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**Influence of Strategic Leadership on Financial
Sustainability of NGOs in Kenya**

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Abstract

Purpose: Strategic leadership is capability of the leadership to keep on reinventing motives for the organization's sustained presence. The leader must have the ability to focus on the organization's operational activities and at the same time monitor the changes that affect the organization, both internally and externally. Such changes are bound to determine the existence of the organization in the future and they are prospects to grow the firm. The purpose of this study is to evaluate the influence of strategic leadership on financial sustainability of NGOs in Kenya.

Methodology: A desktop literature review was used for this purpose. Relevant seminal references and journal articles for the study were identified using Google Scholar. The inclusion criteria entailed papers that were not over 10 years old.

Findings: Strategic leadership requires expertise in managing both internal and external business environment and engage in a complex information processing. Strategic leadership is not only concerned with the possession of unique abilities that allows for the absorption and learning of new information and ideas, but having the adaptive capacity to appropriately respond to the dynamism and complexity of the external environment. Strategic leadership actions significantly influence performance. The study concludes that there is a positive relationship between the use of strategic planning and organizational performance in today's corporate environment.

Unique Contribution to Theory, Policy and Practice: The researcher recommended that balanced organizational controls should be effectively applied to realize good performance. The findings also recommended NGOs leaders should use the strategic leadership well since they are likely to improve their organizational performance significantly.

Keywords: *Strategic Leadership, NGOs, Financial Sustainability*

INTRODUCTION

Strategic leadership is a managerial capability of a firm expect, predict, keep flexibility, and endow others to generate strategic change and a feasible future of the firm (Kjelin, 2009). It is therefore the capability of the leadership to keep on reinventing motives for the organization's sustained presence. The leader must have the ability to focus on the organization's operational activities and at the same time monitor the changes that affect the organization, both internally and externally. Such changes are bound to determine the existence of the organization in the future and they are prospects to grow the firm. The performance of any firm is dependent on its leaders (Finkelstein & Hambrick, 2008).

Businesses go down if the leadership aches from the flaws like inability to convince its employees to follow its vision; the failure to counter or recognize threats; misjudging their capability to manage the business' external environment; inability to separate personal needs and those of the firm; a conviction that they are able to tackle all situations, sacking any staff that differ with them; and underrating impediments that have occurred in the past.

The main significance of any leader is to nurture their followers' abilities. Therefore, the role of leaders is to convert the work place into a place they can achieve their full potential (Sharma, 2007). An organization earns substantial results in terms of allegiance, output, inventiveness and dedication to the organization's compelling objective if its leaders commit themselves to unshackle as opposed to suffocate the abilities of the people they lead (Goffee & Jones, 2006). Strategic leadership concept provides the required values and abilities for the owners and managers of SMEs to enable them succeed in running their businesses. The ability to anticipate and position an organization to the dynamic business environment plays an essential part in the continued survival and success of a business.

There are five main practices of strategic leaders: determining strategic purpose and vision, effective management of the resources of the firm, fostering effective culture in the firm, underlining all operations with ethical considerations, and establishing a balance between. Strategic leadership involves creating long term purpose and vision of the firm. The purpose and vision of an organization bring into line the activities of all people in the firm (Mishra, 2018). A good vision is lively and everyone in the firm comprehend it and act by it. It is also full of ambition and energy; hence employees keep talking about their firm's purpose and vision. However, firms fall into a trap when leadership are fixated on their vision and ignore emerging market prospects (Escajeda, 2018)

Strategic leaders have a task of administering resources of the organization. The resources can be classified into social capital, financial capital and human capital (Adeyemo, 2021). Adegbile (2018), alludes that it is essential to foster human capital if strategic leadership is required to be achieved. Harris (2018) stated that a firm achieves competitive advantage over its competition using its available resources.

A culture of a firm is a collection of core beliefs and behaviors, which are shared within the organization and impacts the way operations are steered. Every firm has a culture that assist to express the framework in which employees' conduct is distinguished and adjudged (Mahndi, 2018). Culture enables a firm to regulate their employees' conduct since it determines how a firm operates. This is a core foundation and an advantage over its rivals.

Organizations which base their actions on ethical principles are able to effectively accomplish their strategies. Companies with leadership that prioritizes moral considerations inspire and allow staff at all echelons of the firm to perform ethically when striving to achieve the firm's strategies (Herero, 2019). Organizations are required to recruit strategic leaders that embrace ethical practices as an element of their enduring vision for the organization, those who wish to act in the right manner and with honest and integrity (Robertson, 2013).

Controls are important since they enable an organization to achieve its desired outcomes (Redding, 2018). Controls are structures used by a firm to uphold or alter patterns in its operations. Controls assist strategic leaders develop reliability, validate the importance of strategies to the organization's participants and endorse and back strategic change (Escajedo, 2018). According to Hitt and Hoskisson (2016), the organization's ability to regulate and check progression for tasks and outcomes need to be adequately developed. Leaders are accountable for the creation and usage of the available internal controls

The core purpose of strategic leadership theory and research is to understand how much influence top executives have over performance (Singh et al., 2016). Empirical and conceptual studies have shown that strategic leadership actions significantly influence performance (Quigley & Graffin, 2017). Unfortunately, other studies conclude that their actions are impeded by situational constraints, inertia or random effects, such that they don't have much leeway over performance (Fitza, 2017). These divergent findings indicate either a lack of evidence in establishing a direct association between strategic leadership and performance or of the many confounding variables that make it difficult to demonstrate a clear cause and effect (Knies et al., 2016). Hambrick & Quigley (2014) point out that scholars are yet to agree on the conceptualization and operationalization of contextual conditions strategic leaders face. Various scholars have argued that methodological and statistical limitations, unavailability of relevant control variables and contexts have systematically undermined the effect of strategic leadership on performance (Fitza, 2017; Hambrick & Quigley, 2014; Blettner et al., 2012;). Jaleha, (2018) observe that studies on strategic leadership are limited since many have used demographic variables as substitutes for moderating or mediating variables. Crossan et al., (2018) argue that many studies have excluded critical organizational and environmental variables that might moderate or mediate such a relationship.

Additionally, empirical literature has solely examined the impact of strategic leadership at the micro levels without integrating both the micro and macro perspectives of leadership (Bornardi et al., 2018; Kim et al., 2014). To date, very little research has analyzed the direct and indirect relationships between strategic leadership, external environment, organizational change and performance variables. Morales et al., (2018) admit by pointing out that few studies on strategic leadership have systematically traced the causal path of its effect on performance by examining the intermediate influence of different strategic variables. This paper seeks to fill these research gaps by reviewing conceptual and empirical literature on how the external environment and organizational change as moderators and mediators respectively could influence the relationship between strategic leadership and organizational performance. The theoretical foundation of this paper is Hambrick & Mason's (1984) upper echelons theory (UET). The theory assumes that performance is significantly influenced by the idiosyncratic background characteristics, values and knowledge of members of the dominant coalition occupying influential managerial positions in the apex organization (Quigley & Hambrick, 2015).

The study and scope of strategic leadership focuses on a small group of executives referred to as the chief executive officers (CEO), top management teams (TMT) and the board of directors who have the overall responsibilities of an organization (Lord et al, 2016; Strand, 2014). Despite its importance to performance, strategic leadership researchers and practitioners are yet to agree on a common definition (Allio, 2013). Irrespective of the diverse terminologies and disconnected constructs used in past strategic leadership studies, Bass (2007) defines it as a group of chief executive officers (CEO) who set overall policies for acquiring and integrating resources for an organization.

Strategic leadership is concerned with capabilities of creating a sense of purpose and direction, critical enablers that allow interaction with key internal and external stakeholders in pursuit of high performance (Withers,2017). Carter & Greer (2013) view of strategic leadership is anchored on the thinking and visionary capabilities of strategic leadership whose aim is to create an organization that is transformative. Shoemaker & Krupp (2015) argue that strategic leadership is not only concerned with the possession of unique abilities that allows for the absorption and learning of new information and ideas, but having the adaptive capacity to appropriately respond to the dynamism and complexity of the external environment. They further posit that such abilities allow strategic leaders to continuously and tactically adjust the organization in response to the uncertain environment. Scholars have generally enriched the quality of strategic leadership with insights from charismatic, transformational, visionary, adaptive, transactional, servant, reflective, transcendental and empowered leadership respectively (Quigley, 2017).

Adaptive, transactional, servant, reflective, transcendental and empowered leadership can be viewed as types of charismatic, visionary and transformational styles that focus on the leadership of the self, others and of the organization respectively (Crossan, 2018). Specifically, strategic leadership has been described by most scholars as encompassing a core of critical practices, which include: determining the long term goals of the organization; exploring and exploiting an organization's core capabilities; managing the human and social assets; inculcating a sustainable organizational culture; emphasizing ethical values and formulating and implementing balanced control systems that will not hinder continuous transformation but at the same time ensure organizational stability.

Most recent studies on the influence of strategic leadership on performance suggest that it is substantial (Quigley & Graffin, 2017). Thus, it is critical for scholars to pinpoint essential strategic leadership behaviors or practices that will lead to high levels of performance (Mutia 2015; Jansen et al., 2009; Joste & Fourie 2009). Unfortunately, due to inertial forces in the form of organizational and other environmental constraints, some studies have demonstrated that on average, strategic leadership has limited leverage on performance (Fitza, 2017; Hambrick & Quigley, 2014). A possible explanation for these empirical gaps could be how strategic leadership and performance have been conceptualized and measured and the probable intermediate effects of the moderating and mediating variables.

Strategic leadership can be defined as “the leader’s ability to predict, maintain flexibility and to empower others to create strategic change as necessary” (Hitt et al., 2012;). It is multi-functional and relates to managing others as well as organizations in managing the challenges of today’s globalized business environment. Strategic leadership also requires expertise in managing both internal and external business environment and engage in a complex information processing

(Deeboon-mee & Ariratana, 2014). Over the past 20 years, the field of strategic leadership has undergone many changes. Good business leaders are able to identify and overcome obstacles that exist at a practical level. Distinct elements describe a leadership environment in three levels: complexity, time horizons and focus (Guillot, 2013).

LITERATURE REVIEW

Adetowubo (2018) conducted a study to examine the impact of strategic planning on organizational performance of selected manufacturing organizations in Lagos, Nigeria. It appraises the effect of the concepts on the Nigerian manufacturing industry, using Unilever Nigeria Plc. and May & Baker Nigeria Plc. as case studies. A sample size of one hundred and seventy-one (171) respondents was used in this study, which was determined using Yards formula. The objectives of the study was to examine how external orientation influences the market share of an organization. To ascertain that internal orientation leads to improved market share of an organization. To determine how functional areas coverage in planning affects sales volume. To investigate if resources provided for in the strategic planning affect sales volume. To determine the role of organizational culture in moderating the correlation between strategic planning and organizational performance. Research questions were set alongside five (5) hypotheses that were formulated and tested, descriptive statistics comprising the simple percentage and tables for a detailed presentation were used. The correlation and regression analysis were adapted for this study. The findings reveal that there is a positive relationship between the use of strategic planning and organizational performance in today's corporate environment.

Waleed (2016) conducted a study to examine the relationship between strategic leadership and organization performance in Jordan Industrial Estates Company. Self-administration questionnaire was used as a quantitative instrument to collect the data. The simple random sample of 30 employees from Jordan industrial estate company (JIEC) was the sample for this study. Statistical Package for the Social Sciences (SPSS) was used to determine the relationship between variables. The results of this study showed a positive relationship between strategic leadership and organization performance.

Nyamao (2016) conducted a study that was aimed at establishing the effect of strategic leadership on performance of small and medium enterprises in Kenya. Descriptive survey design was used. The target population consisted of 3,001 registered SMEs in Kenya. 301 SMEs were selected as a sample using stratified sampling technique. Respondents were the owners and managers of the organizations. Collection of primary data was done through a structured questionnaire. The response rate of this study was 56% based on 170 respondents out of 301. Descriptive statistics (standard deviations, percentages and mean) was used in the analysis. Pearson correlation analysis was also performed to determine the level of the relationship between strategic leadership and performance of the SMEs in Kenya.

Strategic leadership practices have been discussed in this study, which include: determined corporate strategic direction, effectively managed corporate resource portfolio, emphasized organizational culture, ethical practices and organizational controls that are balanced. Measures of organizational performance such as customer satisfaction, net profit margin, high annual revenue and low annual employee turnover were also studied. The two variables' level of relationship was tested using a correlation analysis and it confirmed that strategic leadership has an effect on organizational performance. Therefore, this study concluded that strategic leadership positively

affects the performance of SMEs in Kenya. The researcher recommended that balanced organizational controls should be effectively applied to realize good performance. Further studies are recommended to be undertaken to determine the effect of strategic leadership on the performance of county governments in Kenya.

Kitonga (2016) conducted a study 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 R² 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.

Dahri (2016) conducted a study to assess strategic leadership influence organizational performance in banks through knowledge management by branch managers of Karachi, Pakistan. Cross-sectional design based on random sampling method was used for 129 branch managers through questionnaire. Data collected was analyzed through Smart-PLS 3.2.8 revealed that all relations were significantly supported. This study reveals effectiveness and predicts potential benefits that banking sector may achieve while struggling in developing economies through knowledge management as key resource to induce organizational performance.

CONCLUSIONS

Strategic leadership is concerned with capabilities of creating a sense of purpose and direction, critical enablers that allow interaction with key internal and external stakeholders in pursuit of high performance. Strategic leadership requires expertise in managing both internal and external business environment and engage in a complex information processing. Strategic leadership is not only concerned with the possession of unique abilities that allows for the absorption and learning of new information and ideas, but having the adaptive capacity to appropriately respond to the dynamism and complexity of the external environment. Strategic leadership actions significantly influence performance. The study concludes that there is a positive relationship between the use of strategic planning and organizational performance in today's corporate environment.

RECOMMENDATIONS

The researcher recommended that balanced organizational controls should be effectively applied to realize good performance. The findings recommended NGOs' leaders should use the strategic leadership well since they are likely to improve their organizational performance significantly.

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