

# Strategic Leadership And Organizational Performance In Not-For-Profit Organizations In Nairobi County In Kenya

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**Abstract:** This paper sought to examine the link between strategic leadership practices and organizational performance in not-for-profit organizations. A survey assessing strategic leadership practice and organizational performance was completed by managers representing 328 not-for-profit organizations in Nairobi County in Kenya. The study established a significant positive relationship between strategic leadership variables and organizational performance. The results found R value of 0.730 and  $R^2$  value of 0.532 that is 53.2% of corresponding change in the Organizational Performance of NFPs for every change explained by predictor variables. The findings demonstrate that if not-for-profit leaders use well the strategic leadership they are likely to improve their organizational performance significantly. This paper examined the practice of strategic leadership in not-for-profit organizations in Nairobi County in Kenya. Future research that seeks to replicate these findings is warranted. This paper proposes the study of strategic leadership as a way of enhancing not-for-profit organizational performance.

**Key words:** Strategic leadership, Organizational performance, Not-for-profit organizations.

## 1.1 INTRODUCTION

Strategic leadership practice in not-for-profit organizations is a concept that scholars need to investigate urgently due to the importance it has on organizational performance especially in not-for-profits in developing countries. Not-for-profit organizations offer diverse services to society in many countries where governments have not been able to offer. However many of these not-for-profit organizations have limited resources and hence face complex environments which require a new kind of leadership. Any indication of poor leadership in not-for-profit organizations means many people will lack the provision of services which they have enjoyed from these not-for-profit organizations. This leads to the importance of strategic leadership for not-for-profit organizations.

## 1.2 Background of the Study

Not-for-profit organizations are private organizations that offer the society critical social services and common good without profit distribution to organizational members (Nahavandi, 2012; Worth, 2009). Lewis and Kanji (2009) observes that NFPs offer a broad spectrum of services across multiple fields. Globally, not-for-profits are the fastest growing types of organizations (Hall, 2005; Worth, 2009). Not-for-profits range from informal grassroots organizations to multibillion dollar foundations involved in educational institutions, churches, healthcare facilities, advocacy groups, etc (Anheier, 2005; Nahavandi, 2012). These not-for-profit organizations provide a wide assortment of services including human services, credit and savings, environment and natural resources, local development and housing, humanitarian relief and international development, human rights, farming/agriculture, educational services, and religious services (Anheier, 2005; Worth, 2009).

Not-for-profits have been identified to be important in developed as well as in developing countries. For instance, Tabassum (2012) found NGOs playing important role in development in Bangladesh through micro-credit, employment, women empowerment, ensuring education and health, etc. In developing countries, not-for-profit organizations have taken active and complementary roles in sustainable human development (Lekorwe & Mpabanga, 2007). The growth of not-for-profit organizations globally and regionally has received much attention as well as scrutiny (Ahmed, 2013). Pevcin (2012) observed that although not-for-profit sector has experienced growth in recent decades in many countries. This view is supported by Amagoh and Kabdiyeva (2012) who noted the global growth of the NGOs sector and concluded that this sector required strategic leadership. However despite enormous global growth of not-for-profit organizations, these organizations have been observed to be experiencing diverse challenges. Available data on these phenomena indicates that there are substantial variations between countries. Aksel and Baran (2006) observed that NGOs face challenges in strategic planning, budgeting, staffing, governing structure, growth and change management, etc. It is evident that these challenges cannot be addressed by people who do not know what the problem is and how to deal with it hence the need for strategic leadership. Arasa and Kioko (2014) observed that the NGO increased competition for dwindling resources is not possible to overcome without effective leadership. Banks and Hulme (2012) observed that Kenya experienced a rapid increase in registered NGOs, from 400 in 1990 to over 6,000 in 2008 (Brass, 2012). Similarly in Tanzania it was found that there were 41 registered NGOs in 1990 and this number increased to more than 10,000 by 2000 (Hearn 2007). However, in Uganda, the NGO sector was viewed with mixed feelings, including rampant suspicion that the public good was not the primary motivation (Barr et al 2005). In Kenya not-for-profit organizations were about 350,000 'registered' NPOs in Kenya in 2005 (Kanyinga & Mitullah, 2007). The NGO Council observed a significant growth in the number of NPOs from 5,600 in 2008 to over 8,000 in 2012. However despite this growth, these organizations continue to face diverse challenges in resource

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mobilization, technical capacity and leadership. In Kenya NFPs were found to be a significant economic force in Kenya. For instance, in 2000 this sector accounted for US\$ 270 million in expenditure (NGO Board Strategic Plan, 2014-2017). Further it was observed that NFPs contributes approximately close to 80 billion Kenya shillings (NGO Board Strategic Plan, 2014-2017). Therefore NFPs are significant contributors to the economy and to the social sector and therefore this sector needs strategic leaders in order to continue being this much relevant (Kanyinga & Mitullah, 2007). Okorley and Nkrumah (2012) observed that despite the role of NGOs in development in developing countries, the issues of sustainability, availability of funds, and supportive leadership have remained a major challenge. Therefore facilitating NFPs activities across the globe requires effective strategic leaders. Matei and Apostu (2013) observed that leaders of non-governmental organizations often face extraordinary challenges. Ahmed (2013) observed there were no doubt the responsibilities and work environments of not-for-profit leaders were important. Further according to Ahmed (2013) strategic leadership remains a key indicator of success for organizations. A widespread practice observed among not-for-profit organizations was measuring the performance of their programs and services (Ahmed, 2013). According to Polonsky and Grau (2011) measuring not-for-profit organizations concerns whether the activities of these organizations translate to improved societal impact, the obligation to ensure that donors' money is being spent effectively, and providing enhanced donor satisfaction and donor confidence. Hence the purpose of this research was to explore the extent to which strategic leadership affects organizational performance in not-for-profit organizations.

### 1.3 Statement of the Problem

Not-for-profit organizations across the globe offer essential services in areas like education, healthcare, disaster relief, social work, etc., for the overall improvement of the human condition (Ahmed, 2013). These NFPs face many complex and diverse range of issues. Not-for-profit organizations, for instance face internal management issues, such as strategic planning, budgeting, staffing, leadership, growth and change management, as well as external management challenges relating to relationships with government, the private sector, other NFPs and with their target communities. According to Phipps and Burbach (2010) the influence of strategic leadership influence on organizational performance has not been widely extended to the nonprofit sector. Strategic leadership is the way organizational executives impact their organizational performance through their leadership (Phipps & Burbach, 2010; Hambrick & Mason, 1984). This leaves nonprofit leaders to either interpret the empirical findings regarding strategic leadership to fit the nonprofit sector, or to reject the findings as inapplicable. This has led scholars to call for research to investigate the impact of strategic leadership on organizational performance in the not-for-profit organizations (Phipps & Burbach, 2010). It is within this backdrop of the growth, the challenges and prominence of not-for-profit organizations' globally that this study was undertaken.

## 2.1 Literature review

### 2.2 Strategic leadership theory

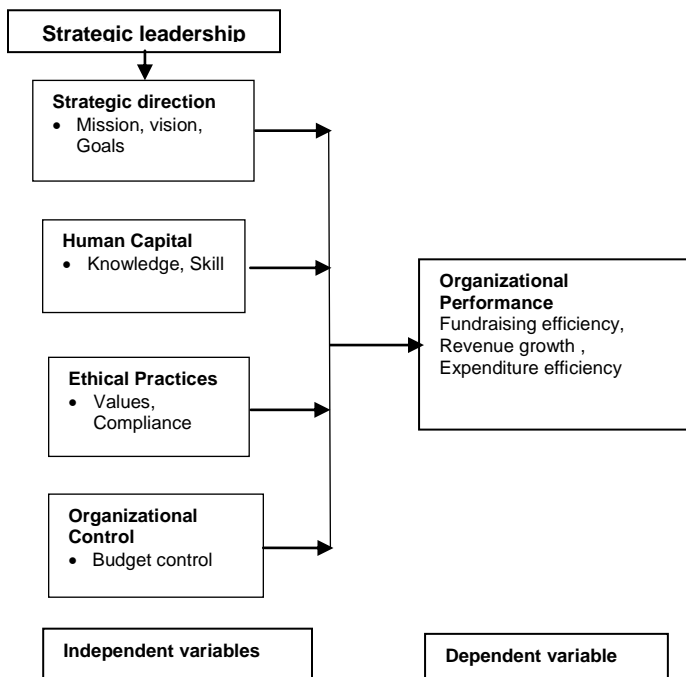
This was the main theory for this study. According to Kirimi and Minja (2010), 'strategic leaders shape the formation of strategic intent and strategic mission and influences successful strategic actions for the formulation of strategies and implementation of strategies which yields strategic competitiveness above average returns (p. 40)'. A number of scholars have observed substantial interest in strategic leadership, such as reflected in works by Vera and Crossan (2004), Colbert, Kristof-Brown, Bradley, & Barrick (2008), and de Luque, Washburn, Waldman, & House (2008). This interest was highlighted in the comprehensive treatment of strategic leadership by Finkelstein, Hambrick, and Cannella (2009). Carter and Greer (2013) wonder how a strategic leader affects organizational performance! Further Ireland and Hitt (1999) observed that strategic leaders create meaning and purpose for the organization with a powerful vision and mission. It is evident from literature that organizations are set up to achieve certain strategic goals. It is the leader who has the capability to influence organizational members to contribute effectively towards the accomplishment of pre-determined goals and objectives (Obiwuru, Okwu, Akpa, & Nwankwere, 2011). This is further confirmed by Awan, Qureshi and Arif (2012) who observed that effective leadership in NGOs/NFPs led to improved organizational performance. Strategic leadership is important in all kinds of organizations. In a review of strategic leadership in the first decade of the twenty-first century, Hitt, Haynes and Serpa (2010) noted that a number of strategic organizational leaders have failed to deal effectively with environmental turbulence. The failures in most organizations were observed to be due to lack of strategic leadership. Likewise, Kirimi and Minja (2010) observed that organizations fail when the leadership fails to sell their vision for the organization to its followers, have not convinced followers why they should be passionate, and which they fail to make employees loyal to the organizational agenda. Empirical review found that strategic leadership guides organization in ways that result in the formation of a strategic intent and strategic mission. Goffee and Jones (2006) provide evidence that when leaders practice strategic leadership this leads to improved organizational performance. In affirmation to this argument, Kirimi and Minja (2010) observe that strategic leadership is no doubt important to all organizations. Likewise Hughes and Beatty (2005), note that strategic leadership leads to achievement of the objectives of the organization. Similarly Serfontein (2010) theorized that the primary goal of a strategic leader is to gain a better understanding of the business conditions, the environment and other aspects that help identify future challenges. Strategic leadership gives organizational leaders the ability to create and re-create reasons for the organization's continued existence. Ahmed (2013) asserts that strategic leadership includes both the management and leadership functions where the TMT work as partners in strategic issues (Ireland & Hitt, 2002). According to Gill (2011) strategic leaders must be able to develop the organization's vision, mission, strategies and culture and above all, monitor progress and changes in the environment with a view to ensuring strategies are focused, relevant and valid. In recent years

there has been increased interest in “strategic leadership” in organizations (Yukl, 2010). Hambrick (1989) discussed strategic leadership as focused on those people within an organization who have the responsibility of the entire organization. NFPs exist for the service of human needs. NFPs are expected to live by their central goal vision, mission and commitments of delivering goods to their constituents and the entire society. Strategic leadership among NFPs is a necessary ingredient towards organization effectiveness. Gerras (2010) observes that strategic leadership is the process used by a leader to affect the achievement of a desirable and clearly understood vision by influencing the organizational culture, allocating resources, directing through policy and directive, and building consensus within a volatile, uncertain, complex, and ambiguous global environment which is marked by opportunities and threats. Hughes and Beatty (2005) asserted that individuals and teams enact strategic leadership when they think, act, and influence the sustainable competitive advantage of the organization. Strategic leaders initiate processes that ensure their organization scans the environment to maintain an awareness of societal, international, technological, demographic, and economic developments. According to Ahmed (2013), 21<sup>st</sup> century NFP leaders have to lead their organizations in regard to strategic planning, mission development and assessment, fundraising and public relations, as well as address the otherwise demanding challenges which this sector is experiencing.

**2.3 Conceptual Framework**

This conceptual framework illustrates the relationship between strategic leadership practices and organizational performance for this study.

*Figure 1: Conceptual Framework*



**3.1 Research Methodology**

**3.2 Research Design**

This study used a mixed method approach whereby both the explanatory and descriptive survey research designs were employed. Explanatory studies aim at establishing causal relationship between variables in the case of the current study between strategic leadership and organizational performance. In this study, mixed methods research design was adopted, with both quantitative and qualitative data collection methods being applied concurrently. This study used convergent parallel mixed methods design to collect both qualitative and quantitative simultaneously in a single data collection phase (Creswell, 2014).

**3.3 Target Population**

In this study, the target population included NPO executives (also known as CEOs, Directors, etc.) and other members of the top management team (project managers) from the sampled not-for-profit organizations in Nairobi County in Kenya.

**3.4 Sampling Frame**

The Eastern Africa NGOs Directory, 9<sup>th</sup> Edition was used as the sampling frame for this study. This directory comprises a list of nongovernmental organizations operating in the three East African countries including Kenya. This directory provides detailed information of different NGOs such as physical addresses, area of focus, location, etc. The directory has a total of 2041 NGOs operating in Kenya. However, since the scope was Nairobi, a total of 1475 NPOs was identified for the study.

**3.5 Sampling Procedure and Sample Size**

This study used simple random sampling procedure was used to select the sample size for this study.

**3.5.1 Sample Size**

The following formula was used to calculate the sample size for this study was

$$n_f = \frac{S}{1 + (s/N)}$$

Where:  $n_f$  = the desired sample size when the population is less than 10,000,  $S$  = the sample size (as calculated in formula 1),  $N$  = the estimate of the population size. Hence:

$$n_f = \frac{354}{1 + (354/4425)} = 327.7 = 328$$

Therefore, the sample size (n) for this study was 328 respondents. The respondents were distributed proportionately as shown in Table 3.1.

**Table 3.1: Sample size distribution**

Participant category	Frequency (n)
Executive manager	109
Project managers	219
Total	328



### 3.6 Research Instruments

Data was collected using a researcher generated questionnaire and a research interview guide. The research instruments for this study are classified in the following three sections, Section A of the questionnaire gathered descriptive data on the respondents' socio-demographic variables such as gender, length of service in the organization, highest education level, and total number of employees in the organization. Section B of the questionnaire gathered the respondents' views on strategic leadership practices. The items captured questions on strategic direction, human capital, ethical practices and organizational control. Section C of the questionnaire sought to gather respondents' attitudes on the effect of strategic leadership practices on organizational performance. Finally an interview guide was used for in-depth qualitative data. These two instruments were administered concurrently (Creswell, 2014).

#### 3.6.1 Reliability

In this study internal consistency reliability of the instrument was evaluated through calculation of Cronbach's alpha (coefficient alpha). Internal consistency reliability is determined by checking the components of a questionnaire against each other. Cronbach alpha (Cronbach, 1951) is the most common form of reliability coefficient. Cronbach's alpha is a correlation coefficient, and its value ranges from 0 to +1. By convention, alpha should be 0.70 or higher to retain an item in a scale. Internal consistency reliability estimates were produced for the dependent variable scale and five independent variable scales. This was done to verify the accuracy of the measurement process. As revealed in Table 3.2, strategic leadership variable was measured through determining strategic direction which had a reliability score of 0.905; developing human capital had a reliability value of 0.774, emphasizing ethical practices had a reliability result of 0.965 while organizational control had a reliability value of 0.893. The reliability score for organizational performance was 0.856. The analysis of the reliability tests in Table 3.2 were found to range from 0.774 to 0.965 from the pilot study. According to Polit and Beck (2004) coefficients which are greater than .70 produce desirable measures. Therefore as can be seen from the results of the reliability analysis of Table 3.3 indicate that all the variables used in this study had reliability above 0.70 which makes them reliable in this study. Further it is observed that a Cronbach's alpha of .950 demonstrates good internal consistency reliability of the instrument.

**Table 3.2: Pilot test results**

Variable	No. of items	Cronbach's Alpha ( $\alpha$ )
Strategic leadership	16	0.885
Strategic Direction		0.905
Human Capital		0.774
Ethical Practices		0.965
Organizational Control		0.893
Organizational performance	13	0.836

Further two test namely Kaiser-Meyer-Olkin measures of sampling adequacy (KMO) and Bartlett's test of sphericity was applied to test whether the relationship among the variables is significant or not. The results of these two tests are shown in Table 3.3.

**Table 3.3: KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.886
Bartlett's Test of Sphericity	Approx. Chi-Square	3028.468
	df	325
	Sig.	.000

The Kaiser-Meyer-Olkin measures of sampling adequacy shows the value of test statistic as 0.886 < 0.5. High values (close to 1.0) generally indicate that a factor analysis may be useful with the data. If the value is less than 0.70, the results of the factor analysis probably will not be very useful. The KMO value for the instrument was 0.886, which is acceptable as a good value. Bartlett's test of sphericity is used to test whether the data is statistically significant or not. With the value of test statistic and the associated significance level, which in this study is 0.000, it can be concluded that it is significant and there exists a high relationship among the variables. Small values (less than 0.05) of the significance level indicate that a factor analysis may be useful with the data. The Bartlett's test showed a significant level and hence the instrument was accepted for further study.

#### 3.6.2 Validity

Validity refers to truthfulness of the research in regards to reality (Neuman, 2006; Silverman, 2006; Tashakkori & Teddlie, 1998; Leedy & Ormrod, 2005; Welman, Kruger & Mitchell, 2005). Therefore, validity shows how well an instrument measures what is intended to be measured (Gray, 2004; Leedy & Ormrod, 2005; Neuman, 2006; Sekaran, 2003). Two kinds of validity are evident in literature, namely face and content validity. Content validity is a measure of the degree to which data collected represents the content of the concept being measured (Mugenda & Mugenda, 2009). In this study, thorough literature review was conducted to ensure content validity by identifying the necessary items to measure the variables of the study as shown in the conceptual framework. Likewise the questionnaire was subjected to supervisors' and colleagues' scrutiny in order to give it face validity (Saunders et al., 2007). Further, the questionnaire was pre-tested for coherency and comprehensiveness. To ensure validity of the research instrument, the researcher used expert raters and research supervisors (n=6). The rated findings were used to calculate content validity index (CVI) using the following formula: Where: K = Total number of items in the questionnaire declared valid by both raters/supervisors, N = Total number of items in the questionnaire.

$$CVI = \frac{K}{N}$$

Six raters were used to rate the questions. Each of the six raters had a specific focus according to the main sections of the questionnaire, that is, strategic leadership practices, strategic direction, human capital, ethical practices, organizational control and organizational performance. Table 3.4 presents the results of the raters.

**Table 3.4: Content validity index**

Rater	Total Items	Valid Items	Fraction
1st	35	30	0.8571
2nd	35	33	0.9428
3rd	35	34	0.9714
4th	35	34	0.9714
5th	35	34	0.9714
6th	35	34	0.9714
Average			0.9476

The computed content validity index was compared with the standard CVI of 0.70 for validity. Further, the questionnaire was pre-tested against coherency and comprehensiveness through pilot study method as explained in section 3.9. According to the results of the content validity index test, an average validity index score of 94.76% was recorded which is highly significant according to Amin (2005).

### 3.7 Data Collection Procedures

In this study, survey questionnaire was selected because they provide unobtrusive and inexpensive method for data collection (Zikmund, Babin, Carr & Griffin, 2010; Kothari, 2011, Mugenda & Mugenda, 2009). A letter of introduction was sought from Jomo Kenyatta University of Agriculture and Technology, School of Human Resource Development, Karen Campus. This was taken to the National Council of Science, Technology and Innovation in order to get an official research permit to carry out the research. The permit together with researchers' self introduction letter and the letter from the university were presented to the relevant to the respondents from which data was collected from. The respondents were assured of confidentiality during the research process. The completed questionnaires were collected by the researcher or the research assistants after two weeks. The questionnaires were administered using a drop-and-pick basis by the research assistants as well as the researcher. These self-administered survey questionnaires once administered was collected within a period of two weeks. This time is sufficient to allow the respondents to take their time to complete the questionnaires. The assistance of trained research assistants was employed due to logistical considerations. Online questionnaire fill-in strategy was also used concurrently during the same time the hand-delivered questionnaires were distributed. Data collection in this study also involved face-to-face interviews from 32, that is 10% of the sample size as suggested by Mugenda and Mugenda (2009) and also by Kerlinger (1986) purposively sampled management team members. These interviews aimed at contributing qualitative data at a different level from the respondents. The researcher first sought participants' consent and permission before embarking on the interviews.

### 3.8 Pilot Study

A pilot study is conducted to detect weaknesses in design and instrumentation in a research study and to provide proxy data for selection. It draws subjects for the study from a scientifically determined target population and simulates the procedures and protocols that have been designed for data collection (Cooper & Schindler, 2008). Mugenda and Mugenda (2009) provide a guide for study in that, the number of cases (or sample size) for a pilot study should

not be very large and it can range between 1% and 10%. Further according to According to Cooper and Schindler (2008) the size of the pilot study may range from 25 to 100 subjects. In this study a pilot study was conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection. The pilot study was used to test the questionnaire in order to eliminate unexpected responses, misunderstood questions and problems associated with completing the questionnaire. In this study, questionnaires were distributed to thirty seven not-for-profit organizations operating within Karen-Lang'ata in Nairobi County. Thirty questionnaires were returned. After eliminating incomplete responses, twenty seven usable questionnaires were selected, an overall response rate of 87.9%. Respondents were given enough time to complete the questionnaire and the follow-up by the researcher through telephone calls was made to find out if the respondents were through with the questionnaires. After the questionnaire pre-testing, data was analyzed to establish the constructs internal validity through Cronbach Alpha coefficient. A total of 33 (that is, 10%) questionnaires were distributed to respondents and follow-up was done after four weeks later. The response rate to the pilot study is described in Table 3.5. The total number of responses was 33, minus 4, that is, 3 which were invalid and 1 that was not returned, hence leaving a total of 29 valid questionnaires. Working on the number of returned and valid questionnaires, the percent of valid questionnaires was 87.9%.

**Table 3.5: Pilot test response rate**

Condition	Frequency	Percent
Questionnaires sent	33	100
Invalid (an unreturned)	4	12.1%
Valid questionnaires	29	87.9%

## 4.1 FINDINGS

### 4.2 Response Rate

The research questionnaire instrument was administered to the sampled target population as indicated in chapter 3. According to De Vaus (2002) response rate refers to the number of questionnaires returned divided by sample size and the result multiplied by one hundred. Using De Vaus formula, a response rate Table 4.1 was constructed.

**Table 4.1: Study response rate**

Item	Frequency	Percent
Valid questionnaires	309	94.2%
Invalid	19	5.8%
Total	328	100%

From the 328 respondents sampled to participate, 309 responded while 19 did not respond. This formed a response rate of 94.2%. This response rate was considered satisfactory to analyze the effect of Strategic Leadership on Organizational Performance in Not-for-Profit Organizations since according to several scholars (Bryman & Bell, 2007; Mugenda & Mugenda, 2009) a response rate of 50% is assumed to be adequate for analysis while 60% is good and above 70% being considered a very good response rate for data analysis. The high response rate can be

attributed to the data collection procedures, the data collection tool comprehensiveness which was achieved through pilot-test, sufficient time given to the respondents to fill-in the questionnaires, availability of the researcher to clarify any arising issue in the questionnaires, etc. In general, the research assistants and the researcher had also enough time to prepare for the whole process beginning with administration, collection and analysis.

### 4.3 Demographic Profile and Discussions

The demographic information of interest to the study was gender of respondents, length/ period worked for the current NFP, approximate number of staff/employees in each respondent's organization and qualifications of the respondents. Demographic variables such as age, education, and experience allow researchers to effectively capture characteristics such as back ground and expertise, which are relevant to how CEOs make decisions (Hambrick & Mason, 1984; Nadkarni & Herrmann, 2010).

#### 4.3.1 Gender Distribution

This study sought for information about the gender of the respondents. Data obtained from the field regarding the gender of the respondents was statistically analyzed and the results summarized in Table 4.6.

**Table 4.6: Respondents gender distribution**

	Frequency	Percent
Valid Female	155	50.2
Valid Male	154	49.8
Total	309	100.0

The descriptive statistics on data about the gender distribution of the respondents reveals that 155 (50.2%) of the respondents were females while 154 (49.8%) were male as indicated in Table 4.6. This indicates that, opinion presented by respondents in relation to Strategic Leadership and Organizational Performance was from both male and female. Therefore, the results obtained could be attributed to either gender. The findings on Table 4.6 agree with the study of Paustian-Underdahl, Walker and Woehr (2014) who also established that when all leadership contexts are considered, men and women do not differ in perceived leadership effectiveness.

#### 4.3.2 Length Worked for the Organization

This study also sought information about the length of service worked in NFPs by the respondents. Data obtained from the field on this question was statistically analyzed and the results summarized in Table 4.7 as follows:

**Table 4.7: Respondent's length of service**

	Frequency	Percent
Valid 0 - 1 year	29	9.4
Valid 1 - 5 years	158	51.1
Valid More than 5 years	122	39.5
Total	309	100.0

The results in Table 4.7 indicate that out of the 309 respondents who answered this question satisfactorily, 158 (51.1%) confirmed to have served in their current organization for between 1-5 years, 122 (39.5%) respondents had served for a period of more than 5 years,

and 29 (9.4%) respondents had served for less than a year. These statistics imply that majority of the respondents had been in their current organization for more than 5 years. Therefore it can be inferred that majority of the respondents have sufficient knowledge about the strategic practices and performance of their organizations which can be used in this study. In the literature review, the length a person (employee) spent in a particular organization was found significant. The results in Table 4.7 are consistent with previous empirical studies on experience of CEOs and top organizational leaders. For instance Nadkarni and Herrmann (2010) observed that CEOs with shorter tenures are likely to foster greater strategic flexibility than CEOs with longer tenures. This is confirmed with the findings of the study which found out the majority of the respondents to have been in the current organization for between 1 year and 5 years.

#### 4.3.3 Respondents Academic Qualifications

This study also sought information about the distribution of respondents' by level of education. Data obtained from the field on this question was statistically analyzed and the results summarized in Table 4.8 as follows:

**Table 4.8: Respondents education levels**

	Frequency	Percent
Valid Others	62	20.1
Valid Diploma	86	27.8
Valid Bachelors	98	31.7
Valid Masters	56	18.1
Valid Doctorate	7	2.3
Total	309	100.0

From the descriptive statistic results in Table 4.8 it was established that majority of the respondents had university degrees. The results were that 98 (31.7%) of the respondents had at least a bachelors degree, while 56 (18.1%) had a Master degree, 7 (2.3%) had a doctorate, 86 (27.8%) had diploma certificates, and 62 (20.1%) had different certificates. It can be concluded that majority of the respondents were university graduates ( $31.7+18.1+2.3 = 52.1\%$ ). This meant that their perceptions on the variables of the study were well informed academically. From empirical studies it was established that there is a correlation between education and performance of employees. This finding also agrees with the study of Nadkarni and Herrmann (2010) who observed that highly educated CEOs were likely to promote strategic flexibility more than CEOs with relatively lower levels of education. These findings also corroborate with the studies by King and McGrath (2002) who indicated that in today's constantly fluctuating business environment, education was one of the factors that impact positively on growth of firms. The results of the question which was posed to the respondents of this study and the literature findings support the view that education is important for firm performance. This confirms the assumption behind this question to the respondents because strategic leadership to some extent requires critical thinking to foresee the future which other employees in the organization may not be able to see.



#### 4.3.4 Number of Employees Working for the Organization

This study was also interested in knowing the number of employees (full time staff – excluding volunteers) working in the NFPs represented by respondents sample. The results of responses on this question from the respondents was statistically analyzed and presented in Table 4.9 as follows:

**Table 4.9: Number of employees**

	Frequency	Percent
Valid		
1 – 5	60	19.4
6 – 10	69	22.3
11 – 20	95	30.7
21 – 50	43	13.9
More than 51	42	13.6
Total	309	100.0

From the results in Table 4.9 it can be said that respondents who had noted in their organization an employee population of between 1 and 5 staff were 60 (19.4%), while those who reported having between 11 and 20 staff were 95 (30.7%). The results also indicate that a number of respondents that is 69 (22.3%) reported having between 6 and 10 staff, while others, 43 (13.9%) reported having between 21 and 50 staff and also others still, 42 (13.6%) reported having more than 51 employees. These study findings agree with those of Abok (2013) and Awino (2007) who observed different numbers of NGO staff although their study both seem to conclude that an ideal number was over 50 employees. The number of employees is significant because as Abok (2013) observed low numbers could affect strategic plan implementation hence not being able to be effective strategic leaders.

#### 4.4 Statistical Tests and Discussions

Multiple linear regression analysis was performed to examine the relationship between the dependent variable (NFP Organizational Performance) and the independent variable (Strategic Leadership). Strategic leadership was defined as Determining Strategic Direction (DSD), Developing Human Capital (DHC), Ethical Practices (EP), and Organizational Control (OC). This was done to examine whether if Strategic Leadership variables predicts NFPs Organizational Performance. The important values of discussion were the coefficient of determination  $R^2$  and correlation coefficient  $r$  which in the case of the current study states the degree of association between Strategic Leadership variables and Organizational Performance of NFPs in Kenya. The general research hypothesis for this study was:

$H_1$ : Strategic Leadership significantly influences NFPs Organizational Performance.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_i$$

Equation 5 explains the relationship between  $Y$  = Organizational Performance,  $\beta_0$  = the constant,  $\beta_{1,2,3,4}$  = the model regression coefficients,  $X_1$  = Determining Strategic Direction,  $X_2$  = Developing Human Capital,  $X_3$  = Ethical Practices,  $X_4$  = Organizational Control, and  $\epsilon_i$  = error term.

**Table 1: Model fit summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.730 <sup>a</sup>	.532	.526	.37381

a. Predictors: (Constant), SL = OC, EP, DHC, DSD

The results of the general model estimate on Strategic Leadership and Organizational Performance are shown in Table 1. The correlation coefficient  $R$  and coefficient of determination  $R^2$  value are shown in Table 1. The result of  $R = 0.730$  and that of  $R^2 = 0.532$ . The  $R$  value of 0.730 suggests that Strategic Leadership explains about 73 percent of the variation in NFPs Organizational Performance. The  $R^2$  value of 0.532 implies that 53.2 percent of the effect of NFPs Organizational Performance can be explained by Strategic Leadership while 46.8% can be explained by other variables. Hence considering that  $R^2$  can be at most 1, the regression line of this study is concluded that it fits the data very well. The value of adjusted  $R^2$  is also important. In this study the value of adjusted  $R^2 = 0.526$  is shown in Table 1. The rule of thumb on the value of adjusted  $R^2$  is that this value should be less than 0.8. On this basis as indicated in Table 1 the value of  $R^2$  is less than 0.8, hence it can be declared that it is significant. These findings agree with the study by Supriyadi (2012) who found that strategic leaders explain between 38% and 43% of the variation in inventive performance across firms, and that CEOs explain more of this variation than do CSOs. CEOs and CSOs strongly influence the degree to which a firm derives inventive advantage from internal and external knowledge diversity.

**Table 2: Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
	(Constant)	.571	.154		3.705	.000
1	DSD	.316	.054	.354	5.867	.000
	DHC	.292	.047	.371	6.248	.000
	EP	.027	.026	.047	1.036	.301
	OC	.042	.023	.076	1.802	.073

a. Dependent Variable: OP

At 5% significant level the following strategic leadership variables, namely DSD, DHC, EP and OC had 0.000, 0.000, 0.301 and 0.073 levels of significance respectively. Thus DSD, DHC were found in this study to be more statistically significant while EP and OC were not. Table 2 provides the effect of individual predictor variables on the dependent variable. The coefficients indicate the increase in the value of the dependent variable for each unit increase in the predictor variable. The standardized coefficient or beta column provides a common scale (Z score; all variables have a mean of zero and a standard deviation of one and are expressed in the same unit of measurement). These values give the following regression model:

$$Y = 0.571 + 0.316DSD + 0.292DHC + 0.027EP + 0.042OC$$

Where:  $Y$  = Organizational Performance,  $DSD$  = Determining Strategic Direction,  $DHC$  = Developing Human Capital,  $EP$  = Ethical Practice, and  $OC$  = Organizational Control.

The regression model indicates a positive relationship between Strategic Leadership variables: Determining Strategic Direction, Developing Human Capital, Ethical Practice and Organizational Control. Hence a unit increase in Determining Strategic Direction, Developing Human Capital, Ethical Practice and Organizational Control causes a 31.6%, 29.2%, 27%, and 42% increase in NFPs Organizational Performance respectively. Therefore not-for-profit organizations needs to pay more attention to Determining Strategic Direction, Developing Human Capital, Ethical Practices and Organizational Control (in that order) in order to improve their Organizational Performance. This study also sought to investigate several hypotheses summarized in Table 3.

**Table 3: Summary of the hypothesis test results**

Hypothesis	R	R <sup>2</sup>	B	Sig.	Decision
Strategic leadership significantly influences NFPs Organizational Performance	0.721	0.520	0.672	0.000	Reject null hypothesis, Accept the Research hypothesis
Determining Strategic Direction significantly affects NFPs Organizational Performance	0.676	0.457	0.603	0.000	Reject null hypothesis, Accept research hypothesis
Developing Human Capital significantly affects NFPs Organizational Performance	0.675	0.456	0.533	0.000	Reject null hypothesis, Accept research hypothesis
Ethical Practice significantly influences NFPs Organizational Performance	0.405	0.164	0.231	0.301	Accept null hypothesis, Reject research hypothesis
Organizational Control significantly influences NFPs Organizational Performance	0.312	0.098	0.172	0.073	Accept null hypothesis, Reject research hypothesis

**Table 4: General correlation of the study variables**

		OP	DSD	DHC	EP	OC
OP	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	309				
DSD	Pearson Correlation	.676**	1			
	Sig. (2-tailed)	.000				
	N	309	309			
DHC	Pearson Correlation	.675**	.734**	1		
	Sig. (2-tailed)	.000	.000			
	N	308	308	308		
EP	Pearson Correlation	.405**	.475**	.472**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	308	308	308	308	
OC	Pearson Correlation	.312**	.341**	.294**	.138*	1
	Sig. (2-tailed)	.000	.000	.000	.015	
	N	307	307	307	307	307

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\*. Correlation is significant at the 0.05 level (2-tailed).

From the Correlations in Table 4, it can be seen that the Pearson correlation coefficient (r) value for OP and DSD is 0.675 and is positive. The number of respondents in the sample (n) that answered both items was 307. The p-value for this correlation coefficient is .000. This indicates a strong relationship and that the coefficient is significantly different from 0. This correlation is significant at 1% level of significance. It can be concluded that for not-for-profits organizational performance to improve there is evidence that determining strategic direction is related to organizational performance. Hence the more strategic leaders get involved in determining strategic direction, the greater the not-for-profits organizational performance is. From the Correlations Table 4, it can also be seen that the Pearson correlation coefficient (r) value for OP and DHC is 0.676 and which is positively correlated between the two variables. The number of respondents in the sample (n) that answered both items was 307. The p-value for this correlation coefficient is .000. This indicates a strong relationship and that the coefficient is significantly different from 0. This correlation is significant at 1% level of significance. It can be concluded that for not-for-profits organizational performance to improve there is evidence that developing human capital is related to organizational performance. Hence the more strategic leaders get involved in developing human capital, the greater the not-for-profits organizational performance is. From the Correlations in Table 4, it can be seen that the Pearson correlation coefficient (r) value for OP and EP is 0.405. The number of respondents in the sample (n) that answered both items was 307. The p-value for this correlation coefficient is .000. This indicates a strong relationship and that the coefficient is significantly different from 0. This correlation is significant at 1% level of significance. It can be concluded that for not-for-profits organizational performance to improve there is evidence that ethical practice is related to organizational performance. Hence the more strategic leaders get involved in ethical practices, the greater the not-for-profits organizational performance is. These are perfect correlations between variables and themselves. Further Table 4, indicates the Pearson correlation coefficient (r) value for OP and OC is 0.312. The number of respondents in the sample (n) that answered both items was 307. The p-value for this correlation coefficient is .000. This indicates a strong relationship and that the coefficient is significantly different from 0. This correlation is significant at 1% level of significance. It can be concluded that for NFPs Organizational Performance to improve there is evidence that OC is related to organizational performance. Hence the more strategic leaders get involved in organizational control, the greater the not-for-profits organizational performance is. These are perfect correlations between variables and themselves.

#### 4.4.1 The extent of the influence of DSD on NFPs Organizational Performance

The results in Table 4 indicate that Determining Strategic Direction (DSD) has a significant influence on NFPs Organizational Performance. This is shown by the coefficient value of  $t_{obt}=5.867>1.96$ , very high and greater than 1.96. The  $t$ -value= $5.867>1.96$  and  $p$ -value= $0.000<0.05$ . Therefore the null hypothesis is rejected



and the research hypothesis accepted, thus determining strategic direction significantly influences not-for-profit organizational performance in Kenya. Table 4 indicates that holding other Strategic Leadership variables constant, on average, Determining Strategic Direction has a beta value of 0.316. This means that, a unit increase in Determining Strategic Direction will impact Organizational Performance by 31.6% in direct relationship in Not-for-Profit Organizations.

#### 4.4.2 The extent of the influence of DHC on NFPs Organizational Performance

The results in Table 4 indicate that Developing Human Capital (DHC) has a significant positive influence on NFPs Organizational Performance. This is shown by the coefficient value of  $t_{obt}=6.248>1.96$ , very high. The t-values should be greater than 1.96 and in the current study it is found to be greater than the rule of thumb. The t-value= $6.248>1.96$  and p-value= $0.000<0.05$ . Therefore the null hypothesis is rejected and the research hypothesis accepted, thus developing human capital significantly influences not-for-profit organizational performance in Kenya. Table 4 also indicates that holding other strategic leadership variables constant, on average, developing human capital has a beta value of 0.292. This means that, a unit increase in developing human capital will impact NFPs organizational performance by 29.2% in direct relationship.

#### 4.4.3 The extent of the influence of EP on NFPs Organizational Performance

The results in Table 4 indicate that ethical practices (EP) have very little influence on NFPs organizational performance. This is shown by the coefficient value of  $t_{obt}=1.060<1.96$ . The t-values should be greater than 1.96 and in the current study this is not the case. The t-value= $1.060<1.96$  and the p-value= $0.301>0.05$ . Therefore the null hypothesis is accepted and the research hypothesis rejected, thus ethical practice does not significantly influence not-for-profit organizational performance in Kenya. Table 4 also indicates that holding the other strategic leadership variables constant, on average, ethical practices has a beta value of 0.027. This means that, a unit increase in ethical practices will impact NFPs organizational performance by 2.7% in direct relationship. Although the model shows a positive relationship, the influence of Ethical Practice on not-for-profits organizational performance is very little as indicated by the value of 2.7%.

#### 4.4.4 The extent of the influence of OC on NFPs Organizational Performance

The results in Table 4 indicate that organizational control (OC) has little influence on not-for-profits organizational performance. This is shown by the coefficient value of  $t_{obt}=1.802<1.96$ . The t-values should be greater than 1.96 and in the current study this is not the case as the result of the t-value= $1.802<1.96$  and despite that the p-value= $0.073>0.05$ . Therefore the null hypothesis is accepted and the research hypothesis rejected, thus organizational control does not significantly influence not-for-profit organizational performance in Kenya. Table 4 also indicates that holding other strategic leadership variables constant, on average, organizational control has a beta value of 0.042. This means that, a unit increase in

organizational control will impact NFPs organizational performance by 4.2% in direct relationship. Although the model shows a positive relationship, the influence of organizational control on NFPs organizational performance is very little as indicated by the value of 4.2%.

### 5.1 RECOMMENDATIONS FOR FURTHER STUDY

The following recommendations were made based on the findings of the study:

- i) This study recommends that not-for-profit organizational leaders find ways on how to implement strategic leadership practices.
- ii) This study recommends that not-for-profits to be more clear on the direction to pursue with their limited resources.
- iii) This study recommends enhanced utilization of human capital for better NFP impact.
- iv) This study recommends further investigation on the importance of ethical practices for not-for-profit organizations.
- v) This study recommends further investigation on the role of organizational control in not-for-profit organizations.

### 5.2 CONCLUSION

The main objective of this study was to find out the influence of strategic leadership on organizational performance of not-for-profit organizations. The results of this study established that there was a significant positive relationship between Determining Strategic Direction (DSD), Developing Human Capital (DHC), Ethical Practices (EP), Organizational Control (OC) and NFPs Organizational Performance (OP). Specifically, this study established that there was 53.2% of corresponding change in the organizational performance of not-for-profit organizations for every change in all the four predictor variables jointly. Test of overall significance on the four variables jointly, Determining Strategic Direction, Developing Human Capital, Ethical Practices and Organizational Control using ANOVA, at 5% level of significance found the model to be significant ( $p=0.000<0.05$ ). These findings demonstrate that if strategic leadership is properly used it can enhance not-for-profits organizational performance. These findings concur with other studies, for instance according to Analoui and Samour (2012), the success of a non-profit organization (NPO) often depends on formulating strategies suitable for the competitive environmental realities the organization confronts. According to Mahmoud and Yusif (2012), not-for-profits are in the business of meeting the needs of their beneficiaries. This is also supported by O'Reilly, Caldwell, Chatman, Lapid and Seif (2010) who acknowledged that leaders' effectiveness was significant in performance improvement. This view is also agreeable with the study by Ojokuku, Odetayo and Sajuyigbe (2012) who found that leadership predicts organizational performance. Similarly a study by Riaz and Haider (2010) observed that effective leadership play an important role in the growth and performance of an organization. Therefore, this study supplements the body of knowledge on the importance of strategic leadership in not-for-profit organizational performance.

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