

Strategic Leadership in the Nonprofit Sector: Opportunities for Research

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ABSTRACT

The field of strategic leadership, or the study of how top-level leaders influence organizational performance, has not yet been widely extended to the nonprofit sector. Prior research on nonprofit leadership suggests strategic leadership theory is applicable in nonprofit organizations. However, the exercise of nonprofit strategic leadership may differ from that found in the for-profit sector. Drawing from the literature on both strategic leadership and nonprofit leadership, propositions are offered to explain the ways in which nonprofit strategic leadership contributes to organizational performance. Propositions developed to explain organizational performance concern learning capacity, capacity for change, managerial wisdom, organizational context, organizational innovation, and mission trajectory.

Introduction

The field of strategic leadership focuses on the way top-level leaders (i.e., executives) have an impact on organizational performance through their leadership. One of the seminal works in strategic leadership illustrates the importance of strategic leadership by asserting that organizations are a reflection of their top leader (Hambrick & Mason, 1984). Subsequent research has found strategic leadership associated with numerous positive organizational outcomes.

However, very little of the research in the field of strategic leadership has considered the sector in which leadership occurs (Boal & Hooijberg, 2000). As a result, most of the theory development in strategic leadership has assumed that it occurs in the for-profit sector. 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. Evidence suggests that strategic leadership in nonprofits may be different (Thach & Thompson, 2007). Warren Buffet addressed the unique challenges nonprofit strategic leaders face when he said:

“The nature of the problems that a foundation tackles is exactly the opposite of business. In business, you look for easy things, very good businesses that don’t have very many problems and that almost run themselves. . . In the philanthropic world, you’re looking at the toughest problems that exist. The reason why they’re important problems is that they’ve resisted the intellect and money being thrown at them over the years and they haven’t been solved. You have to expect a lower batting

average in tackling the problems of philanthropy than in tackling the problems of business.”

- Warren Buffett, *Omaha World Herald*, April 27, 2003.

The purpose of this paper is to demonstrate the need and potential benefit of more extensive research in the area of strategic nonprofit leadership. Six propositions are offered regarding the application of strategic leadership theory to nonprofit organizations.

Literature Review

Strategic Leadership

In an early work on strategic leadership, Hosmer (1982) noted that contingency theories of leadership did not account for an organization's competitive position in the industry. Hosmer proposed that the task of the leader was different from that of a manager because a leader must constantly consider the organizational strategy in relation to the external environment. In this way, leadership represents a higher order of capability that involves both developing strategy and influencing others to follow it. Hambrick and Mason (1984) built on this idea and proposed what was then known as upper echelon theory. The central assertion of upper echelon theory is that because leaders operate at a strategic level, organizations are reflections of the cognition and values of their top managers. The specific knowledge, experience, values, and preferences of top managers will influence their assessment of the external environment, and ultimately the choices they make about organizational strategy. Therefore, over time, the organization comes to reflect the top leader.

This theory was adapted and expanded by subsequent authors, and eventually came to be known as strategic leadership theory (Finkelstein & Hambrick, 1996). A fundamental premise of strategic leadership theory is that a leader's field of vision and interpretation of information is influenced by that leader's values, cognitions, and personality (Cannella & Monroe, 1997). Specific expressions of this underlying premise continue to be studied today. For example, Papenhausen (2006) recently found dispositional optimism in top level leaders to be correlated with their problem definition and problem solving activity.

As the theory was refined by subsequent authors, strategic leadership theory grew to address the larger question of how a top-level leader contributes to organizational performance. Relying on the constructive development theory of Kegan (1982), Lewis and Jacobs (1992) argued that a leader's capacity to construct meaning of the organizational environment was more important than other factors such as values or leadership style. This theory was later linked with Jaques and Clement's (1991) stratified systems theory, which asserted that the complexity of the leadership task escalates as one moves up the hierarchy. Taken together, these theories assert that in order to be effective, the developmental capacity of a strategic leader must be well matched to the complexity of the work (Lewis & Jacobs, 1992).

More recently, authors in strategic leadership have described strategic leadership in broader terms. Ireland and Hitt (1999) proposed six components of effective strategic leadership: determining the organization's purpose or vision; exploiting and maintaining core competencies; developing human capital; sustaining an effective organizational culture; emphasizing ethical practices; and establishing balanced organizational controls. When these elements are in place, they argue, the firm's strategic leadership becomes a source of competitive advantage for an organization.

In a similar effort focused on providing a broader, more integrative framework to explain how a top-level leader influences organizational outcomes, Boal and Hooijberg (2000) called for researchers to look beyond demographic variables and work instead to integrate research from other fields to describe the process whereby strategic leaders affect organizational outcomes. In keeping with this direction they proposed that at its core strategic leadership is about a leader's ability to create and maintain three capacities within the organization: absorptive capacity (or the capacity to learn), the capacity to change, and the capacity for managerial wisdom. The application of Boal and Hooijberg's (2000) model in the nonprofit sector is explored later in this paper.

Application of Strategic Leadership Theory to Nonprofit Organizations

There have been a number of studies and theoretical articles published on the role and influence of nonprofit executives generally. Several of those speak to the question of whether theories of strategic leadership from the for-profit literature would apply to nonprofit organizations. Dargie (1998) conducted a qualitative case study of public leaders, including two hospital executives. His conclusion was that the role of the public executive is different from the role of business executive. These differences between public and private executive roles included different informational, interpersonal, and decisional roles.

Taliento and Silverman (2005) more recently offered their opinion of the difference between the role of corporate CEO and nonprofit CEO. Though they did not provide enough information on their methods to determine the rigor of their study, their conclusions were based on interviews with "crossover leaders" who had led both for-profit and nonprofit organizations. They identified five areas in which nonprofit strategic leaders must adapt the practices of for-profit strategic leaders. These areas were a smaller scope of authority, a wider range of stakeholders who expect consensus, the need for innovative metrics to monitor performance, the requirement that nonprofit CEOs pay more attention to communications, and the challenge of building an effective organization with limited resources and training.

Despite a growing volume of literature on strategic leadership, only a few researchers have attempted to incorporate strategic leadership theory into the nonprofit sector by examining the causal link between the leader's actions and organizational performance. Menefee (1997) attempted to address the question of how human service nonprofit directors succeeded in turbulent times. After face-to-face interviews with nonprofit

executives, several themes for managing strategically were offered. However, despite using the term “strategic leadership,” Menefee did not cite or rely upon any of the principle articles in the field of strategic leadership. In this way, Menefee’s work represents an early recognition of the need to integrate the fields of strategic leadership and nonprofit leadership.

The same can be said for Shin and McClomb (1998), who examined the relationship between executive leadership style and organizational innovation in nonprofit human service organizations. While a focus on vision was found to be correlated with the frequency of organizational innovation, those findings were not connected to the then emerging field of strategic leadership.

In a study examining the link between employee values and nonprofit outcomes, Macy (2006) found certain value orientations, such as employee worth, to be related to successful organizational outcomes. While employees and agency directors were surveyed separately, the influence of values on organizational outcomes did not differentiate between employee values and executive values. Thus, Macy’s findings suggest possible support for the argument that nonprofits reflect their leaders’ values, though the findings were not put forth to support that specific research question.

Propositions

Since the application of strategic leadership has not been extended to the nonprofit sector, this paper attempts to offer specific propositions concerning strategic nonprofit leadership. These propositions are drawn from two sources: existing strategic leadership theory, and prior research on the nonprofit sector. Because there have been multiple frameworks published in the strategic leadership field, one framework was selected for the development of propositions. Boal and Hooijberg’s (2000) framework was selected as the basis for these propositions because existing nonprofit literature provides at least initial support for each of the three elements: the capacity to learn, the capacity to change, and the capacity for managerial wisdom. Thus the first three propositions offered herein are an application of Boal and Hooijberg’s definition of strategic leadership to the nonprofit sector.

In addition to these three propositions, the current authors have scanned the nonprofit literature for evidence of any additional elements of strategic leadership that might be unique to the nonprofit sector. The final three propositions are offered as an extension of Boal and Hooijberg’s (2000) framework to reflect the realities of strategic leadership in the nonprofit sector. Support for each of these three propositions is drawn either from nonprofit literature or from research on public organizations.

Learning Capacity

The first way strategic leaders affect organizations, according to Boal and Hooijberg (2000), is by playing a crucial role in increasing the learning capacity of their organizations. Strategic leaders encourage organizational learning to explore both

knowable and unknown futures (Boal, 2007). Boal and Schultz (2007) believe strategic leaders play a central role in fostering organizational learning and adaptation through the use of dialogue and storytelling. Argote (1999) asserts that proficient top managers influence the rate at which organizations learn and their subsequent productivity.

Hannah and Lester (2009) propose that strategic leaders affect organizational learning at three levels. They increase the level of developmental readiness of individual followers through their messages and actions. At the network level they promote the diffusion of knowledge within and across social networks. At the systems level they promote and support the diffusion of knowledge across networks to the larger organization. Jansen, Vera, and Crossan (2009) found strategic leaders' engage in transformational and transactional leadership behaviors to affect organizational learning. Transformational behaviors encourage organizational members to challenge institutionalized learning and to adopt generative thinking. Transactional behaviors, on the other hand, encourage organizational members to improve and extend existing knowledge.

There is evidence that organizational culture affects organizational learning (Marsick & Watkins, 2004). There is also evidence that strategic leaders sustain an effective organizational culture and infuse ethical value systems into an organization's culture (Hitt, Keats, & DeMarie, 1998; House & Aditya, 1997; Hunt, 1991; Ireland & Hitt, 1999). By extension then, strategic leaders who directly influence organizational culture should also influence organizational learning capacity.

Several authors have suggested that the way nonprofit leaders contribute to organizational learning capacity is unique in the nonprofit sector. Dargie's (1998) case study of public leaders identified informational roles as different for nonprofit leaders. Similarly, Taliento and Silverman (2005) observed that nonprofit CEOs must pay more attention to communications than their for-profit counterparts. Furthermore, they are charged with building effective organizations with limited resources and training. Based on the above analysis the following proposition is developed:

Proposition 1. Effective nonprofit strategic leaders increase the organization's learning capacity.

Capacity for Change

Strategic leaders also contribute to organizational outcomes, according to Boal and Hooijberg (2000), by developing the capacity for change. Strategic leaders are catalysts for change who also prepare the organization for change (Finkelstein & Hambrick, 1996; Hitt & Keats, 1992). As with the first proposition, there is at least initial support in the nonprofit literature to suggest that developing the capacity for change is an important function for nonprofit leaders as well.

In their comparison of nonprofit and for-profit leaders, Peterson and Van Fleet (2008) identified two managerial leader behaviors valued by nonprofit employees: role

clarification and compelling direction. Both of these behaviors may help in the acceptance of change. Interestingly, they found these behaviors were valued by for-profit organizations primarily in a crisis, but nonprofits valued them in both crisis and stability, suggesting the process of building capacity for change may be different for nonprofit organizations.

Rhodes and Keogan (2005) reviewed the processes used by 25 nonprofit organizations to make strategic decisions for the future. They found that organizations in the midst of change due to significant growth were more focused on mission and structure of the organization. Those in a lower growth environment were more likely to be focused on environmental analysis and competition.

Lewis and Seibold (1998) investigated how communication affects the successful implementation process, and determined that communication is central to predicting outcomes of planned change. In a qualitative study of public organizations, Frahm and Brown (2007) found the lack of a formal change communication strategy between the CEO and employees resulted in a decreased receptivity by employees for the change process. Thus, in order for strategic leaders to develop an organizational capacity for change, they must put a premium on communicating the need for change and the strategies for implementing change.

Spending time in various functional areas is likely to lead to learning and broadening managers' perspectives and skills sets making them, in turn, more comfortable with uncertainty brought about by organizational change (Musteen, Barker, & Baeten, 2006). Furthermore, Waller, Huber, and Glick (1995) found that functional work experience impacted top executives' perceptions of changes in organizational effectiveness. Taken together, these findings suggest that building the capacity for change in nonprofits requires the broad experiences that make one a strategic leader. Moreover, major change initiatives seldom succeed without strong support by top management (Douglas & Judge, 2001; Kotter, 2002; Nadler et al., 1995), and the failure of change initiatives are likely the result of ineffective strategic leadership (Gill, 2003).

Yukl (2008) recently proposed a new *flexible leadership theory* to explain how top executives can influence the financial performance of a business organization. Explicit in the theory are strategic leadership decisions and actions that may increase the organization's capacity for change. For example, change-oriented leadership behaviors can influence the determinants of performance. Yukl says of the theory... "with some relatively minor modifications it can be extended to include non-profit and public sector organizations (p. 718)." Based on the above analysis the following proposition is developed:

Proposition 2. Effective nonprofit strategic leaders increase the organization's capacity for change.

Managerial Wisdom

The third way Boal and Hooijberg (2000) proposed strategic leaders influence organizational outcomes is through the exercise of managerial wisdom. Managerial wisdom is the ability to take the right action at a critical moment based on an understanding of the environment and the actors within it (Hunt, 2004). Strategic leaders with more varied sets of expertise and knowledge are more likely to identify environmental changes quickly and/or changes within the organization that require a new strategic direction (Bantel & Jackson, 1989; Finkelstein & Hambrick, 1996; Wiersema & Bantel, 1992). Managerial wisdom implies an ability to solve problems or reframe problems using different and possibly contradictory information and scenarios. Integrating these capabilities among lower level managers and other members of the organization provides for substantial strategic flexibility and hence another source of competitive advantage (Hoskisson & Hitt, 1994; Kerr & Jackofsky, 1989). Managerial wisdom is seen as essential for complex decision making, applying knowledge, and for welfare reasons (Boal and Hooijberg, 2000; Korac-Kakabadse, Korac-Kakabadse, & Kouzmin, 2001; Kriger & Seng, 2005; Whittington, Pitts, Kageler, & Goodwin, 2005).

Rooney and McKenna (2007) see ethics as having a critical role in wisdom. Wisdom is necessary in the difficult task of striking the right balance between the good of the individual and society. Since public benefit is integral to the mission of nonprofits, the exercise of managerial wisdom has special relevance for nonprofit organizations.

Recent research in nonprofit organizations suggests how strategic leaders may exercise managerial wisdom. In interviews with 20 CEOs of nonprofit organizations, Myers (2004) found that practical and social wisdom shaped through informal experiences was more valuable than formal education in influencing managerial performance. In a case study of a director of a state agency on aging, Koremenos (2005, p. 37) determined that two key factors of the director's successful leadership were "his detailed knowledge of the agency's programs and of its strategic structure", and "his ability and willingness to communicate with and learn from actors at all levels both inside and outside" the agency. Poole, Davis, Reisman, and Nelson (2001) examined factors influencing the quality of outcome evaluation plans in 45 United Way member agencies. The key predictors of evaluation plan quality were top managers who, 1) positively affect agency culture, 2) offer management support to succeed in outcome evaluation, 3) involve staff and board members in outcome evaluation planning, and 4) ensure that staff members have training and technical resources to design and implement outcome evaluation systems.

Research also confirms that nonprofit strategic leaders must know how to develop and maintain productive relationships with their boards (Gulati & Westphal, 1999; Maitlis, 2004; Westphal, 1999). The need for this managerial knowledge may be particularly acute because there is considerable variation in the nature of management-board relationships among nonprofit organizations (Gulati & Westphal, 1999). Based on the above analysis the following proposition is developed:

Proposition 3. Effective nonprofit strategic leaders improve organizational performance through the exercise of managerial wisdom.

In addition to the three capacities discussed above, there is evidence both in the strategic leadership literature and the nonprofit literature suggesting effective strategic leadership in a nonprofit organization may require additional capacities. Three additional propositions are offered concerning strategic nonprofit leadership, drawn from the work of Boal and colleagues, and supported by research in the nonprofit and strategic leadership literature. Those propositions assert that the context of strategic leadership matters, and that effective nonprofit strategic leadership supports innovation and mission trajectory.

Context Matters

Boal and Hooijberg (2000) suggest a need for researchers to investigate how the organizational context affects the emergence and receptivity of leaders. Boal (2007, p. 70) states that “a firm’s competitive advantage lies in its ability to create, re/combine, and transfer knowledge efficiently within the context of its competitive environment.” Boal and Hooijberg (2000, p. 517) also argue that leaders “have a unique ability to change or reinforce existing action patterns’ *within* the organization (emphasis added).” Therefore, strategic leaders are positioned to create an organizational context where, for example, learning can take place.

Contemporary literature on strategic leadership increasingly emphasizes the importance of organizational context. Carpenter, Geletkanycz, and Sanders (2004) reviewed the state of upper echelons research and offered several directions for future research. Included in their review is a summary of organizational and industry contextual variables that have been researched in the field of strategic leadership. They also argue for a more nuanced look at organizational performance. They offer a model that identifies both external and organizational context as an antecedent to strategic leadership, and propose that several forms of performance be considered as organizational outcomes, including financial, market, social, and innovation.

Elenkov and Manev (2005) found that sociocultural context is not only an antecedent to strategic leadership but moderates the relationship between leadership and organizational innovation in private firms. Similarly, the recent work of Sarros, Cooper, and Santora (2008) supports the contention that organizational culture plays a moderating role in the relationship between leadership and organizational innovation. The conclusions reached by these researchers may apply equally to the consideration of strategic leadership in the nonprofit sector. Yet the contextual variables to be considered in nonprofit organizations may be different.

Some authors have differentiated nonprofit organizations based on their primary revenue sources: donative and commercial (Herman & Renz, 2008). The types of management practices that were valued differed between donative and commercial

nonprofits. Similarly, the external context in which the nonprofit finds itself is also important.

In one of the few studies to do a side-by-side comparison of leadership behaviors between for-profit and not-for-profit organizations, Peterson and Van Fleet (2008) surveyed 222 nonprofit employees about the managerial leadership behaviors critical in both stable and crisis situations. Their findings revealed that nonprofit employees agreed with for-profit survey results on 11 of the 15 leadership behaviors. Two of the behaviors (structuring rewards and autonomy/delegation) were seen by for-profit employees as important in a stable environment, but were not seen as important at all by nonprofit employees. Two additional behaviors (role clarification and compelling direction) were seen by for-profit employees as important primarily in a crisis, while nonprofit employees saw them as important in times of both crisis and stability (Peterson & Van Fleet, 2008).

Though by no means exhaustive, these studies illustrate the ways in which contextual variables could influence nonprofit strategic leadership. Furthermore, these contextual variables are either unique to nonprofits, or are expressed in ways different from for-profit organizations. Recent studies support the need for caution when considering applying private sector concepts to nonprofit organizations (Beck, Lengnick-Hall, & Lengnick-Hall, 2008; Lindenberg, 2001). This reinforces the need to consider not only strategic leadership in the nonprofit sector, but also the contextual variables at work in the specific nonprofit organization. Based on the above analysis the following additional proposition is developed:

Proposition 4. The organizational context influences the behaviors of an effective nonprofit strategic leader.

Organizational Innovation

Boal and colleagues' framework of strategic leadership acknowledges the importance of innovation to strategic leadership. Boal (2007, p. 71) states that "strategic leaders... provide the mechanisms by which organizations encourage, support, and sustain innovation and knowledge creation." Additionally, Boal (2004, p. 1504) emphasizes that "strategic leaders provide a vision and road map that allows an organization to evolve and innovate." "In advancing a vision, strategic leaders promote organizational learning and innovation as they instill meaning in followers for the roles they play in fulfilling that vision and encourage a motivated response to new situations and challenges (Boal and Schultz, 2007, p. 412)."

While innovation may be required in all organizations, a nonprofit organization's mission may require unique innovation (McDonald, 2007). Light (1998) posited that nonprofit leadership must prepare the organization to innovate in order for innovation to become a natural practice. Kanter and Summers (1987) maintained that an organization's ability to innovate would determine its potential to meet future demands, take advantage of opportunities and resources in the environment, and use resources to generate new

products and services. The capacity to innovate is a critical determinant of long-term survival in nonprofits. Hasenfeld (1983) pointed out that external funders of human service organizations often mandate innovation. Gummer (1989) stressed that through experimentation of new ideas and concepts for service delivery innovation is critical to the improvement of organizational performance in nonprofit human services organizations. Drucker (1990) believed that innovation could be more important for nonprofit organizations than for-profit organizations because today's changing society presents both a greater threat to, and a greater opportunity for, nonprofit organizations.

Leadership is repeatedly offered as a major factor affecting innovation (Anderson & King, 1993; Drucker, 1985; Mumford & Licuanan, 2004). Most research on the effect of strategic leadership and organizational innovation has been in for-profit organizations. Strategic leadership can have a strong influence on organizational innovation (Elenkov, Judge, & Wright, 2005; Elenkov & Manev 2005; Jansen, Vera, & Crossan, 2009; Papadakis & Bourantas, 1998; Weerawardena, 2003), and thus, can influence a firm's competitive advantage (Porter, 1990). Howell and Higgins (1990) found champions of technological innovation exhibit transformational behaviors. More recently, Jansen, Vera, and Crossan (2009) found strategic leaders' transformational leadership behaviors associated with exploratory innovation and strategic leaders' transactional leadership behaviors associated with exploitative innovation.

In public organizations, Damanpour and Schneider (2006) found top managers' favorable attitudes toward innovation positively influence all phases of innovation adoption. However, a consistent finding in this research stream is the moderating affect of context on the relationship between strategic leadership and innovation. The contextual affects in for-profits and public organizations suggest that strategic leadership in nonprofits may not have the same relationship with innovation.

The effect of strategic leadership on organizational innovation in nonprofits has yet to be clearly explained. In an exploratory study of transformational leadership in one type of nonprofit human services organization in one state, Jaskyte (2004) found transformational leadership was not significantly related to organizational innovation. However, Shin and McClomb (1998) found that the chief executives most likely to make innovation happen are those with a clear vision of future operation. The lack of research in nonprofits and the growing body of evidence linking strategic leadership to organizational innovation in for-profits calls for research into the links between strategic leadership and organizational innovation. Based on the above analysis the following proposition is developed:

Proposition 5. Effective strategic leaders contribute to improved organizational innovation in nonprofits.

Mission Trajectory

The final proposition concerns the way an effective nonprofit strategic leader advances the mission of the organization. Though discussed indirectly, Boal and Hooijberg (2000)

raised the issue of organizational mission in their discussion of strategic leadership. They argued that by increasing the learning capacity in an organization, strategic leaders produce a deeper understanding of the goals, mission, and vision, which is likely to foster greater alignment, identification, and focus throughout the organization (Boal & Hooijberg, 2000). Thus, the strategic leader encourages a more committed pursuit of the mission. There is additional evidence in the literature on nonprofit and public organizations that suggests the advancement of mission may be an important element of nonprofit strategic leadership.

In his call for a new vision for public administration, Goodsell (2006) argued that an administrative agency must be propelled by a strong sense of mission. In order to accomplish its mission, agency leaders must have a “standing commitment to a pathway of movement in pursuit of that mission (p. 630)” which Goodsell called *trajectory*. “The power needed to sustain the trajectory aloft is derived from the innate indispensability of the mission, skill in altering it successfully to meet changing times, and the good fortune of contemporaneous political leadership that supports the mission (p. 632).” Since a nonprofit must also be propelled by a top leader with a strong sense of mission (Brinckerhoff, 1998; Bush, 1992; Crittenden, 2000; Phillips, 2005), in association with a board of directors that determine, support, and monitor the mission (Herman & Renz, 1998; Miller-Millesen, 2003), the metaphor of mission trajectory is fitting. Strategic leaders are positioned to affect mission trajectory because they “have a unique ability to change or reinforce existing action patterns within organizations (Boal & Hooijberg, 2000, p. 517).”

Additionally, Goodsell (2006) appears to be calling for the skills of a strategic leader when he says that the “mission is the basis for agency self-identification, staff motivation, program coherence, organizational pride, and political support. Likewise, it stimulates a conscious level of intentionality that keeps the organization on track and mobilizes the resolve needed to resist capture by special interests (p. 631).”

Mission trajectory must be kept aloft in the face of competing external forces (Goodsell, 2006). Grant (2008) suggests that organizations are under increasingly complex external pressure to have a winning strategy and effective organizational structure. The role of top management has transitioned from decision maker to creator and maintainer of the organizational environment. Thus, maintaining trajectory is of increasing importance to strategic leaders.

The recent work of several researchers indicates that strategic leadership activities are necessary to sustain mission trajectory in nonprofits. The activities that seem to be particularly relevant to maintaining mission trajectory include making strategic decisions; creating and communicating a vision of the future; developing key competencies and capabilities; developing organizational structures, processes, and controls; managing multiple constituencies; and sustaining an effective organizational culture (Hickman, 1998; House & Aditya, 1997; Hunt, 1991; Ireland & Hitt, 1999; Selznick, 1984; Zaccarro, 1996). McDonald (2007) found that nonprofit hospitals with clear, motivating organizational missions tend to be more innovative. To facilitate this relationship the

strategic leader must articulate and constantly reinforce the mission to employees, bring everyone in the organization on board in pursuit of the mission, emphasize continual improvement, and analyze each idea in light of the mission. In his examination of 26 nonprofit and government organizations, Light (1998) identified organizational mission as both the driving and centering force for innovation. Two factors characteristic of these innovative organizations are leadership that prepares the organization to innovate by creating an environment in which innovation is a natural and frequent act and implementing management systems that serve the mission of the organization.

In a case study of six large nonprofits, Barczak, Kahn, and Moss (2006) found those good at developing new products place a heavy emphasis on mission. They credit this ability to the organizations embodiment of the mission and a strategic planning process that identifies priorities and provides focus for the activities of the organization including program development. Ebrahim (2003) observed that adherence to the organization's mission can be one way to hold nonprofit leaders accountable. Thus, Ebrahim concluded that a key challenge to leaders concerns the management of day-today organizational relationships involving a wide range of internal and external actors. Similarly, a strategic leader's commitment to pursue the mission will help ensure that the leader's activities are aligned with the board of director's expectations, are perceived as effective by stakeholders, and are accountable to society (Balsler & McClusky, 2005; Kaplan, 2001; Miller, 2002; Miller-Millesen, 2003). Based on the above analysis the following proposition is developed:

Proposition 6. Effective nonprofit strategic leaders contribute to "mission trajectory."

Suggestions for Research

Nonprofit strategic leadership, and the propositions developed in this paper, lends itself to testing by multi-level analysis. Multilevel analysis allows the simultaneous examination of the effects of group-level (e.g. organization) and individual-level (e.g. individual human capital) variables on a particular outcome. Thus, multi-level analysis allows researchers to deal with the micro-level of individuals and the macro-level of groups or contexts simultaneously (Snijders & Bosker, 1999). On one level, the affect of the nonprofit strategic leader on the organization, as well as the organization's affect on the strategic leader, needs to be explained. On another level, the affect of the nonprofit strategic leader on individuals needs to be explained. For example, the degree to which a top executive influences innovation as a function of individual level human capital characteristics versus organization level strategic considerations needs to be investigated. A multi-level approach will provide a richer explanation of the effects of strategic leadership in nonprofit organizations.

Summary

As demonstrated in the discussion above, there is reason to believe that strategic leaders contribute to nonprofit organizational performance in ways consistent with strategic leadership theory. However, there is also evidence in the literature suggesting

that the exercise of strategic leadership is different in the nonprofit context. The propositions offered herein are an attempt to extend strategic leadership theory into the nonprofit sector in a way that acknowledges the uniqueness of that sector. They are not offered as an exhaustive list of propositions, but rather as a starting point for future researchers. They also serve as an illustration of the benefit of approaching nonprofit leadership through the lens of strategic leadership. It is hoped that future researchers will build on this work to explain more fully how nonprofit leaders contribute to organizational outcomes.

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