

Small Business Success During 2020/2021

The Role of Servant Leadership in Business Survival During Times of Crisis

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ABSTRACT

Change management, learning, agility, innovation, adaptability, and growth strategy are crucial elements for a business to stay open, serve its customers' needs, and create cash flow to stay profitable during a time of crisis. One key aspect that affects how a business uses these elements to further its lifespan is the role of leadership. Some research has examined the areas of leadership and crisis. However, there appears to be a gap in research regarding the role of leadership in small businesses (Madanchian & Taherdoost, 2019; van Winkle et al., 2014).

This paper aims to determine if there was a correlation between the servant leadership style and small business survival during the COVID-19 crisis of 2020/2021. This study used a quantitative research method to survey employees who work in small businesses in Germany. The study is highly relevant because small businesses are the backbone of many economies (World Bank, 2022), and other turbulences may be expected in the future. The results provide insights into the connection between servant leadership and sustainable business success during times of difficulty. In addition, the results may enable leaders in the future to navigate their businesses toward increased business sustainability, providing larger benefits for society. Lastly, the study discusses future opportunities for research in this area.

Keywords: Leadership, Servant Leadership, Small Business, Resilience, Crisis, Small Business Success

PURPOSE OF AND INTRODUCTION TO THE STUDY

The years 2020 and 2021 brought drastic changes for small businesses due to the worldwide pandemic. The COVID-19 crisis affected the way many small businesses operated, and the challenges that followed the crisis impacted their lifespan and lifecycle. Some businesses were not capable of maintaining business sustainability during the lockdowns and closed. Many businesses were able to survive due to government support; however, some were still seen as “zombie companies” (Amerland, 2021). Since the growth of small and medium-sized enterprises (SMEs) is extremely important to the post-COVID-19 economic recovery (EU2020.de, 2022), it is important to research factors that may contribute to the survival of small business enterprises in times of crisis.

The purpose of this study aims to examine if servant leadership positively correlates to small business survival during a crisis, which is discussed in the following literature review. In this paper, small business survival is interchangeable with business sustainability, and survival is interchangeable with success because small businesses surviving during the worldwide pandemic of 2020/2021 indeed constitutes a success. The study used a survey that sought to collect employees’ perceptions of their small business leaders and business outlook.

In servant leadership, the leader serves others first. Greenleaf first defined and gave importance to the term in 1970, subsequently publishing a book in 1977 on servant leadership. Since then, this leadership style has become popular in areas such as businesses, education, and churches, to name a few. It has also been popularized through scrum project management (Project Management Institute and Agile Alliance, 2017). Servant leadership focuses on the community and on a “we” rather than an “I” culture. Although a vast amount of research has been done on servant leadership in various organizational settings, contexts, and cultures (Parris & Peachy, 2013) in addition to sales, the military, and education (Maxwell & Stauffer, 2020), little research has been conducted in the small business setting (van Winkle et al., 2014). This study seeks to fill this gap in research in the field of small businesses and leadership.

LITERATURE REVIEW

Small Businesses

Small Business Definition

Small businesses range in size depending on the industry and sector (U.S. Small Business Administration [SBA], 2019). Nonetheless, small businesses are mostly defined as businesses with up to 50 employees. For example, the EU (2022) defines a small business as having up to 50 employees. Other studies, such as van Winkle et al. (2014), also used 50 employees as their cut-off for small businesses in their research, “The Relationship between Servant Leadership Behaviors of Immediate Supervisors and Followers’ Perceptions of Being Empowered in the Context of Small Business.” As such, this study also defines a small business as one with up to 50 employees. (The survey included a screen-out question to ensure the participants worked at a small business.)

It is important to note that small business/small business enterprise and small enterprise tend to be used interchangeably, although some differences exist. Sometimes the wording and determinants differ depending on the country and economy (Al-Abri and Rahim, 2022;

Okyere, 2017). Other times, the terms may be used differently for different types of industries. The OECD (2023) states that “Enterprises can be classified in different categories according to their size” (Section: Enterprises by business size). For this study, a small business (or small business enterprise) is defined as a business with up to 50 employees, regardless of the industry.

Small Business vs. Family Business

To limit the scope of this research, this paper examines small businesses instead of also including family businesses. According to Hannadige and Harris (2021), family businesses are the earliest type of business organization. Often, small businesses and family businesses are used in similar settings. Some tend to use them synonymously; however, this is not proper. Many small businesses are family businesses, and vice versa. Nonetheless, not all family businesses are small businesses. The European Family Business (EFB) states (2020) the following:

Family businesses can be small, medium sized or large, listed or unlisted. Family businesses in Europe have been widely equated to Small and Medium-Sized Enterprises (SMEs) in public and policy discussions. However, this neglects the fact that there are also large family businesses. (Definition of Family Business Section)

For the above-mentioned reason, this research focuses only on small businesses to ensure consistency and accuracy. Nonetheless, this research does not negate the importance of family businesses in society. According to the EFB (2020), “Family businesses account for 40-50% of all jobs of European private employment” (European Family Business Section). Further, family businesses tend to reinvest profits in a responsible manner, act more socially responsible and are stakeholder oriented (EFB).

There appears to be more research regarding servant leadership in family businesses than in small businesses. Some areas of research include the role of servant leadership in job satisfaction (McNeff and Irving, 2017), increased motivation in employees and organizational sustainability (Cater III and Beal, 2015), and enhanced organizational identification and collectivism (Thomas et al., 2015).

Small Business Importance

Small business enterprises are the backbone of many economies. The European Commission (2022) suggests that SMEs and entrepreneurship are fundamental and important not only because they contribute to economic growth but also because they provide new innovations and jobs. They aid in reducing the unemployment rate, driving sustainability, and creating opportunities (USBA Office of Advocacy 2019). The new products and services created by small business owners serve as an economic driver for the economy. Small businesses serve as catalysts and create economic and social transformation. They introduce better substitutes for products, drive innovation and competitiveness (Taneja et al., 2016; Biryukov et al., 2015), and create patents (USBA Office of Advocacy, 2022; Odei and Hamplova, 2022).

Small businesses generate 44% of U.S. economic activity (SBA, 2019). Furthermore, SMEs “represent 99% of all businesses in the EU” (European Commission, 2022, SME Definition Section). As the World Bank states,

SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute

up to 40% of national income (GDP) in emerging economies. (Worldbank.org, n.d., para 1)

From the above, it can be suggested that small businesses are the cornerstone of many economies, locally and globally. Thus, to aid economic growth and development, it is essential to understand the factors that drive the success of a small business. According to Lin et al. (2022),

In OECD countries, SMEs account for about 99 percent of firms and 70 percent of all jobs,¹ and they contribute more than 50 percent of GDP in high-income countries worldwide.² But between February 2020 and April 2021, 70 to 80 percent of SMEs across 32 countries lost between 30 and 50 percent of their revenues.³ (para. 1)

Even though small business revenue was negatively impacted in 2020, the Federal Foreign Office (2020) writes, “The support and growth of SMEs will be key to helping our economies recover from the financial impact of the ongoing pandemic” (para, 16).

Small businesses also play an important role in Germany. About 2.5 million businesses (approximately 99% of companies) were classified as SMEs in 2020 (Statistisches Bundesamt, 2023, Unternehmen section). Approximately 97 percent of businesses were considered small businesses, with up to 49 employees in 2020, and small businesses employed about 39% of the workforce (Statistisches Bundesamt, 2023, Anteile Kleine und Mittlere Unternehmen 2020 nach Größenklassen in % section).

Crisis

The worldwide COVID-19 pandemic caused a crisis in 2020 and 2021, affecting many businesses, large and small. The crisis led to months of business closures globally, numerous bankruptcies, permanent closures, and thus economic decline. However, many small businesses continued to thrive. The way a business responds to a crisis can impact its future direction. There is a vast amount of research regarding small business success factors, yet little research regarding crisis management and the success of small businesses during a crisis (Fasth et al., 2021).

There are several different crisis management models, approaches, and theories. Some focus on preparedness, while others focus on responding to a crisis. These two styles can be referred to as having a proactive versus a reactive approach, respectively. Some popular models include Fink’s crisis model, Mitroff’s five-stage crisis management model, and the Burnett model of crisis management. Some famous theories include the attribution theory, situational crisis, contingency theory, resiliency theory, and business continuity planning. However, many small businesses do not have a pre- or post-crisis management strategy in place. This lack of a strategy can make it difficult to respond to a crisis, as small businesses generally have fewer resources and are unprepared for it. One crucial factor for small businesses’ resilience strategies is the leader’s mindset (Alves et al., 2020). Thus, this study’s goal is to identify if servant leadership plays a role in small business survival during a crisis.

Due to the lack of crisis management planning, many small businesses entered the pandemic with fewer resources than larger corporations. However, small businesses tend to be more agile, more resilient, and thus better able to survive as they can create and implement effective strategies more quickly. This flexibility in implementing strategies is important since

the nonmarket strategy is essential to a firm's survival and its organizational performance (Mel-lahi et al., 2015). Thus, the nonmarket strategy is also important to a firm's survival and how it manages a crisis.

It is important to indicate, that this research does not focus on crisis management. Instead, this paper concerns itself with the leadership skills needed during a crisis to help a small business bounce back from a crisis.

Resilience as a Response to Crisis

Resilience, as defined by Linnenluecke (2017), "refers to both organizational and employee strength, perseverance, and recovery when encountering adversity" (p.2). Researchers have frequently conceptualized the term resilience in the last few decades, but it originally stems from the 17th century. Dahlberg and Guay (2015) note that it was first used in the 17th century in the writings of Sir Francis Bacon, and the term can also be defined through the concept of 'bounce back' (p. 976). Although the term resilience has been used for a long time, it has become more popular in research publications since 2000, likely due to the 9/11 terrorist attacks (Linnenluecke). Some authors suggest that there has been a sharp rise in the use of the term since 2005, when the global disaster risk reduction framework was put in place (Dahlberg & Guay).

In this research, resilience is used to describe how small businesses respond to and survive an unexpected crisis or event. Research regarding small businesses and resilience is limited (Wishart, 2018), and amid increasing global crises, researchers have suggested expanding on resilience's role in business survival, excelling, and prospering. Dahlberg and Guay (2015) and Dahles and Susilowati (2015) note the importance of small business resilience, particularly due to natural disasters. Further, small businesses should be able to react to unstable markets and economic crises in addition to technological advancements (Niemimaa, Järveläinen, Heikkilä & Heikkilä, 2019). Some major recent economic crises were the dotcom bust, the 2008/2009 financial crisis, and the COVID-19 pandemic of 2020.

Resilience and Business Survival

Resilience can be thought of as how one responds to threats and adapts their business models (Linnenluecke, 2017). As Ladesma (2014) states, "Survival, recovery, and thriving are concepts associated with resilience and describe the stage at which a person may be during or after facing adversity" (p.1). This study defines survival (business sustainability), using the definition of resilience above, as a business having survived the last two years of the pandemic and still operating in 2022. The reliance on the definition of resilience for this study is why a theoretical background on resilience is discussed. Moreover, the OECD (2007) states that "the survival of an enterprise is an event that should be observed between two consecutive years" (p.45). Therefore, for this research, survival means having a business founded before 2020 and still active in 2022, which aligns properly with the above definition. Therefore, this study included a screen-out question in the survey to ensure that small businesses had been founded prior to 2020.

The survey also included a question to determine whether the business created at least one new job in 2021, which helped establish whether a small business did not just survive but also grew. According to Walker and Brown (2004), factors such as increased profit or an increased number of employees can determine small business growth and success. Eurostat and

the OECD (2007) also view growth as a change in size and use the example of employment (p.47).

Servant leadership

Servant Leadership Definition

Parris and Peachy (2013) conducted a systematic literature review and noted that there has been growing research in recent years on servant leadership. They identified 39 empirical peer-reviewed articles published between 2004 and 2011. Canavesi and Minelli (2021) conducted a systematic literature network analysis that consisted of 357 papers on the topic of servant leadership between 1984 and 2019. Greenleaf introduced the concept of servant leadership in his widely known essay 'The Servant as Leader', which was published over 50 years ago, in 1970. Greenleaf began thinking of the concept in the 1960s due to his various experiences (Greenleaf, 2002). However, Gandolfi, Stone, and Deno (2017) suggest that this style of leadership is not new and has been around for thousands of years, thus considering it an 'ancient style'. Nonetheless, they note that Greenleaf was responsible for bringing this leadership style to the forefront of businesses. Hence, Greenleaf was key in modernizing the term, suggesting that service should be the most important attribute of leadership. Prioritizing service, in turn, would lead to stronger companies. Stronger companies may be better able to survive crises while producing value and quality for customers and, furthermore, creating a positive internal culture.

Even though Greenleaf modernized the term servant leadership, there was no official definition given and no set of associated behaviors (Dierendonck and Nuijten, 2010). In their systematic literature review, Parris and Peachy (2013) posit that they could not determine an agreement on a unified definition. Nonetheless, as posited by Greenleaf (1970, 1977, 2002), one can define a servant leader as a leader who serves first and takes heed of others' needs and thus serves them. As a result, followers should see personal growth, become more autonomous, feel empowered, and serve others. Consequently, servant leadership should have a wide effect on the team, organization, and community. Eva et al. (2019) have also attempted to define servant leadership. They define the term based upon their research as "an (1) other-oriented approach to leadership (2) manifested through one-on-one prioritizing of follower individual needs and interests, (3) and outward reorienting of their concern for self towards concern for others within the organization and the larger community" (P.114).

Servant Leadership vs. Emerging Forms of Ethical and Authentic Leadership

Although this study focuses on servant leadership, there are several other leadership styles that are somewhat similar. Canavesi and Minelli (2021) suggest that servant leadership belongs "to the branch of moral leadership theories" (p.276) and thus should be studied in parallel with similar leadership styles. These include positive forms of leadership, such as authentic leadership and ethical leadership (Hoch et al., 2018), as well as transformational leadership (Zarei et al., 2022). These leadership styles tend to overlap somewhat in terms of characteristics (Brown and Trevino, 2006). Hoch et al. noted that servant leadership "showed more promise as a stand-alone leadership approach that is capable of helping leadership researchers and

practitioners better explain a wide range of outcomes” (P.502). Ethical leadership focuses on the moral aspect of leadership, including but not limited to values and integrity (Sharma et al., 2019). Ethical leadership has received attention in recent years due to the surfacing of several corporate scandals (Brown and Trevino, 2006; Mihelič et al., 2010). Ethical leadership, according to Mihelič et al., also places importance on fairness, taking responsibility, and values.

Authentic leadership focuses on being self-aware, building trust, and prioritizing values (Kiersch and Peters, 2017). Authentic leadership also emphasizes transparency and ethical behavior (Datta, 2015). Transformational leadership focuses on being visionary. Further, it stresses motivating employees, conducting collaborative decision-making, and taking initiative (Rasheed et al., 2021).

This study chose to examine servant leadership because of the principle of serving others first, which is unique. The choice to serve others first is made deliberately and purposefully (Sendjaya and Sarros, 2002). Therefore, it was of interest to see if ‘serving others first’ also led to positive business effects during economic difficulty and times of crisis.

Servant Leadership and Business Success

Leadership is important for increasing business success. Malik et al. (2021) found that a leadership style can increase creativity and risk-taking, which can contribute to business profitability. Hu, He, and Zhou (2020) found a positive correlation between servant leadership and job engagement; particularly, they state that servant leadership moderated anxiety during COVID-19. In addition, they suggested that servant leadership can not only encourage employees and help them find meaning during a crisis but also motivates them to engage in community volunteering.

Allen et al. (2018) posit that the element of empowerment in servant leadership increases the level of organizational commitment in non-profit organizations. Setyaningrum et al. (2020) found that servant leadership leads to organizational commitment. Organizational commitment of employees is very important, especially during times of business crisis (which is why Hypothesis 3 of this study also tests intention to stay). This commitment may lead employees to work better as a team to develop creative and innovative ideas for business survival. Huang et al. (2016) discussed an added benefit of this leadership style. They found that servant leadership had a positive influence on a hotel’s performance due to an enhanced service climate. Hence, servant leadership was able to enhance the internal climate, which then positively influenced the firm’s competitiveness.

Servant Leadership and Company Performance

Madanchian and Taherdoost (2019) write that a company’s performance is related to the leader and their effectiveness. Parris and Peachy (2013) suggest that one should study the leader of a company to understand its success. Song (2020) posits that servant leadership can offer a “responsible way of leading during a crisis” (p.116). As such, this study seeks to test a potential correlation between servant leadership, growth, and the intention of employees to stay.

In their systematic literature network analysis (between 1984 and 2019), Canavesi and Minelli (2021) find that servant leadership can have positive effects on companies, including but not limited to organizational commitment, job performance, work engagement, and team innovation. Yoshida et al. (2014) also find that servant leadership promotes team innovation. Eva et al. (2019) note that this innovation could lead to organizational success. Roberts (2020) analyzed empirical studies on servant leadership and change over fifteen years. Roberts

determines that 96.5% of studies found a positive influence of servant leadership on change-associated results. This may suggest that servant leadership potentially has a positive correlation to business survival and affects organizational change. As mentioned in the above sections, effective change is important for business survival. Opoku et al. (2019) find that the role of servant leadership can act as an antecedent to innovative behavior in employees. Innovative behavior is important for the sustainability and competitiveness of organizations that operate in a global economy.

Leadership is vital to any company. Success or failure, as well as change strategies, can stem from the effectiveness of leadership (Stauffer & Maxwell, 2020). Although there is much research on leadership in big companies (Bojadziev et al., 2019), there is little empirical research on leadership in SMEs (Madanchian & Taherdoost, 2019; Winkle et al., 2014). Bojadziev et al. (2019) posit that a lack of leadership skills typically explains the failures of SMEs.

Servant Leadership Drawbacks

Canavesi and Minelli (2021) mention some drawbacks of servant leadership that should be considered. The first is that servant leadership can be difficult to research because it has not been formally defined and is sometimes misunderstood. This drawback has contributed to the lack of instrumentation of the concept in the past (Gandolfi et al., 2017). Another disadvantage of servant leadership is that it may eventually create a form of dependency and reliance on leaders (Palumbo, 2016). However, servant leadership is not a one-way approach (Kohntopp & McCann, 2018). Employees should still contribute to the work and the organization. Canavesi and Minelli, as well as Kohntopp and McCann, highlight the importance of investment and time commitment when implementing the servant leadership approach. It takes time to incorporate this leadership approach and anchor it into the company culture. Thus, for a fast-acting, time-sensitive organization, an alternate leadership style may be more appropriate in the short term. Lastly, as with other leadership styles, servant leadership may not fit all types of organizations, depending on their structure, culture, and other internal and external factors.

SERVANT LEADERSHIP SURVEY – EIGHT MEASUREMENTS DEFINED

This research uses the German-translated version of the Servant Leadership Survey (Verdorfer and Peus, 2014) as a survey instrument (see Appendix). This survey is based on van Dierendonck and Nuijten's (2011) eight measurement scales. The servant leadership factors measured are empowerment, accountability, standing back, humility, authenticity, courage, forgiveness and stewardship. These eight measurements can be defined in the following ways:

Empowerment – Allowing workers to make decisions and recognizing and acknowledging each person's ability (Greenleaf, 2002). Empowerment also includes fostering activeness and self-confidence among followers (van Dierendonck & Nuijten, 2011).

Accountability – Holding people accountable for their work and performance.

Standing Back – Putting the interests of others – in this case, the followers – first and recognizing others for their work.

Humility – Acknowledging not only one's strengths but also one's weaknesses and limitations. According to van Dierendonck and Nuijten (2011), humility also includes actively seeking input from others and being able to admit when one needs support.

Authenticity – Authenticity plays a role in ensuring that one presents (or acts) themselves the same internally as externally in various situations.

Courage – Taking risks to try new things, ways, processes, and/or opportunities.

Forgiveness – Being able to see and understand the perspective of followers. Compassion also plays a role in this trait. Further, this characteristic includes the ability to forgive others and move on without continuously bringing up past mistakes. This forgiveness can, in turn, help set the right example for others to follow.

Stewardship – Verdofer and Peus define stewardship as “A strong sense of obligation for the common good” (Verdorfer and Peus, 2014, p.3). Stewardship can also be defined as taking care of what one was given to tend to—in this case, the business.

The following hypotheses will be tested; they are formulated based on the above literature review and the research question (Does servant leadership (SL) positively correlate to small business survival during a crisis?).

H1: SL positively correlates to small business growth during a crisis.

H2: SL positively correlates to potential growth after a crisis.

H3: SL positively correlates to an employee's intention to stay in a small business after a crisis.

METHODOLOGY

This study uses a quantitative research method to examine the correlation between servant leadership and small business success during the 2020–2021 COVID-19 pandemic. The quantitative approach allows the researcher to reach a broad and varied range of small businesses. Further, this quantitative approach to data collection can gather employees' perceptions of their boss' leadership qualities, which might be difficult to do in a qualitative approach and/or through a self-assessment from the leader's perspective. Participants were recruited via the Pollfish platform to participate in the survey. This type of recruitment allowed employees of small businesses across all cities and states in Germany to participate. Using this website allowed for a wider audience reach, which could not be achieved by focusing on one city or region, ensuring more industries throughout the country were represented. This study uses a correlational design to examine the correlation between servant leadership and success (in this case, survival) and growth. This study does not seek or assume causality.

Servant Leadership Measurement

This study used the eight-dimensional German version of the Servant Leadership Survey (SL-30) from Verdorfer and Peus (2014). It has 30 questions that use a 7-point Likert scale. The survey used here is the translated version based on the scale developed by Van Dierendonck and Nuijten (2011). Confirmatory factor analysis was conducted, and it was found that a relationship exists between the variables and underlying constructs, and reliability and validity were also verified (Verdorfer & Peus). Eva et al. (2019) also noted the stringent process of construction and validation of this measurement survey.

For this paper, confirmatory factor analysis was also conducted with this dataset via the Kaiser-Meyer-Olkin (KMO) test. The KMO was calculated and resulted in a value of .88. This measure indicates that the sampling was adequate. Cronbach's alpha was measured, with all constructs reaching a minimum value of 0.7. In addition to the KMO and Cronbach's alpha, the heterotrait-monotrait ratio (HTMT) was calculated. Discriminant validity has been established as all values for the constructs are below 0.9. According to Henseler, Ringle, and Sarstedt (2015), "Discriminant validity ensures that a construct measure is empirically unique" (p.116). Moreover, the different variables represent different theoretical concepts, which means that "they are different and not measuring the same thing" (Hamid, Sami & Sidek, 2017, p.1) and thus are statistically different.

The eight dimensions of the Servant Leadership Survey (SLS) are as follows: Standing back, forgiveness, courage, empowerment, accountability, authenticity, humility, and stewardship. Van Dierendonck and Nuijten (2011) sought to create a valid and reliable survey instrument that measures all aspects of servant leadership and is "behaviorally oriented, focuses on the role of the leader in the relationship with followers, and...is easy to use" (p.249).

Since then, van Dierendonck has been continuously cited in other literature, and according to a systemic literature review from Canavesi and Minelli (2021), van Dierendonck has provided the most important contribution to academic research on servant leadership to this point. In addition, Gandolfi et al. (2017) also note that van Dierendonck's survey measurement is key to ensuring there is organizational acceptance of servant leadership. Canavesi and Minelli support this thought while suggesting that Liden et al. (2008, 2015) and Sendjaya et al. (2008, 2019) are also very influential contributors to this field. Liden et al. (2008) first developed a 28-item measurement and then, in 2015, developed a short seven-scale measurement (SL-7; Liden et al., 2015), which has since been used in numerous studies. However, the short scale may limit the study from gathering insights that may be critical during a worldwide pandemic, and as such, this study used the longer version.

Data Collection

A pre-test was conducted to ensure clarity of the open-ended questions in addition to the SL-30. A pre-test was conducted to ensure the clarity of the open-ended questions asked in addition to the SL-30 (as mentioned in the prior section). Seven follow-up questions regarding growth, adaptation and intention to stay were included. Further demographic questions were also included. Primary data was collected via non-random convenience sampling using an online survey via Pollfish. The survey included a screen-out question to ensure three criteria were met. The criteria to participate in the study included:

- 1) Aged 18 and older.
- 2) Works at a small business (up to 50 employees).

3) The small business they work at was founded prior to 2020 in Germany.

In total, 154 participants completed the survey, of which 65 (42%) were male and 89 (58%) were female. All age groups, from 18 to over 54, were represented. The largest age group represented was 25–34, with 33% representation, and 12% of the respondents were over 54 years old.

RESULTS

As Table 1 below shows, participants worked in small businesses with a number of employees ranging from one (18 participants) to 26–50 (44 participants). The largest group, which had 50 participants, was the one working in a business with 11–25 employees.

Table 1: *Descriptive Statistics – Small Business Size of Participant*

Number of Employees	Participant Response Count	Participant Response Count %
1-10	29	19.47%
11-20	49	34.15%
21-35	40	22.81%
26-50	36	23.57%

In Table 2, there was a range of responses regarding ‘years worked in small business’. This ranged from under two years (26 participants) to over 15 years (13 participants). The largest group was those who have worked in a small business for between 5 and 15 years.

Table 2: *Descriptive Statistics – Respondents’ years worked in small business*

Number of Years	Participant Response Count	Participant Response Count %
Under 2 years	26	16.88%
2-5 years	44	28.57%
5-10 years	50	32.47%
10-15 years	21	13.64%
More than 15 years	13	8.44%

When asked, ‘Can you see yourself still working at your company in the next few years?’, 73% of participants answered yes. To the question ‘Do you see your company as successful in the next five years?’, 69% answered yes. Thus, over two-thirds of the participants answered in the affirmative for each of these questions. When asked, ‘Did your company create at least one new position in 2021?’ (growth as defined by the OECD), 98 (64%) participants answered yes, while 11% answered that they did not know. This shows that approximately 65% of small

businesses in this population not only survived but, according to the definition followed in this study, grew during the crisis.

A bit more than half, 52%, answered that their company had created new products, services, or processes during the COVID-19 pandemic, and about 18% of the participants responded that their company had partly created new products, services, and processes. Furthermore, 61% answered that the company had adapted its products, services, and processes, and about 19% responded that the company had partly adapted them.

Hypothesis Testing

For hypothesis testing, the significance level (p-value) was set at the standard value of .05. The effect and variance were measured using Eta and partial Eta, which are frequently cited as a measure of effect size (Richardson, 2011). Eta and partial Eta were used as measurements of effect size and variance due to the categorical variables. Furthermore, they give information on the effect size. Table 3 (at the end of the results section) provides an overview of the statistical results. All the Servant Leadership dimensions are included in the hypotheses testing.

This research focuses on correlation and not regression because the research focuses on whether there is a relationship between the variables and the strength of this relationship; the research is not seeking to determine whether the variables are predictors of one another, nor is it interested in how the variables affect one another. Follow-up research could consider examining regression.

Research Question: Does Servant Leadership positively correlates to Small Business Survival during a crisis?

H1: Servant Leadership positively correlates to Small Business Adaptability during a crisis

To test this hypothesis, the study examined the correlation between the collective SL-30 score and the question, 'Did your business create at least one new position in 2021?'. The hypothesis testing for H1 revealed a non-significant correlation (p-value > p.05) between SL and small business growth, defined by the OECD (2007) as creating a new job position. Therefore, the null hypothesis is rejected. Future research should examine what other factors contributed to the creation of new positions in small businesses during a crisis.

H2: Servant leadership positively correlates to potential growth after a crisis.

The hypothesis testing for H2 revealed a very significant correlation, as the p-value was less than .001. The R-squared shows that the variable explains 22% of the total variance. The significance was measured via the collective servant leadership score and the participants' answers to the question, 'Do you see your company as successful in the next five years?'

H3: Servant leadership positively correlates to an employee's intention to stay in a small business after a crisis.

This hypothesis testing revealed a very significant p-value of less than .001. The R-squared shows that the variable explains 25% of the total variance. The correlation between the collective SL-30 and the question, 'Can you see yourself still working for your company within the next few years?' was tested. Interestingly, empowerment as a characteristic of servant leadership plays a significant role in the intention to stay. This finding is supported by the literature, as mentioned in the section on *Servant Leadership and Business Success*, which argues that empowerment may increase the level of organizational commitment (Allen et al., 2018).

The mean collective empowerment scale was used to measure the Eta for H3. The results show a very significant p-value of less than .001 and an r-squared effect size of 0.2.

Table 3: *Results from Hypothesis Testing - Eta and P-Value Statistics*

Hypothesis	Eta	Partial Eta	P-Value	Statistical Significance
H1	.181	.033	.082	>.05 not significant
H2	.466	.217	<.001	<.001 very significant
H3	.504	.254	<.001	<.001 very significant

DISCUSSION

This study adds to the current body of research on servant leadership and small businesses by contributing quantitative empirical research that examines the correlation between servant leadership and small business survival during a crisis, specifically the COVID-19 pandemic of 2020 and 2021. The findings reveal a very significant correlation between servant leadership and employee intention to stay and between servant leadership and the future growth potential of the small business. These findings are an important contribution to the literature as the future growth potential of small businesses and enterprises is vital to post-COVID recovery (EU2020.de, 2022), and survival and growth are key to sustainability. This aligns with research from Cater III and Beal (2015) regarding the positive role servant leadership plays in organizational sustainability in family businesses.

Furthermore, the study results may support research on servant leadership and family business, such as studies on enhanced organizational identification (Thomas et al., 2015). The section on limitations, below, discusses the factors that may have affected the outcome. This study did not examine factors such as company culture, trust, and work-life balance, but these variables may have influenced the correlations. Nonetheless, the findings also support other literature that suggests that servant leadership may positively impact organizational commitment (Canavesi and Minelli, 2021; Setyaningrum et al., 2020). Since this study found a significant correlation between servant leadership and intention to stay, it should be highlighted that servant leadership may indeed play a role in organizational commitment in various types of businesses.

As prior sections have noted, some research (e.g., Bojadziew et al., 2019) has posited that the failures of SMEs are typically due to a lack of leadership skills. This research shows that leadership skills are important to business survival. In this case, servant leadership appears to be the right approach to leading a business during a crisis.

Discussion and Findings Related to Other Leadership Styles

As mentioned in the literature review, other leadership styles are similar to or overlap with servant leadership. Thus, it is possible that some of the study findings may be similar if the study were conducted on related leadership styles. For example, a replicated study with positive

and authentic leadership may have similar findings to this study, possibly because leaders in both leadership styles ensure they build trust with others (Kiersch and Peters, 2017). Trust is an important factor during times of crisis. People may feel safe and valued and thus believe more in the possibility that the business will grow.

Transformational leadership may have been more strongly correlated with the hypothesis 'potential growth after a crisis' than servant leadership because transformational leaders tend to focus more on innovation (Rasheed et al., 2021). In addition, they tend to be more visionary (Rasheed et al., 2021). Ethical leadership is quite different, and as such, it would be difficult to assume any similarities to the findings of this study.

Nonetheless, servant leadership is still unique as it focuses on serving others. As such, it is probable that the correlation between this leadership and the intention to stay is stronger than the correlation between other leadership styles and this intention.

Future studies conducted in more modern working environments (e.g., New Work) or within various types of business cultures and forms of hierarchy may produce different results. It would be interesting to see how servant leadership creates a mentoring culture within an organization. Pearson (2013) refers to this as the servant-mentor relationship. Moreover, it would be interesting to examine the effects of servant leadership in self-organized teams, scrum cultures, coaching environments, and agile contexts.

Implications

The findings provide practical implications for small businesses seeking to leverage their leadership style to increase business survival, longevity, growth potential, and employee retention. In addition, servant leadership is helpful in managing unforeseen crises by creating an environment of openness, responsibility, and empowerment where everyone plays a role in the future of the business. This environment may help build business resilience. Furthermore, it can increase employee and volunteer engagement (Hudson, 2021) and productivity during a crisis, which can, in turn, help create value for internal and external customers. A servant leader creates innovative environments that can also create an environment for creative behavior (Neubert et al., 2016). These types of environments may then help create new strategies necessary during a crisis. Some further positive effects discussed in the literature include but are not limited to organizational commitment (Newmann et al., 2017), efficiency, success, and engagement (Palumbo, 2016; Canavesi and Minelli, 2021; Roberts, 2020; van Winkle et al. 2014).

Limitations

This study had a sample size of 154, which may limit the representativeness and the generalizability of the findings to all employees who work in small businesses in Germany. Furthermore, since non-random convenience sampling was used for the data collection, certain populations may have been underrepresented, therefore creating biases or skewed data (Etikan et al., 2016). Another limitation is that this study did not measure causality and potential mediating and external factors that may have played a role or influenced correlated variables. Lastly, this study was not longitudinal, as the survey was only administered once.

Suggestions for Future Research

Suggestions for future empirical studies include collecting data at different periods or conducting a longitudinal study. Another suggestion would be to conduct studies in the context of small businesses that delve more into the eight SL characteristics and their subscales to determine potential causality between the characteristics and success, intention to stay, growth, and resilience. These studies may all provide important insights that would serve leaders well to help their businesses' longevity and growth. It would also be useful to explore servant leadership from the small business owner's perspective and compare the data. It may also be interesting to follow up with a qualitative study to determine if other factors that could have affected the correlations in this study played a role in the assessment of the leader. Lastly, studies could research servant leadership together with other similar positive leadership forms to see which constructs and dimensions of these styles lead to enhanced business success and organizational commitment.

CONCLUSION

Due to the worldwide pandemic, 2020 and 2021 were difficult years for small businesses. There were problems with lockdowns, the supply chain, and a lack of cash flow. Due to these issues, companies had to contend with a vast number of changes related to how they conducted business and communicated with their customers. These changes impacted the sustainability of many small businesses. Some were not able to maintain economic sustainability and thus closed. Many businesses struggled and had to contend with whether they would survive the crisis and see an upsurge of growth in the following years. One key element that affects how a business deals with a crisis is leadership. This study examined the correlation between servant leadership in small businesses and survival during a time of crisis. Highlighted findings include a very significant correlation between servant leadership and employee intention to stay and between servant leadership and the future growth potential of the small business.

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APPENDIX

German version of the Servant Leadership Survey:

Authors: Armin Pircher Verdorfer and Claudia Peus (2014) p. 16

Empowerment

- 1 Mein Vorgesetzter stellt mir die Informationen zur Verfügung, die ich brauche um meine Arbeit gut zu machen.
- 2 Mein Vorgesetzter ermutigt mich, meine Talente zu nutzen.
- 3 Mein Vorgesetzter hilft mir dabei, mich weiterzuentwickeln.
- 4 Mein Vorgesetzter ermutigt seine Mitarbeiter zu neuen Ideen.
- 5 Mein Vorgesetzter lässt mir Raum, Entscheidungen zu treffen, die meine Arbeit erleichtern.
- 6 Mein Vorgesetzter ermöglicht mir Probleme selbstständig zu lösen, anstatt mir einfach zu sagen, was zu tun ist.
- 7 Mein Vorgesetzter gibt mir reichlich Gelegenheit, neue Fähigkeiten zu erlernen.

Standing back

- 8 Mein Vorgesetzter hält sich lieber im Hintergrund und überlässt es anderen, für die Arbeit gelobt zu werden.
- 9 Mein Vorgesetzter ist nicht auf Anerkennung oder Belohnung aus, wenn er etwas für andere tut.
- 10 Mein Vorgesetzter scheint sich über den Erfolg von Kollegen mehr zu freuen als über seinen eigenen.

Accountability

- 11 Mein Vorgesetzter macht mich für die Aufgaben, die ich ausführe, verantwortlich.
- 12 Für meine Leistungen bin ich vor meinem Vorgesetzten verantwortlich.
- 13 Mein Vorgesetzter macht mich und meine Kollegen dafür verantwortlich, wie wir unsere Aufgaben erledigen.

Forgiveness

- 14 Mitarbeiter, die bei ihrer Arbeit Fehler gemacht haben, werden von meinem Vorgesetzten noch lange kritisiert. (r)
- 15 Mein Vorgesetzter bleibt hart gegenüber Leuten, die ihn bei der Arbeit verärgert haben. (r)
- 16 Meinem Vorgesetzten fällt es schwer, vergangene Fehler zu vergeben. (r)

Courage

- 17 Mein Vorgesetzter geht auch dann Risiken ein, wenn er sich nicht sicher ist, ob er von seinem Vorgesetzten Unterstützung erhalten wird.
- 18 Mein Vorgesetzter geht Risiken ein und tut das was in seinen Augen getan werden muss.

Authenticity

- 19 Mein Vorgesetzter geht offen mit seinen Grenzen und Schwächen um.
- 20 Mein Vorgesetzter ist oft von Dingen berührt, die in seinem Umfeld passieren.
- 21 Mein Vorgesetzter ist bereit, seine Gefühle auch dann zu zeigen, wenn dies unerwünschte

Folgen hat.

- 22 Mein Vorgesetzter teilt seinen Mitarbeitern seine Gefühle offen mit.

Humility

- 23 Mein Vorgesetzter lernt aus Kritik.
- 24 Mein Vorgesetzter versucht aus der Kritik seines Vorgesetzten zu lernen.
- 25 Mein Vorgesetzter gesteht Fehler gegenüber seinem Vorgesetzten ein.
- 26 Mein Vorgesetzter lernt aus den unterschiedlichen Ansichten und Meinungen anderer.
- 27 Wenn jemand Kritik übt, versucht mein Vorgesetzter, daraus zu lernen.

Stewardship

- 28 Mein Vorgesetzter hebt immer wieder die Wichtigkeit hervor, das Wohl der Allgemeinheit im Blick zu haben.
- 29 Mein Vorgesetzter hat eine langfristige Vision.

30 Mein Vorgesetzter betont immer wieder die gesellschaftliche Verantwortung unserer Arbeit.