Exchange Theory, Social Cognitive Theory, Banking Sector, Pakistan.

Introduction

Innovation is becoming more widely acknowledged as a crucial factor in determining an organization's competitiveness and survival, especially in fast-paced, cutthroat service sectors like banking (Tian et al., 2018; Hogan & Coote,

2014). Although investments in technology are crucial, leadership is essential to creating an atmosphere that encourages employee creativity (Jia et al., 2018). A potential leadership approach for fostering creativity and innovation is servant leadership, which is defined as putting the needs and personal development of followers ahead of one's own interests (Greenleaf, 1977; Van Dierendonck, 2011).

Even though prior research has connected servant leadership to a number of favorable employee outcomes, such as engagement, organizational citizenship behavior, and job satisfaction, its direct impact on creative behavior is still poorly understood, particularly in the service industries of developing nations (Eva et al., 2019). By investigating the direct correlation between servant leadership and creative behavior among workers in the banking industry in Pakistan, this study fills this knowledge vacuum.

Problem Statement

Despite global evidence that servant leadership can foster positive employee behaviors, little empirical research has examined its direct effect on innovative behavior within the context of Pakistan's banking industry. This sector faces increasing competition, rapid technological change, and heightened customer expectations, making innovation critical for long-term success. However, leadership styles that best stimulate employees' innovative capacities in this environment remain insufficiently studied. This lack of sector-specific evidence limits the ability of banking managers and policymakers to implement effective leadership development strategies aimed at driving innovation.

Research Objective

To investigate how servant leadership and innovative employee behavior are directly related in Pakistan's banking industry, offering empirical support for leadership strategies that encourage innovation in service-oriented businesses

Research Question

Does servant leadership encourage creative behavior among employees in Pakistan's banking industry?

Literature Review

Servant Leadership

According to Liden et al. (2014), servant leadership promotes trust, empowerment, and development by emphasizing service to followers as the main goal of leadership. By setting an example and providing assistance, servant leaders encourage staff members to embrace pro-social and innovative activities (Eva et al., 2018).

Innovative Behavior

The creation, dissemination, and application of novel concepts inside a job or organization is referred to as innovative behavior (Scott & Bruce, 1994). In the service sector, innovative behavior is essential for improving processes, delivering superior customer service, and sustaining competitive advantage.

Servant Leadership and Innovative Behavior

Employees respond to supportive leadership by engaging in positive discretionary behaviors, including as innovation, according to the Social Exchange Theory (Blau, 1964). According to the Social Cognitive Theory (Bandura, 1986), followers' self-efficacy and readiness to use creative problem-solving are increased when servant leaders exhibit these behaviors. Though there is still a dearth of sector-specific research in the Pakistani context, prior empirical data (Neubert et al., 2018; Lee et al., 2020) suggests a favorable relationship between servant leadership and creative behavior.

Hypothesis (H1): Servant leadership is positively related to employee innovative behavior.

Servant Leadership

Greenleaf (1977) was the first to conceptualize servant leadership, a leadership style in which the main goal is to serve followers before guiding them. In contrast to conventional leadership models that place more emphasis on

leader authority or corporate goals, servant leadership places more emphasis on employee development and empowerment, building trust, and promoting teamwork (Van Dierendonck, 2011). According to Liden et al. (2014), servant leaders demonstrate traits including empathy, listening, stewardship, and dedication to the personal development of their followers.

Servant leadership has been associated with increased psychological safety, trust, organizational citizenship behavior, and employee engagement in organizational settings (Lemoine et al., 2019; Eva et al., 2018). These characteristics foster an environment where workers feel appreciated and respected, which increases their propensity to take chances and provide fresh concepts—two essential building blocks of innovative behavior.

Innovative Behavior

The deliberate creation, dissemination, and implementation of novel concepts inside a position, group, or organization is referred to as innovative conduct (Scott & Bruce, 1994). It is a multi-stage process involving:

- i. **Idea Generation** – creating novel concepts or solutions to problems.
- ii. **Idea Promotion** – garnering support from colleagues and management to develop and implement the idea.
- iii. **Idea Realization** – transforming the idea into tangible improvements in processes, products, or services.

In the banking sector, innovative behavior is critical for responding to competitive pressures, regulatory changes, and evolving customer needs (Janssen, 2000; De Jong & Den Hartog, 2008). Given the sector's service-oriented nature, employees' ability to innovate in customer service, product offerings, and operational processes is a key driver of sustainable performance.

Servant Leadership and Innovative Behavior

Through social learning processes and social exchange mechanisms, servant leadership may encourage creative behavior..

Social Exchange Theory (SET)

Blau, (1964) posits that employees engage in reciprocal behaviors when they perceive that their leaders genuinely care for their well-being. Servant leaders' supportive and empowering behaviors create a sense of obligation among employees to reciprocate with positive discretionary efforts, such as engaging in innovation-related activities.

Social Cognitive Theory (SCT)

Bandura (1986) highlights how self-efficacy and observational learning influence behavior. Servant leaders set an example by being transparent, flexible, and problem-solving; they are traits that staff members are inclined to follow. Employees' trust in their ability to execute innovative ideas is increased by servant leaders via the promotion of psychological safety and confidence.

Prior empirical studies support these theoretical propositions. Neubert et al. (2018) found that servant leadership is positively associated with creativity and innovation in organizational settings. Lee et al. (2020) reported that servant leaders promote environments conducive to risk-taking and experimentation, which are essential for innovation. However, there is limited empirical evidence within Pakistan's banking sector, where hierarchical structures and risk aversion are often dominant.

Hypothesis (H1): Servant leadership is positively related to employee innovative behavior.

Theoretical Model

Based on the above review, this study adopts a direct-effect model where servant leadership (independent variable) influences employee innovative behavior (dependent variable) through the mechanisms described in Social Exchange Theory and Social Cognitive Theory.



Methodology

Research Design

A quantitative, explanatory research approach was used in this study to investigate the link between employee creative activity and servant leadership. By dividing the measurement of independent and dependent variables across time, a three-wave time-lag design was used to lessen the bias associated with standard methods.

- a) Time 1 (T1): Measurement of servant leadership (self-reported by employees).
- b) Time 2 (T2): Measurement of innovative behavior (rated by immediate supervisors).
- c) The time-lag intervals were set at two months to allow for the hypothesized effects to manifest while minimizing participant attrition.

Population and Sample

The population for this study consisted of employees working in private-sector banks operating in Peshawar, Pakistan. The banking sector was chosen due to its high level of competition, customer service demands, and reliance on employee-driven innovation. A total of 500 questionnaires were distributed using purposive sampling to ensure representation from employees in customer-facing and operational roles. Of these, 445 were returned (89% response rate). After data screening, 407 usable responses were retained, resulting in a final usable response rate of 81%. This sample size aligns with Field's (2013) recommendations for multivariate statistical analyses.

Measurement Instruments

- a. **Servant Leadership (Independent Variable):** Measured at T1 using the Barbuto and Wheeler (2006) 23-item scale, covering dimensions such as corporate stewardship, wisdom, emotional healing, altruistic calling, and persuasive mapping. A 5-point Likert scale (1 being strongly disagree and 5 being strongly agree) was used to record the responses. Excellent reliability was shown by the scale (Cronbach's $\alpha = 0.94$).
- b. **Innovative Behavior (Dependent Variable):**
Measured at T2 using Scott and Bruce's (1994) 6-item scale. Items assessed the frequency with which employees generated, promoted, and implemented novel ideas. Immediate supervisors rated their subordinates' innovative behaviors on the same 5-point Likert scale. The scale exhibited high reliability (Cronbach's $\alpha = 0.904$).

Data Analysis

Data analysis was performed using SPSS v26. The following steps were taken:

- i. **Descriptive Statistics:** To summarize respondent characteristics and variable distributions.
- ii. **Reliability Analysis:** Cronbach's alpha values were computed for internal consistency of scales.
- iii. **Correlation Analysis:** To investigate bivariate correlations, Pearson correlation coefficients were computed.

Hypothesis Testing: Simple linear regression was conducted to test the direct effect of servant leadership on innovative behavior (H1). Significance was assessed at the $p < 0.05$ level.

Table 3.1: Summary of Methodology

Aspect	Details
Research Design	Quantitative, explanatory, three-wave time-lag
Population	Private-sector bank employees in Peshawar, Pakistan
Sampling	Purposive sampling

Aspect	Details
Technique	
Sample Size	407 usable responses
Data Collection	Structured questionnaires at two points in time (T1, T2)
Measurement Tools	Servant Leadership: Barbuto & Wheeler (2006); Innovative Behavior: Scott & Bruce (1994)
Scale Type	5-point Likert (1 = Strongly Disagree, 5 = Strongly Agree)
Reliability	SL: $\alpha = 0.94$; IB: $\alpha = 0.904$
Data Analysis	Descriptive statistics, Cronbach's alpha, Pearson correlation, regression
Software Used	SPSS v26

Results

Descriptive Statistics

Table 1 presents the means, standard deviations, minimum, and maximum values for the study variables. Servant leadership ($M = 3.11$, $SD = 0.35$) and innovative behavior ($M = 3.64$, $SD = 0.41$) both showed moderate to high average scores, suggesting generally positive perceptions among respondents.

Table 4.2 Descriptive Statistics

Variable	N	Min	Max	Mean	SD
Servant Leadership	407	2.21	4.15	3.11	0.35
Innovative Behavior	407	2.69	4.77	3.64	0.41

Reliability Analysis

For both scales, Cronbach's alpha values were above the acceptable cutoff of 0.70, suggesting good internal consistency.

Table 4.3 Reliability Statistics

Variable	No. of Items	Cronbach's α
Servant Leadership	23	0.940
Innovative Behavior	6	0.904

Correlation Analysis

Pearson correlation results (Table 3) show that servant leadership is positively and significantly correlated with innovative behavior ($r = 0.54$, $p < 0.01$).

Table 4.4 Correlation Matrix

Variable	1	2
1. Servant Leadership	1	
2. Innovative Behavior	0.54**	1

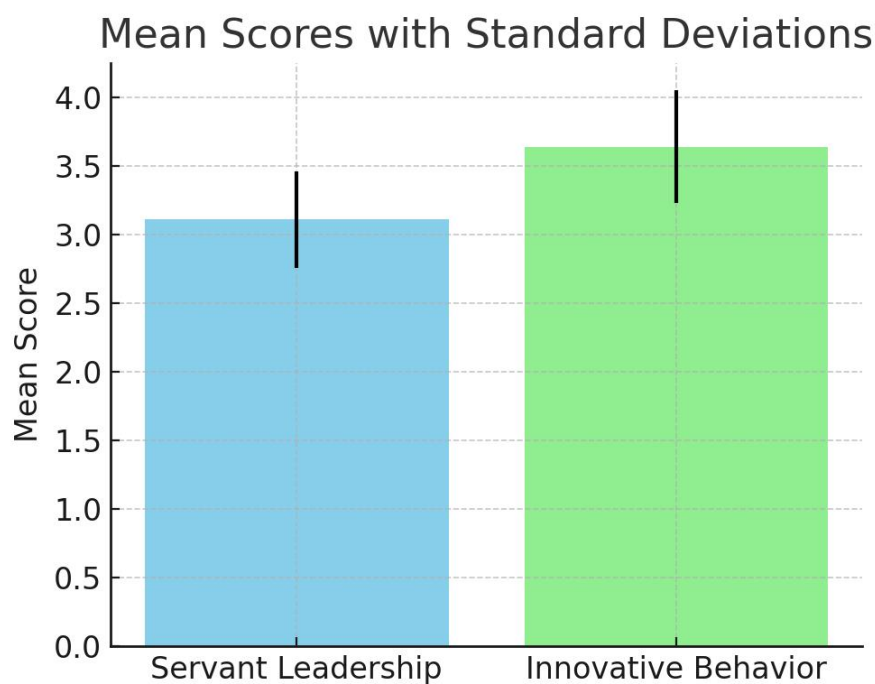
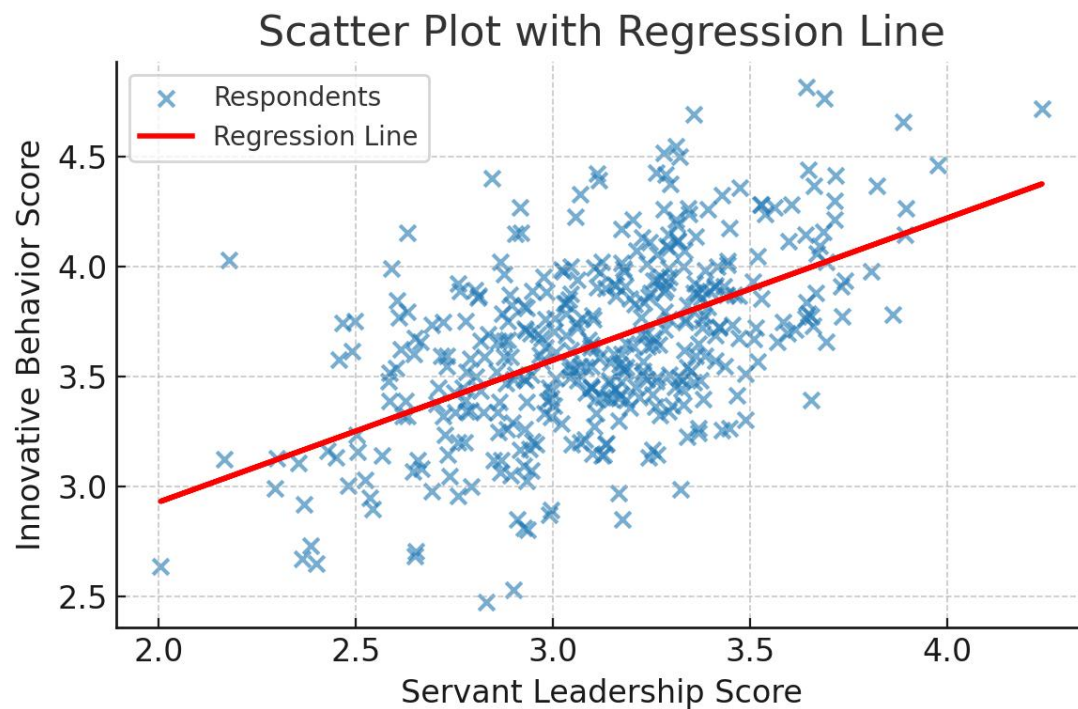
Note: $p < 0.01$ (two-tailed).

Regression Analysis

The regression model tested the direct relationship between servant leadership and innovative behavior. As shown in Table 4, servant leadership significantly predicted innovative behavior ($\beta = 0.543$, $t = 12.48$, $p < 0.001$), explaining 29% of the variance ($R^2 = 0.292$).

Table 4.5 Regression Results

Predictor	β	t	p-value	R^2	F	Sig. F
Servant Leadership	0.543	12.48	0.000	0.292	155.7	0.000



Here are the two visuals for your Results section:

- ❖ **Scatter Plot with Regression Line** – showing the positive relationship between servant leadership and innovative behavior.
- ❖ **Bar Chart** – displaying mean scores with standard deviations for both variables.

Discussion

The results support H1, confirming that servant leadership positively influences innovative behavior in the Pakistani banking sector. This finding reinforces the theoretical propositions of Social Exchange Theory (Blau, 1964) and Social Cognitive Theory (Bandura, 1986), whereby employees respond to servant leaders' trust, care, and empowerment by reciprocating with discretionary efforts that benefit the organization—such as generating and implementing innovative ideas. Servant leaders, by prioritizing follower needs and fostering personal growth, build high-quality leader–member relationships characterized by mutual respect and commitment. These relationships create a psychologically safe environment where employees feel confident in voicing novel ideas without fear of criticism or failure.

The results also align with earlier studies (Neubert et al., 2018; Lee et al., 2020) which demonstrated that servant leadership facilitates creative thinking and innovation by encouraging autonomy, collaboration, and knowledge sharing. However, this study extends prior work by validating these effects in a developing-country, service-industry context, where hierarchical structures and risk aversion often inhibit innovation. The evidence suggests that servant leadership can counteract these cultural barriers by empowering employees to challenge the status quo and experiment with new approaches to service delivery.

From a practical perspective, these findings highlight the importance of leadership development programs that incorporate servant leadership principles. In the banking sector, where technological disruption, customer demands, and regulatory changes are constant, leaders who demonstrate empathy, humility, and a genuine commitment to employee well-being are

better positioned to foster the adaptive, innovative behaviors needed for sustained competitive advantage. In such contexts, servant leadership not only enhances employee satisfaction but also acts as a catalyst for continuous improvement and organizational learning.

Practical Implications

Leadership Development

Banks should embed servant leadership principles into all levels of managerial training and talent development programs. This can be achieved through workshops, mentorship initiatives, and 360-degree feedback systems that evaluate leaders not only on operational performance but also on their ability to empower and support their teams. For example, incorporating role-playing scenarios that focus on empathetic listening, ethical decision-making, and coaching can help managers internalize servant leadership behaviors. Over time, this will create a leadership pipeline that prioritizes employee development alongside business results.

Innovation Culture

An organizational culture that celebrates experimentation and learning from failure is critical for fostering innovation. Leaders should actively solicit employee suggestions, provide platforms for idea sharing (such as innovation forums or digital suggestion portals), and visibly recognize contributions, regardless of whether ideas are immediately implemented. In the banking sector, where processes are often rigid due to compliance requirements, leaders can pilot small-scale innovations in customer service, digital banking solutions, or operational workflows to signal that creativity is valued.

Performance Management

Traditional performance metrics in banks often emphasize financial and operational targets, leaving little room to incentivize innovative behavior. By integrating innovation-related key performance indicators (KPIs) — such as number of implemented employee ideas, process improvements initiated, or customer satisfaction gains from new services — organizations can align

employee efforts with strategic innovation goals. This balanced approach ensures that innovation is recognized as a core component of job performance rather than an optional extra. Moreover, incorporating innovation metrics into annual performance reviews can encourage sustained engagement in creative problem-solving.

Limitations and Future Research

While this study provides valuable insights into the relationship between servant leadership and employee innovative behavior, several limitations should be acknowledged. First, the research sample was drawn exclusively from private-sector banks in Peshawar, which may limit the generalizability of the findings to other geographic regions, public-sector banks, or non-banking service industries. The organizational culture, regulatory environment, and customer expectations in other contexts may influence the strength or nature of the observed relationships.

Second, although a three-wave time-lag design was employed to reduce common method bias and provide temporal separation between measurements, the study remains correlational in nature. As such, causal inferences should be made cautiously. Future research could employ true longitudinal designs or experimental interventions to more definitively establish causal links between servant leadership and innovation outcomes.

Third, the study relied on self-reported measures for servant leadership and supervisor ratings for innovative behavior. While this approach mitigates some risks of common method variance, it may still be subject to bias arising from perceptual differences, social desirability, or rater leniency. Future studies could incorporate multi-source data — such as peer ratings, objective performance metrics, or archival records of implemented innovations — to strengthen measurement validity.

Fourth, the study did not account for potential mediators (e.g., psychological empowerment, knowledge sharing) or moderators (e.g., organizational

identification, job autonomy) beyond the direct effect model tested here. Including such variables could provide a more nuanced understanding of the mechanisms through which servant leadership fosters innovative behavior.

Finally, future research could conduct cross-cultural comparative studies to examine whether the relationship between servant leadership and innovation is consistent across different national cultures, particularly in collectivist versus individualist societies. This could help identify cultural contingencies that either strengthen or weaken the effectiveness of servant leadership in promoting innovation

Conclusion

This research provides empirical support for the strong and favorable correlation between servant leadership and creative employee behavior in Pakistan's banking industry. The study offers theoretical support for comprehending how servant leadership practices, such as empowering staff members, emphasizing their development, and cultivating trust, translate into increased levels of idea generation, promotion, and implementation by referencing Social Exchange Theory and Social Cognitive Theory.

The findings underscore the strategic value of adopting servant leadership as a core managerial approach in service-oriented industries, particularly in dynamic and competitive contexts like banking. In an environment characterized by rapid technological advancement, evolving customer expectations, and regulatory pressures, servant leadership offers a pathway to building a culture of psychological safety, collaboration, and continuous improvement.

Beyond theoretical contributions, this research offers practical insights for bank managers and policymakers. Incorporating servant leadership principles into leadership development programs, creating recognition systems for innovation, and integrating innovation metrics into performance evaluations can collectively strengthen an organization's innovative capacity.

While the study is limited in scope to private-sector banks in one geographic area, it sets the stage for broader investigations into the role of servant leadership in driving innovation across different industries and cultural contexts. Overall, the results affirm that servant leadership is not only a moral and human-centered approach but also a catalyst for sustainable competitive advantage in today's complex business environment.

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