

## **Purpose: The relationship between strategic leadership and organisational performance of selected service firms in Lagos and Ogun States, Nigeria.**

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**Abstract:** Performance of the service firms has remained a challenge for top executives due to perceived insufficient discretion to comprehend and communicate the organisational purpose effectively to their subordinate thereby causing a major constraint. This paper examined the moderating effect of purpose on the relationship between strategic leadership and organisational performance of selected service firms in Lagos and Ogun State. Cross sectional research design was adopted and primary data were collected through an adapted questionnaire after the validity and reliability were determined. The respondents were two hundred and seventy-seven top management of the selected service firms. The hierarchical regression results revealed that purpose has a statistically significant moderating effect on the relationship between strategic leadership and organisational performance at 5% level of significance. The study concludes that purpose has significant moderating effect on the relationship between strategic leadership and organisational performance. The paper concludes that top executives should properly define, align and understand the organisational purpose in order to achieve superior performance.

**Keywords:** Strategic leadership, Purpose, Service firms, Top management, Performance

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### **I. INTRODUCTION**

The issue of achieving superior organizational performance has been a major concern for scholars, practitioners, and organizations especially in Nigerian service firms largely attributed to inadequate understanding of purpose. Scholarly arguments have proven that achieving superior organisational performance is not a matter of naysaying or luck however, it is embedded in the choice's leaders make. As such, the strategic leaders face incredible pressure to deliver immediate results to formulate and implement the organisational purpose encumbered with the pace and urgency of daily demands can make it difficult to be more than a step ahead into the future. Also, corporate leaders are faced with the task of developing and articulating what the company intends to accomplish by putting the relevant and adequate measures to ensure sustainable organisational performance especially in financial and hospitality services in Nigeria (Salimi, 2012). The major problem is attributed to pressures of top management to focus on short-term metrics at the expense of the future. Furthermore, Nganga (2013) noted that the major reason for the failure of efforts and purpose to achieve the organisational performance are that many firms do not recognize the strategic leadership capacity that new goals require as they are required to make vital decision on how to move about it. This study will examine the moderating effect of purpose on the relationship between strategic leadership and organisational performance of selected service firms in Lagos and Ogun States, Nigeria. This paper is further divided into literature review, methodology, data analysis and conclusion/recommendation.

### **II. LITERATURE REVIEW**

Understanding the organisational purpose has been a major concern for strategic leaders as it is yardstick for achieving superior performance. Organizational purpose gives a direction of the organisation projected future as it relates to the mission and vision statement. Weisbord and Janoff (2010) emphasize the importance of mission, as it works as a basic knowledge structure that encompasses peoples' perceptions regarding the entire organization. This is embedded in incorporating the ideas to employees/subordinates (how they are supposed to work in it), how they think about the organization and its tasks. Therefore, a well articulated mission statement enhances goals achievement by involving human resources in terms of their

commitment, motivation and better performance. Saleem (2013) posits that any flaws in either the formulation or communication of purpose or the mission of organization can lead to ineffectiveness of organization and reduction of overall performance. It was further stated that purposes must be clear for all members to understand and abide with even if they have totally different ideologies in comparison to that of the organization.

Factors of critical importance in purpose are goal clarity (the extent to which the organization employees are clear about the organization's mission and vision), and goal agreements (whether the employees support the organization's purpose). Organization's mission serves as a road-map to set the stage for all the organization's programs, internal functioning, and external relationships. This mission statement summarizes the organization's purpose and provides the rationale for defining goals and objectives. It is usually communicated in annual reports, personnel policies, information brochures provided to donors or community members, and other documents. A vision which does not have the active support of the majority of the members of the organization is useless (Weisbord and Janoff, 2010).

Weisbord (1978) and other management experts such as Bissell and Keim (2008) stated that the purpose of organizations has covered goals: goal clarity, goal fit and goal agreement, mission, strategy and objectives. Therefore, the goals should be clearly defined to the staff in order that they can be achieved and not ambiguous. The purpose is the foremost important category as it is a shared value and belief among employees. The staff here, in general, clearly understand the organizational goals, purposes and objectives (Pobkeeree, *et al.* 2015). There are well-defined vision statements, mission statements, strategies and objectives. Sometimes, the purpose and goals may not be well reflected in the implementation and organizational practices. Purpose needs to be set by top management and staff should be able to engage from below (Sminia & Nistelrooij, 2006). The goals are assumed to have been agreed upon because the output is generally ubiquitous. However, agreeing the goals needs to be conducted with staff participation, staff representatives and/or new staff in order to develop official purpose at the early stages of employment. Purpose is defined, in this study, as set of goals envisioned by the top management that translates to organisational success.

## **2.1 Empirical Review**

### **2.1.1 Strategic Leadership, Purpose and Organisational Performance.**

Ekpe, *et al.* (2015) leveraged on organisational performance through effective mission statement to explain purpose significant effect on performance. However, when desirable future (strategic intent) (Mutia, 2015) is expressed along embedded corporate identity, corporate purpose and organisational performance in a succinct form. Taiwo, *et al.* (2016) supported the findings of Ekpe, *et al.* (2015) using an hierarchical regression analysis to examine the role of purpose on the relationship between CEO's behaviour and organisational performance. Giving credence to the study of Taiwo, *et al.* (2016), Ekpe, *et al.* (2015) in a different context is the work of Hitt, *et al.* (2011) with findings revealing a positive significant result. Ozdem (2014) contributed to the discourse by revealing that purpose has significant effect on the relationship between strategic leadership and organisational performance. Hence, the argues around organizational purpose allows strategic leaders (Ullah, 2013) to recognize what the firm wants to be in the future and the level performance needed to achieve the desired future. Similarly, Candemir and Zalluhoglu (2013) revealed that purpose prepares the organization for the changes and innovations anticipated in the future by providing foresight into desired changes suggested by stakeholders which positively influences organisational performance.

Contrary to Ekpe, *et al.* (2015), Taiwo, *et al.* (2016) and Hitt, *et al.* (2011), Karabulut (2017) examined the contents of mission statements of 39 industrial enterprises operating in the field of food, beverages and tobacco, on the basis of their products, technologies used, markets, stakeholders, business philosophy, and basic values to discover that organizations do not have mission statements or were mostly not prepared by the top management team. This observation puts into question the need for and use of mission statement but Lo and Fu (2016) connected organizational purpose with organisation performance with result revealing that purpose has a significant effect on organisation performance.

Kande, Namusonge and Mugambi (2017) investigated governing board role vis-a-vis growth of private universities in Kenya with result indicating that a purpose has a positive influence on the nexus between governing board and growth of the institution. Ekepe, *et al.* (2015) and Taiwo, *et al.* (2016) and Lo and Fu (2016) are not in isolation in light of Kande, *et al.* (2017). However, the position of Zoogah (2011) differ from Kande, *et al.* (2017) who factored personality, strategic leadership and cooperative advantage into the discussion on purpose to obtain results denoting. Invariably, top management team inability to abide and communicate organisational purpose orchestrated the decline in performance. Erkan (2017) contributed to the debate that the factors affecting success in terms of strategic planning in public sector revolves around top management team's short-termism, fail in differentiate not-compelling mission and vision statements.

Lynch (2010) approached mission and vision statements from communication perspective as this defines organizations uniqueness in terms of ownership, resources or environmental circumstances. While this was robust in empirical and statistical contributions, the power of leadership (Ullah, 2013; Sanders & Davey,

2011) was trivialized. Nevertheless, Sufi and Lyons (2013) added credence to Lynch (2010) with result revealing that mission statement distinguishes firms and significantly improves performance. In the same line of thought, Karami (2011) identified mission statement's customer-centric nature and values attributes is instrumental to creating of a customer service culture, improve levels of customer satisfaction and increased performance, which Kokemuller and Media (2015) connected with strategy modalities.

### 2.1.2 Theoretical Framework

The path-goal leadership theory is ascribed to the works of Martin G. Evans which was later refined by Robert J. House in 1971. The proponents of the path-goal theory argue that subordinates are motivated to engage in task with high level of self-efficacy, and belief their efforts will upshot a certain outcome or reward (Bhatia, 2009). The theory further posits that strategic leaders will inspire their subordinates by gratifying goal accomplishment and performance. Northouse (2013) states that effective leadership can be achievable by accurately analysing the development level of subordinates in a situational task by prescribing the leadership style that matches the situation. Dixon and Hart (2010) argue that strategic leaders lead by means of recompense encourage their subordinate towards goal achievement. Path-goal theory enables leaders to determine the right strategic direction and decisions for their subordinates and organization. The theory also envisages the leader behaviour as been crucial for achieving subordinates' enthusiasm and superior organizational performance (Malik, 2012). One of the strengths of the path-goal theory is that it provides an expanded framework by combining the situational, contingency leadership and expectancy theory. The theory emphasizes the importance of motivational factors from the subordinate perspective by defining practical and clear roles for leadership.

The path-goal theory when employed in the organisation, increases subordinates' drive by clarifying the paths, making strategic decision and communicating strategic intents towards which organizational performance is possible. Path-goal theory harnesses the top management team ability to set the right phase of the organisational purpose. Strategic leadership substantially contribute positively towards achieving organizational performance by motivating others to pursue the strategic direction.

## III. METHODOLOGY

Cross sectional survey research design was utilized for this study to analyze data from the population at a specific period of time. 277 top management from fourteen selected service firms in Lagos and Ogun States, served as the population and sample size. Primary method of data collection was used to gather information from respondents in its original form with the aid of an adapted questionnaire. The instrument was subjected to validity and reliability test to checkmate the goodness of the questionnaire. The validity of questionnaire was established through content and construct validity. The face and content validity were validated by colleagues in doctoral seminar class, experts in the field, other researchers to ascertain whether the questionnaire item adequately covers the domain of the construct. Average Variance Extracted (AVE) > 0.5 was treated as an additional evidence of convergent validity. The values of AVE for the variables ranged from 0.718 to 0.984 which are above the minimum threshold of 0.500 which implies that each variable on average is able to explain more than half of the variance of its indicators. The reliability was established via the internal consistency test which Cronbach alpha values ranging between 0.70 to 0.90 which implies that the result is reliable. Hierarchical regression analysis was carried out to explain the statistically significant amount of variance in the dependent variable after accounting for all variables.

The variables of the study were operationalised as;

$$Y = f(XZ)$$

where ;

Y=Organisational Performance (OP)

X= Strategic Leadership (SL)

Z= Purpose (PO)

The functional relationship is established as;  $OP = f(SLPO)$

Regressed equation:  $OP = \beta_0 + \beta_1SL + \beta_2PO + \beta_3SL*PO + \mu_i$

The work further hypothesized that moderating the relationship between X and Y deepens understanding on how organizational performance could be improved upon on a short trajectory. This informed the introduction of Z as a moderator into the existing X and Y regression equation. The mathematical expression  $OP = \beta_0 + \beta_1SL + \beta_2PO + \beta_3SL*PO + \mu_i$  denotes the moderating effect of purpose (PO) on the relationship between X and Y. The a priori expectation is that if  $\beta_i \neq 0, p \leq 0.05$ , the null hypothesis which states that purpose has no moderating effect on the relationship between strategic leadership and organisation performance will be rejected. Strict ethical adherence was followed in data administration in line with proxies of anonymity, confidentiality, conflict of interest, while plagiarism checks were put in place.

#### IV. DATA ANALYSIS, PRESENTATION AND INTERPRETATIONS

The hierarchical regression analysis was used to the research hypothesis which result is presented in Table 1.

This subsection presents the results on the moderating effect of purpose on the relationship between strategic leadership and organizational performance of selected service firms in Lagos and Ogun States, Nigeria. The predictors are strategic leadership (SL) aggregated, purpose (PO) and interaction of aggregated strategic leadership and purpose (SLPO) while the dependent variable is organizational performance (OP) aggregated.

The results in Table 1 shows the correlation coefficient ( $R$ ) of 0.858 which implies that a strong correlation exists between strategic leadership, purpose and organisational performance of selected services in Lagos and Ogun States. The results further revealed that different variations in performance of service firms are accounted by strategic leadership and purpose. The column labeled R Square in the model summary of Table 1 measures how much of the variability in the outcome that is accounted for by the predictors. Thus, the coefficient of determination ( $R^2 = 0.664$ ) which accounts for 66.4% of the variation in organizational performance (OP) have been explained by variables of strategic leadership, purpose and the interaction of strategic leadership and purpose. 33.6% of the variations are explained by other factors which are not part of this study. The F-statistics shows whether the model is significantly fit at predicting the organizational performance (OP). Hence, the significance of the F – statistics (6.552,  $p$ - value = 0.011). It can be therefore concluded that the regression model has a good fit.

Furthermore, as in Model of the Table 1, when parameter of purpose is added, the change in coefficient of determination ( $\Delta R^2$ ) is increased by 1.1%. These implies that the moderating variable (purpose) explain an additional 1.1% of change in organizational performance (OP) and statistically significant at 5% level of significance suggesting that purpose have significant moderating effect on the relationship between strategic leadership and organizational performance of selected service firms in Lagos and Ogun States, Nigeria. Therefore, the individual moderating effect of purpose on the relationship between strategic leadership and organizational performance will be rejected.

Regression model

$$OP = 4.189 - 0.158SL - 0.042PO + 0.316SL * PO$$

Where,

OP= Organisational performance (competitive advantage, revenue growth, firms' profitability and organisational effectiveness)

SL= Aggregate of strategic leadership (risk taking, communication, decision making, strategic practices and ethical practices)

PO=Purpose

SL\*PO=Interaction between strategic leadership and purpose

The estimates of the parameters of the are presented in Table 1. The unstandardized coefficient of strategic leadership (SL) negative and statistically insignificant ( $\beta = -0.158$ ;  $P$  - value = 0.554) at 5% level of significance. When the parameter of purpose was added, it shows negative and statistically insignificant ( $\beta = -0.042$ ;  $P$  - value = 0.096). However, the interaction of aggregated strategic leadership and purpose (SL\*PO) shows positive and statistically significant ( $\beta = -0.136$ ;  $P$  - value = 0.011) at 5% level. This implies that purpose and interaction of aggregated strategic leadership and purpose (SLPO) decreases the effect of strategic leadership on organizational performance.

#### 4.1 Discussion of Findings

The study sought to establish the moderating effect of purpose on the relationship between strategic leadership and organisational performance of selected private service firms in Lagos and Ogun States. The results showed that purpose has statistically significant moderating effect on the relationship between strategic leadership and organisational performance of selected private service firms in Lagos and Ogun States, Nigeria. This is evident in existing scholarly literature such as Ekpe, *et. al.* (2015) who leveraged on organisational performance through effective mission statement to explain purpose significant effect on performance. The study further revealed that a proper understanding of the organisational purpose as it relates mission, vision statement and core values by the strategic leaders will significantly affect the overall organisation performance and outcome. However, Mutia (2015) posit that when desirable future (strategic intent) is expressed along embedded corporate identity, corporate purpose, superior organisational performance will be achieved.

Supporting the findings of this study is the scholarly discourse of Taiwo, *et. al.* (2016) using a hierarchical regression analysis to examine the role of purpose on the relationship between CEO's behaviour and organisational performance with results indicating positive significant effect. Giving credence to the study of Taiwo, *et. al.* (2016), Ekpe, *et. al.* (2015) in a different context is the work of Hitt, *et. al.* (2011) with findings revealing a positive significant result. Ozdem (2014) contributed to the discourse by revealing that purpose has

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## V. CONCLUSION/RECOMMENDATIONS

The study concluded that purpose has significant moderating effect on the relationship between strategic leadership and organisational performance of selected service firms in Lagos and Ogun States, Nigeria. The study therefore recommends that the top executives should properly define and understand the organisational purpose in order to achieve superior performance. The study also suggests that further research should be conducted in other industry such as manufacturing, construction amongst others.

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**Result of Data Analysis**

**Table 1: Hierarchical Regression Results for Hypothesis**

N	Model	B	Sig.		R	R <sup>2</sup>	R <sup>2</sup> Change	F statistics
200	Constant	4.189	0.000	0.01	0.858	0.664	0.011	6.552(3,194)
	SL	-0.158	0.554					
	PO	-0.042	0.096					
	SL*PO	0.136	0.011					

*Note: Predictors are (Constant): RT = Risk Taking, CO = Communication, DM = Decision Making, SI = Strategic Intent, EP = Ethical Practices, PO = Purpose and SL\*PO = Interaction of between strategic leadership and purpose.*  
*Dependent variable: Organisational Performance*

Source: Field Survey, 2018

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