

Biographical Note

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Leaders' Risk Propensity and Age as Determinants of Organizational Growth in the Not-for-Profit-Sector

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The interest in the characteristics of organisational executives has increased as researchers have attempted to delineate effective from ineffective leaders (e.g. Rajagopalan and Datta, 1996). This interest is in part precipitated by the increasingly strategic role that business leaders play in the long-term viability of their organisations (e.g. Gupta, 1988). Most of these researchers have focused on the relationship between organisational factors and Chief Executive Officer (CEO) characteristics (e.g. Data and Guthrie, 1994). Leadership research has been deficient however in that organisation type has not been included as an important factor in this important area of inquiry. In particular, the characteristics of effective leaders of not-for-profit organisations have received little research attention.

Generally, the management literature suggests that leaders are important to the effectiveness of organisations (e.g. Thomas, 1988). Specifically, some theorists claim that leaders are more important to the effectiveness of not-for-profit organisations because their role is even more central to the success of their organisations (e.g. Hadaway, 1989). The main drawback to this line of reasoning is that there are very few research studies that have examined the importance of leaders to the effectiveness of these organisations. While Smith, Carson, and Alexander (1984) found that there were effective and less effective leaders in the not-for-profit organisation from which they drew their sample, no attributes were used to describe these effective and ineffective leaders. This is not surprising because even for the profit-oriented organisations, which have received most of the research attention over the years in the strategic management area, there are few studies that have gone to the extent of delineating effective from ineffective leaders based on their attributes. The importance of this demarcation is perhaps highlighted by theorists that have suggested that there is a need to distinguish effective leaders from those that are not in order to have the proper "manager-to-strategy fit" (Gupta, 1984).

One possible reason why strategic management researchers have not attempted to delineate effective from ineffective leaders could be attributed to the organisational perspective that has traditionally been taken by them. In general, a 'sociological' perspective, which explains and describes organisations by focusing on structural, rather than personality factors has dominated strategic management research (Perrow, 1970). Conversely, most of the leadership studies have been done from a psychological perspective and can be found primarily in the 'organisational behaviour' area (e.g. Kimberly, 1979). Miller, Kets de Vries, and Toulouse's (1982) study which examined the relationship between top executive locus of control and strategy formulation is one of the few attempts that have been made to integrate the sociological and psychological per-

spectives into strategic management research.

In general, organisations are designed on a for-profit or not-for-profit basis. While there are many researchers that have studied how for-profit enterprises are managed, we know very little about not-for-profit organisations. The preponderance of the knowledge that has been accumulated in the strategic management field deals with variables that enhance the profitability of organisations. It is important, for comparative purposes, to determine if the variables that enhance profitability also account for performance differences in not-for-profit organisations.

The majority of the researchers in the strategic management area have focused on for-profit organisations. While the newness of this area of academic inquiry might have been an acceptable excuse for neglecting not-for-profit organisational research during the early years, there appears to be no strong reasons for its continued neglect today. Consequently, there is a need for research studies that focus on the management of not-for-profit organisations.

The not-for-profit sector has been suggested in the management literature to be just as important as the for-profit sector to the United States' economy (e.g. Hatten, 1982; Stewart, 1989). Therefore, any gains in effectiveness that are made in the management of these organisations may translate at least indirectly to a more productive national economy. To academicians, especially those in the strategic management area, the knowledge gained through a focus on not-for-profit organisations can add to or solidify the knowledge that has been accumulated on the management of for-profit organisations. In other words, not-for-profit organisations could provide another context within which some of the knowledge that has been gained in the strategic management area can be tested. In addition, the practitioners - those involved in the management of not-for-profit organisations - could find this stream of research studies to be meaningful and useful.

Kotler (1982) identified two types of not-for-profit organisations: public (e.g. government agencies) and private (e.g. charities). Of these two categories, the private not-for-profit (or PNFP) organisations have received less attention in the management literature. In fact, the PNFP organisations are often referred to as the third sector of the economy. The first and second sectors of the economy are profit-making enterprises and government-based entities respectively. Higgins and Vincze (1989) identified eight major categories of third sector organisations. These categories are: religious (e.g. churches), social (e.g. service clubs), cultural (e.g. museums), knowledge (e.g. private schools), protective (e.g. trade unions), political (e.g. lobbyist groups), philanthropic (e.g. private foundations), and social cause (e.g. women's rights groups) organisations. The diversity in the PNFP sector - which at first glance may make research findings very difficult to generalise - may be one of the reasons why management researchers have distanced themselves from this area of academic inquiry. Hatten (1982) suggested that the PNFP's diversity should not discourage researchers from focusing on them because they can benefit from the application of the strategic management concepts originally developed for profit making enterprises.

Of the eight PNFP categories, the neglect of religious organisations seems specifically unwarranted because they generate an annual revenue of about fifty

billion dollars in the United States. In addition, assets like land, buildings, and volunteer work are estimated to be worth several billions of dollars (Stewart, 1989). Given the financial and social importance of this type of not-for-profit organisation to the economy, one would expect that religious organisations would have received a greater emphasis in the management literature. Unfortunately, this has not been the case. In fact, the lack of empirical studies dealing with the management of religious organisations is indicative in general of the lack of emphasis in the management literature for all PNFP organisations. While some may argue that the lack of empirical research is not surprising because religion is an emotional issue, it has been suggested that religious institutions can be properly managed or mismanaged (e.g. Kohl, 1984). Nevertheless, our goal as management researchers is to understand the factors or variables that account for success in whatever type of organisation we are investigating. As succinctly put by Kohl (1984, p.76):

“The lack of such studies, or their reports is disturbing and problematic for those of us concerned and interested in the future of the institutional church. It is even more appalling for those with knowledge of the dramatic decline of many mainstream religious organisations during the postwar era who believe...(that) business models and practices have great applicability to assist struggling parishes in developing for growth...”

In order to delineate effective from ineffective leaders, there are various biographical and personality variables from which a researcher might choose. However, one personality variable that has been found to affect the type of strategy that a leader pursues is risk propensity. It is generally assumed that leaders that are not afraid to take risks are more likely to formulate and implement aggressive, dynamic, and/or growth strategies. Risk-taking behaviour may also be a function of other demographic variables. Consequently, the following research questions are proposed: (1) is there a relationship between organisational growth and a leader's age and risk propensity, and (2) are organisations more likely to grow when they have leaders that are relatively young risk-takers?

Method

Most researchers recommend that because religious organisations are so diverse - in their beliefs, how they define and accept members, administrative freedom of each congregation, and denominational practices and policies - it is better to sample from one denomination when one is studying them (e.g. Smith et al., 1984). In addition, it was preferable to sample from within the same state because the standards for reporting organisational variables (e.g. location) may differ (e.g. Odom & Boxx, 1988). The reporting standards need to be homogeneous if researchers are to assume that organisational records are based on similar requirements. The religious organisations that are used in research studies have well-defined reporting requirements and are therefore usually one of the established denominations like the Methodist or Baptists (e.g. Odom & Boxx, 1988; Webb, 1974). The sample for this study was drawn from Arkansas' Southern Baptist.

Subjects and Sample

The churches that were selected for this study must have had the same pastor over the last four years because Hadaway (1989) found that a minister's impact

on the performance of a church will be felt within the first few years of his tenure. Five hundred and thirty eight ministers in the Arkansas Baptist State convention were randomly surveyed in 1991. One hundred and sixty-nine usable responses were received. Each questionnaire was completed by the senior pastor of the churches that were surveyed. A pre-notification letter was sent about one week before mailing the questionnaire.

Variables

Independent or predictor variables are used to estimate the expected values of the dependent or response variables (Berenson, Levine & Goldstein, 1983). The minister's age and risk propensity were the predictor variables. The dependent variable in this study distinguish growing from stagnant organisations. Specifically, the percentage increase in church membership over a four-year period was used as the dependent variable. The use of this measure is supported by studies in the religious not-for-profit sector (e.g. Odom & Boxx, 1988).

Measures

Risk propensity was measured by three items on a Likert-type scale. The respondents were required to indicate on a one to six scale whether: (1) in general, they favoured a strong emphasis on tried and true approaches to doing things or on the other end of the continuum if they prefer doing things in new ways, (2) they try to avoid risky projects as much as possible or that they believe that in order to bring about progress, they often engage in risky projects, and (3) when confronted with decision-making situations involving uncertainty, they typically adopt a cautious, wait-and-see posture in order to minimise the probability of making costly decisions or adopt a bold, aggressive posture in order to maximise the probability of exploiting potential opportunities. The reliability of this scale is measured by Cronbach alpha was 0.78.

Results

Pearson's correlation coefficient was used to answer the first research question. There was only one significant correlation: between membership growth and the leader's risk propensity (-0.18, $p < .05$). The correlation between membership growth and the leader's age was not significant.

The second research question implies a more complex relationship between the dependent and independent variables. As such, moderated regression analysis (MRA) was used to test the organisational growth implications of the interaction between a leader's risk propensity and age. MRA of the form:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_1X_2 + e..... \quad (1)$$

Where Y: the dependent variable (or membership growth)

a: the slope intercept

X1 and X2: the independent variables (i.e. age and risk propensity)

b1 and b2: the coefficients for X1 and X2

X1X2: interaction between the independent variables

- b3: the coefficient for the interaction between X1 and X2
- e: the error term for the regression equation

If the interaction term 'b3' is negative and significant, then it reflects that lower values of X1 interacts with higher values of X2 to effect higher levels of performance. Alternatively, a positive and significant or marginally significant value for 'b3' means that performance is enhanced when higher values of X1 interacts with higher values of X2.

The analysis of the data yielded significant results for the partial (main effects only) and full models (i.e. main and interaction effects) while explaining about seven and ten percent respectively of the variance in the dependent variable. The main effects for age and risk propensity were significant at $p < .05$ with F values of 4.36 and 5.42 respectively. For the full model, the interaction between the two independent variables was also significant ($p < .05$; $F = 5.09$). Further, the sign of the interaction term was negative, suggesting that younger ministers with high risk propensity had organisations with higher membership growth.

Conclusion

The lack of a significant correlation between age and organisational growth and the regression coefficients for the partial model indicate that the leader's risk propensity has a bigger impact on organisational growth than age. Nevertheless, there are indications that the interaction between a leader's age and risk propensity has implications for growth. Overall, the results of this study are consistent with the suggestion that the dynamic relationships of fit between leader attributes may contribute to organisational effectiveness. The interaction of fit between a leader's age and risk propensity led to the highest levels of organisational growth for the not-for-profit organisation from which the sample was drawn for this study. Finally, the results of this study are encouraging for the new stream of research studies that have called for the focus on the performance implications of the congruence between leader attributes in for-profit and not-for-profit organisations.

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