

The Role Of Determining Strategic Direction On Not-For-Profit Organizational Performance In Nairobi County In Kenya

Daniel Mwendwa Kitonga, Walter Okibo Bichanga, Benjamin Kyalo Muema

Abstract: This paper sought to examine the link between strategic leaders' practice of determining strategic direction and organizational performance. An embedded mixed method research assessing the impact of strategic leadership variable – determining strategic direction 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 determining strategic direction and organizational performance. The results found r value of 0.676 and r^2 value of 0.457 that is 45.7% of corresponding change in the organizational performance of not-for-profits for every change is explained by the predictor variables. The findings demonstrate that if not-for-profit leaders clearly determine the organizations' strategic direction, they are likely to improve their organizational performance significantly. This paper examined how determining strategic direction (strategic planning) in not-for-profit organizations in Nairobi County in Kenya. Future research that seeks to replicate these findings is recommended. This paper proposes the study of determining strategic direction (strategic planning) as way of improving strategic leadership practices hence enhancing not-for-profit organizational performance.

Key words: Strategic leadership, determining strategic direction, organizational performance, not-for-profit organizations.

1. INTRODUCTION

Determining the strategic direction of any organization is an important role which cannot be left without proper leadership. Not-for-profit organizations like their counterparts, the for-profit organizations require proper determination of the direction in which the organization is pursuing. Many failures in organizations have been attributed to the failure of the leadership to plan. A number of not-for-profit organizations have also suffered this fate despite the need of their services by the marginalized.

2. Study background

Globally, not-for-profits have been noted as among the fastest growing types of organizations with some holding huge budgets even bigger than those of the host countries (Hall, 2005; Worth, 2009). The study of not-for-profit organizations is observed to be gaining ground globally. This interest reflects a growing realization among not-for-profit managers as well as leaders, administrators, policy makers and researchers that leading not-for-profit organizations in 21st century requires a different kind of leadership. Nonprofit organizations are self-governing private organizations that do not make a profit for owners or members, but they do offer certain benefits to the public for which they may or may not charge a fee for (Nahavandi, 2012; Worth, 2009). According to Ahmed (2013) not-for-profits have brought several issues despite its increased growth that require immediate action.

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. 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. Banks and Hulme (2012) found a mixture of sociopolitical environments in NGOs. For instance, in Philippines, the inability of political parties to secure representation and participation was noted to have created a vacuum for which NGOs had to step in (Clark 1998). Banks and Hulme (2012) observed that Africa has experienced NGO boom beginning in the 1990s. 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). 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). Kenya experienced a rapid increase in registered NGOs, from 400 in 1990 to over 6,000 in 2008 (Brass, 2012). Further in Kenya not-for-profits 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. 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. Despite this growth these organizations continue to face diverse challenges in resource mobilization, technical capacity and leadership. Therefore not-for-profits 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). Ahmed (2013) observed there were no doubt the responsibilities and work environments of not-for-profit leaders were important. However 21st century not-for-profit organization leaders must address the challenges of strategic management as well as organizational performance.

- Daniel Mwendwa Kitonga, Walter Okibo Bichanga, Benjamin Kyalo Muema
- Jomo Kenyatta University of Agriculture and Technology

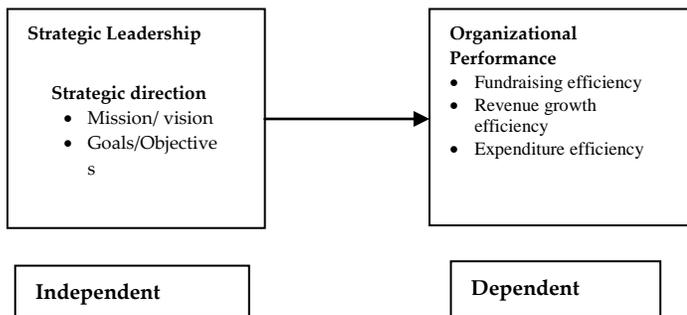
3. Statement of the problem

Not-for-profit organizations across the globe offer diverse essential services in areas like education, healthcare, disaster relief, social work, etc., for the overall improvement of the human condition (Ahmed, 2013). These not-for-profits 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 not-for-profits and with their target communities. Due to these challenges and diversity in the not-for-profits characteristics, some scholars argue that strategic leaders need to determine the strategic direction of their organizations. Therefore this study sought to examine the role of determining strategic direction by not-for-profit organizational leaders to find out how this influences organizational performance in Nairobi County in Kenya.

4. Conceptual framework

This figure illustrates the perceived correlation between strategic leadership practices, that is, determining strategic direction and organizational performance for this study.

Figure 1: Conceptual framework



5. Empirical review

Ireland and Hitt (1999) identified determining strategic direction as a critical strategic leadership variable which refers to developing a long-term vision for the organization. This means that the organization’s leaders must think about the organizations “future” direction (normally 5 to 10 years forward). Bryson (2011) observed the importance of strategic direction setting in organizations and stated that “strategic planning can help leaders and managers of public and nonprofit organizations think, learn, and act strategically”. This view was also supported by Toole (2010) who observed that for many nonprofits, strategic planning can be a vital step in achieving success. Arasa and K’Obonyo (2012) found there was a positive correlation between strategic planning and firm performance with the Pearson correlation coefficient of 0.616. Okibo and Masika (2014) observed that leadership was important in monitoring strategic planning and its implementation in an organization. Salkić (2014) established that the use of strategic planning in public organizations enables more rational, efficient and effective management of organizational resources. Likewise Akinyele and Fasogbon (2010) established that strategic planning enhances better organizational performance. According to Lear (2012)

determining strategic direction is focusing on the organization on a long-term vision with a view to at least five years in the future. Hence, the choice of strategic direction is of vital importance to the organization’s success. Holloway (2012) found that many non-profit organizations globally are small, ill equipped, and undercapitalized to respond to the growing demands of the public hence the need for strategic leadership. Owolabi and Makinde (2012) revealed that there is a significant positive correlation between strategic planning and corporate performance. According to Lear (2012) determining the organization’s direction refers to developing a long-term vision by the strategic leader. This is a very important component of strategic leadership. Salkić (2014) established that the use of strategic planning in public organizations enables more rational, efficient and effective management of organizational resources. Therefore strategic leaders have the responsibility to explicitly display and explain the mission statements of their organizations which enables everyone to understand the overall direction of the organization. Therefore in this section determining strategic direction was found to be important for strategic leaders and hence necessary also for NFPs.

6. Findings

The main hypothesis for this study was:

H₁: Determining Strategic Direction significantly influences not-for-profits Organizational Performance.

$$Y = \beta_0 + \beta_1 X_1 + \epsilon_i \dots\dots\dots 1$$

Where Y = NFPs Organizational Performance, and β_0 = constant, β_1 = the model regression coefficient or parameter, X_1 = Determining Strategic Direction, and ϵ_i = error term.

Table 1: Model fit summary

Model	r	r Square	Adjusted r Square	Std. Error of the Estimate
1	.676 ^a	.457	.455	.40075

The results of the model in Table 1 shows the influence of determining strategic direction and organizational performance are shown in Table 1. The r value of 0.676, read as 67.6% indicates presence of a strong relationship between determining strategic direction and the not-for-profits organizational performance. The r square indicates an average goodness-of-fit of the model, thus, 45.7% of the variance in organizational performance is explained by determining strategic direction. According to these results, it can be inferred that 45.7% of the variability in the success of not-for-profits organizational performance is accounted for by determining strategic direction, while the remaining 54.3% could be attributed to other unspecified factors.

Table 2: Coefficients^a for DSD/ OP

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	.852	.152	5.603	.000
	DSD	.603	.038	16.079	.000

a. Dependent Variable: OP

The model in equation 1 can be fitted using the data in Table 2 thus:

$$Y = 0.852 + 0.603X_1$$

The value of $\beta_1 = 0.603$, which measures the slope of the regression line, shows that, as determining strategic direction input increases by 1%, the estimated increase in the mean organizational performance is 60.3%. That is, each additional unit in determining strategic direction, on average, causes an increase in organizational performance of 60.3%. The value of $\beta_0 = 0.852$, which is the intercept of the line, indicates an average increase of organizational performance when determining strategic direction is zero. Table 2 also shows that both t-values and p-values for determining strategic direction are significant with t-value of 16.079 and p-value of 0.000. Table 2 confirms the assumption of the study that not-for-profits organizational performance increases as determining strategic direction increases (direct positive relationship). These findings postulate a positive correlation between strategic planning and firm performance (Arasa & K'Obonyo, 2012; Gu, Weng and Xie, 2012). These findings concurs with Ireland and Hitt (1999) that strategic leadership is needed in 21st century firms involved in building company resources and capabilities with an emphasis on intangible human capital.

Table 3: Normality test for determining strategic direction

	Shapiro-Wilk Normality Test		Sig.
	Statistic	df	
DSD	.952	309	.000

Table 3, presents a p-value of 0.000 which is less than 0.05. According to this result, since the p-value is less than .05, hence we can be 95% certain that the data of this study on determining strategic direction is not normally distributed. The data are not normally distributed because the p-value from the Shapiro-Wilk test is smaller than 0.001, and its therefore significant ($p < \alpha$ of 0.05). These findings are a proof that determining strategic direction influences not-for-profit organizational performance. The observed value of the Shapiro–Wilk statistic is: $W = 0.952$. The exact probability of the outcome, $W = 0.952$, is: p-value = 0.0000. Since the p is less than .05, we can be 95% certain that the data are not normally distributed. In other words, the null hypothesis is probably false.

7. Conclusion

This study sought to find the influence of determining strategic direction on not-for-profit organizational performance in Nairobi County in Kenya. Empirical review established that strategic leadership is a key factor in not-for-profits organizational performance across the globe.

This conclusion is supported by the study of Oladele et al, (2013) who showed the influence of strategic leadership on organizational development in SMEs for supportive leadership style ($F = 210.96$, $p < 0.05$), inspirational leadership style ($F = 42.81$, $p < 0.05$), and commanding leadership style ($F = 5.55$, $p < 0.05$). Other studies that established significant correlation between determining strategic direction and organizational performance are Hitt & Ireland, (2002), Serfontein, (2010), Lear, (2012), Obiwuru et al, (2011), Seleim et al, (2006), and Bryson, (2011). According to Carter and Greer (2013) clarifies the need of strategic leaders in achieving the triple bottom line performance measures, hence the need for greater understanding the factors that determine the performance of strategic leaders.

8. References

- [1] Ahmed, S. (2013). Effective not-for profit management: Context, concepts, and competencies. CRC Press Taylor & Francis: New York.
- [2] Akinyele, S. T., & Fasogbon, O. I. (2010). Impact of strategic planning on organizational performance and survival. *Research Journal of Business Management*, 4(1), 73-82.
- [3] Aksel, I., & Baran, M. (2006). Organizational problems of non-governmental organizations (NGOs). In: The 3rd International NGO's Congress, December, 9-10.
- [4] Amagoh, F., & Kabdiyeva, A. (2012). Management Issues for Improving NGO Sustainability in Kazakhstan. *World*, 2(3), 31-40.
- [5] Anheier, H. K. (2005). *Nonprofit organizations: Theory, management, policy*. New York, NY: Routledge.
- [6] Arasa, R., & Kioko, M. An Examination of the NGO Sector Competitive Environment in Kenya. *IOSR Journal of Business and Management (IOSR-JBM)* Volume 16, (2), 128-134.
- [7] Banks, N., & Hulme, D. (2012). 'The role of NGOs and civil society in development and poverty reduction', In: Turner, M., McCourt, W. & Hulme, D. (2013). *Governance, Management and Development*, (2nd Ed.), London, Palgrave.
- [8] Barr, A., Fafchamps, M., & Owens, T. (2005). The governance of non-governmental organizations in Uganda. *World Development*, 33(4), 657-679.
- [9] Boal, K. B., & Hooijberg, R. (2001). Strategic leadership research: Moving on. *The Leadership Quarterly*, 11(4), 515-549.
- [10] Brass, J. N. (2012). 'Why do NGOs go where they go? Evidence from Kenya', *World Development*, 40(2): 387-401.

- [11] Bromideh, A. A. (2011). The widespread challenges of NGOs in developing countries: Case studies from Iran. *International NGO Journal*, 6(9), 197-202.
- [12] Bryson, J. A. (1998). A Strategic Planning Process for Public and Non-profit Organizations, *Long Range Planning*, 21(1), 73-81.
- [13] Clarke, G. (1998). Non-governmental organizations (NGOs) and politics in the developing world. *Political studies*, 46(1), 36-52.
- [14] Finkelstein, S., Hambrick, D. C., & Cannella, B., (2009). *Strategic Leadership: Theory and research on executives, top management teams, and boards*. New York: Oxford University Press.
- [15] Gu, J., Weng, Q., & Xie, F. (2012). Leadership, team and decision speed: empirical study using cross-provincial data. *Chinese Management Studies*, 6(4), 598-609.
- [16] Hall, P. D. (2005). Historical perspectives on nonprofit organizations in the United States. In: R. D. Herman (Ed.), *The Jossey-Bass handbook of nonprofit leadership and management* (2nd Ed., pp. 3-38). San Francisco, CA: Jossey-Bass.
- [17] Hearn, J., (2007). 'Roundtable: African NGOs: the new compradors?' *Development and Change*, 38(6), 1095-1110.
- [18] Holloway, J. B. (2012). Leadership behavior and organizational climate: An empirical study in a non-profit organization. *Emerging Leadership Journeys*, 5(1), 9-35.
- [19] Ireland, R. D., & Hitt, M. A. (1999). Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership. *The Academy of Management Executive*, 13(1), 43-57.
- [20] Kanyinga, K., & Mitullah, W. (2007). *The non-profit sector in Kenya*. Nairobi, Kenya: Institute for Development Studies, University of Nairobi.
- [21] Kareithi, R. N., & Lund, C. (2012). Review of NGO performance research published in academic journals between 1996 and 2008. *South African Journal of Science*, 108(11-12), 36-44.
- [22] Lear, L. W. (2012). *The relationship between strategic leadership and strategic alignment in high-performing companies in South Africa*. (Doctoral thesis) University of South Africa, Pretoria.
- [23] Lekorwe, M., & Mpabanga, D. (2007). Managing non-governmental organizations in Botswana. *The Public Sector Innovation Journal*, 12(3), 1-18.
- [24] Lewis, D., & N. Kanji, (2009). *Non-governmental organizations and development*, Abingdon, UK: Routledge.
- [25] Matei, A., & Apostu, D. C. (2013). Non-governmental Organizations as Agents of Modernization: A Romanian Perspective. *Procedia-Social and Behavioral Sciences*, 81, 142-146.
- [26] Mugambi, K. W., & Theuri, M. F. S. (2014). The challenges encountered by county governments in Kenya during budget preparation. *IOSR Journal of Business and Management*, 16, 128-134.
- [27] Nahavandi, A. (2012). *The art and science of leadership* (6th Ed.). Upper Saddle River, New Jersey: Prentice-Hall.
- [28] NGO Coordination Board (2014). *Strategic plan 2014 – 2017*. Nairobi: NGO Council.
- [29] Okibo, B. W., & Masika, E. (2014). Factors affecting monitoring of the strategic plan: A case of Kenya Seed Company, *Journal of Business and Management*, 16 (4) 14-20.
- [30] Okorley, E. L., & Nkrumah, E. E. (2012). Organizational factors influencing sustainability of local non-governmental organizations: Lessons from a Ghanaian context. *International Journal of Social Economics*, 39(5), 330-341.
- [31] Oladele, O. P., Akeke, N. I., Adebisi, O. S., & Adeusi, S. O. Effects of strategic leadership styles on organisational development in small and medium enterprises (SMEs) in Lagos, Nigeria, *Net Journal of Social Sciences*, 1(2), 54-60.
- [32] Owolabi, S. A., & Makinde, O. G. (2012). The Effects of Strategic Planning on Corporate Performance in University Education: A Study of Babcock University. *Kuwait Chapter of the Arabian Journal of Business and Management Review*, 2(4), 27.
- [33] Pevcin, P. (2012). Analysis of cross-country differences in the non-profit sector size. *Prague Economic Papers*, (2), 186-204.
- [34] Phipps, K. A. & Burbach, M. E. (2010). Strategic leadership in the nonprofit sector: Opportunities for research. *Journal of Behavioral and Applied Management*, 137-154.
- [35] Polonsky, M., & Grau, S. L. (2011). Assessing the social impact of charitable organizations - four alternative approaches. *International journal of nonprofit and voluntary sector marketing*, 16(2), 195-211.
- [36] Salamon, L. M., Hems, L. C., & Chinnock, K. (2000). *The nonprofit sector: for what and for whom?* Johns Hopkins Center for Civil Society Studies.

- [37] Salkić, I. (2014). Impact of strategic planning on management of public organizations in Bosnia and Herzegovina. *Interdisciplinary description of complex systems*, 12(1), 61-77.
- [38] Seleim, A., Ashour, A., & Bontis, N. (2007). Human capital and organizational performance: A study of Egyptian software companies. *Management Decision*, 45(4), 789-801.
- [39] Serfontein, J. J. (2010). The impact of strategic leadership on the operational strategy and performance of business organizations in South Africa (Doctoral dissertation), Stellenbosch: University of Stellenbosch, South Africa.
- [40] Tabassum, A. (2012). Performance appraisal practices in a developing country: Case study of a NGO in Bangladesh. *Researchers World*, 3(2 Part 2), 1.
- [41] Toor S. & Ofori G. (2009). "Ethical leadership: Examining the relationships with full range leadership model, employee outcomes, and organizational culture, *Journal of Business Ethics*, (90), 533–547.
- [42] Worth, M. J. (2009). *Nonprofit management: Principles and practice*. Thousand Oaks, CA: Sage Publications.