

The CEO and the Community-Center's Performance: The Moderating Role of Community Awareness

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Abstract

Third sector organizations are having more responsibilities than ever, responsibilities that once were under governmental liabilities (i.e., the first sector). The community center is one of the leading third sector organizations. These centers are part of the community, mainly operating non-formal education activities but also cultural and sports events and more. Although accumulating scientific evidence shows that the CEO has a pivotal role in shaping the organization's performance in business organizations, research concerning the CEO's role in the community center's performance is scant. Here we focused on the CEO's performance and hypothesized that it would reflect in the organizational performance. Further, since, in nature, the community center should be an integral part of the community, we also assessed the role of the CEO's community awareness. We surveyed 164 CEOs, employees, and board members of 55 community centers across Israel to examine our hypotheses. We measured the CEO's performance and community awareness, and the center's success as it reflects in participants' perceptions. As hypothesized, we found that both CEO's performance and community awareness positively correlate with the center's performance. Moreover, we found an interaction effect such that community awareness moderates the CEO's performance and the center's performance relationships. A simple slope analysis revealed that the correlation between the CEO's performance and the center's performance relationship is more robust for CEOs with high community awareness. We discuss theoretical and practical implications for the selection of CEOs.

Keywords: CEO performance, community center, community awareness, Israel

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1. Introduction

Since the second half of the 20th century, third sector nonprofit organizations (NPOs) became increasingly widespread, providing many services that were rendered before to the public by the governmental organisations, i.e., the

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first sector. The Israeli third sector is no exception, as it has significantly expanded and is considered one of the world's largest in comparative terms of its non-formal education activity (Madhala et al., 2018; Schmid, 2021). One form of NPOs is the community center, which is one of the leading NPO organizations in Israel.

In Israel, the existing 177 community centers are operated by various organizations spread out all over the country, and serving all segments of the country's population. The most prominent organization is the Israel Association of Community Centers (IACC). The services provided by the community centers include community services, recreational, cultural, educational, and youth activities (IACC website, 2021; Mendel-Levy & Artzi, 2016).

Despite its dominance in the third sector, especially in non-formal education, we still do not have a clear picture concerning the factors predicting the community center's performance, since surprisingly, research is scarce. Our paper relies on top-echelon theories (e.g., Hambrick & Mason, 1984), according to which organizations are a reflection of their CEOs, and focus on the role of top management in the center's performance. We predict that the CEO's own performance and community awareness will interact to predict the center's performance. Revealing if and how the CEO's own performance and community awareness affect the center's performance is essential to better understand if and how CEOs affect the community center's success.

2. Relevant literature

Previous scholars have noted that the performance of the CEO is essential for the community center's performance. According to a seminal work by Donald Hambrick (Hambrick, 2007; Hambrick & Mason, 1984), the organization is a reflection of its top management. Thus, the CEO's values, traits, and motivations will reflect in the organization's performance. Consequently, when the CEO performs well, signals to employees that meeting organization's goals is the norm, the entire organization will act towards that target and, consequently will perform better.

Empirical works support this notion. For example, Mackey (2008), in a highly-cited paper, found that the CEO's performance affects significantly and positively the organization's performance. However, most of these works examined business firms. One reason for the lack of research focusing on the CEOs' effects on the community center performance is that measuring performance in the third sector is more complex compared to measuring performance in business firms.

However, the article of Ritchie et al. (2004) is a noteworthy exception. Their research was focused on top management's role in the third sector organization's success. Their findings indicate correlations between some of the specific values and traits of a third sector's CEO, on one hand, and the perceived center's success, on the other hand. Nevertheless, it should be noted that this research suffers from methodological weaknesses, most notably collecting data concerning the CEO and the perception of the center's performance, only by the CEOs themselves. Further, it seems that the CEO's managerial performance alone

is not enough to capture its effects on the center's performance. Thus, here we additionally are proposing to measure the community awareness of the CEO, too.

The community center's CEO's role is to implement the community center's policy, which is determined by the public board of directors. The community center's CEO is required to effectively combine formal elements such as the ability to plan, supervise, and manage a budget and an accounting system. We refer to this as the CEO's performance. Nevertheless, the CEO also has community-related requirements, such as successfully interacting with the community and its leaders and other agents. We refer to this as community awareness. For example, in Israel, the official requirements from community center CEOs' candidates are having experience in administrative management, the abilities to support and manage a team of employees and the ability to negotiate with various stakeholders, including community agents, or in other words, to be community-aware (Schmid, 2021).

Community awareness is a multi-facet term, which can be drawn as a pyramid (Enders, 2001). Community strategy, representing the vision and purpose, is at the base. Above are the community practice skills and mechanisms the community center possesses, its executive, and its staff. In the upper level is the community planning, based upon which are the activity programs implemented in theory and practice. Following this thought, we will measure community awareness by all facets. Specifically, we focus on realizing the community center's social vision, on the one hand, and the managerial dimension of the operation, on the other hand.

We argue that without community awareness, the CEO's performance would have less impact on the center's performance. Stated differently, a successful community center's CEO should perform well *and* have a high community awareness. Thus, here we hypothesize that (1) both CEO's performance and community awareness would predict the center's performance, and (2) community awareness will moderate CEO's performance and center's performance relationship, as such that this relationship would be more robust for managers with high community awareness. We will examine these assumptions in diverse community centers and by several perspectives in each center, i.e., the CEOs themselves, employees, and board members.

3. Research methodology

One hundred sixty-four employees, CEOs, and board members from different community centers across Israel took part in an online survey powered by Qualtrics, a highly popular platform of online surveys. Participant's mean age was 49.79 ($SD = 9.43$), and 56.9% are male. Mean tenure in the current community center was 6.85 years ($SD = 3.81$), and mean tenure in the current position was 4.44 years ($SD = 7.10$). We asked participants for the socioeconomic status (SES) of the local authority in which the community center is located (ranged from 1, which is very low, to 10, which is very high).

The mean SES was 5.77 ($SD = 0.35$). 85.4% of the centers are located in local Jewish authorities, and the remaining are located in local Arab authorities. This nearly represents the Israeli population structure which is about 79% Jews and 21% Arabs. Responses were received from 55 community centers, representing 31.7% of the total number of community centers in Israel. From each center, we received replies from one CEO, one board member, and one employee. In one center, the board member's response was missing.

Scholars argue that third sector organizations are, by definition, entirely different from businesses. Since some measures of business success cannot be implemented in the third sector, such as profitability rate as a measure of financial success, they are required to be conducted differently (Anheier, 2000).

Many attempts to find a formula to evaluate the performances of third sector organizations and their CEOs have not yet yielded results (Souaf et al., 2015). We suggest that when measuring the performance of a third sector organization such as a community center, researchers should emphasize managerial aspects such as human resources, maintaining the balance, marketing, public relations, operating the services, and fulfilling the social vision of the organization. Thus these were taken into consideration when assessing the CEO's and the community center's performance.

CEO's performance. The CEO's performance was measured by a tool developed by the IACC in 2001 and used by its kind consent. Participants were asked to indicate the degree to which they agree with six statements on a 1-5 Likert scale, ranged from 1 ("*do not agree at all*") to 5 ("*completely agree*") regarding the performance of the CEO. All participants, including CEOs themselves, were required to rate the performance of the CEO. A sample item is "*Human resources management is ideal.*" Cronbach's alpha score was .84.

CEO's community awareness. The CEO's community awareness was also measured by a tool developed by the IACC in 2001 and used by its kind consent. The tool included ten statements on a 1-5 Likert scale. Each statement referred to the community centers' CEOs. All participants, including CEOs themselves, were required to rate the community awareness of the center's CEO. A sample item is "*Cooperates with different agents from the community.*" In the current study, Cronbach's alpha score was .91.

Community center's performance. The community center's performance was assessed by a questionnaire that included 22 items, encompassing different aspects of the community center's success. This tool was purposely developed by the first author of this article. The response scale ranged from 1 to 5 on a Likert scale. Sample items are "*The activities organized by the community center are diverse*", and "*Customers are satisfied with the community center*". Cronbach's alpha score was .94.

The demographic questionnaire included data such as participant's position, age, tenure, and gender. Four demographics were used as control variables in the analyses: (1) CEO's gender, (2) CEO's age, (3) the center's SES level, and (4) the center's sector (Jewish or Arab). These four variables were

determined to be set as controls since they are known to correlate with the CEO's and the community center's performance, and we wanted to be sure that we capture the CEO's performance and community awareness effects rather than confounds.

The process of collecting the data was done in full cooperation with the IACC. Links were sent via email to participants, inviting them to complete an online survey. Emails were addressed to CEOs, board members, and employees from various community centers in Israel. Each participant received a unique identified code, only known to them and a research assistant. This allowed for keeping anonymity and helped us make sure that responses from all three agents in each center are received.

We asked for this code in the survey, thus, if we had missing data, a reminder email was sent. Participants were asked for their consent to participate in the study, and all participants were promised complete anonymity. Participation was voluntary. Data were analyzed by IBM's SPSS version 25.

4. Findings of the research

In Table 1 we provide descriptive statistics and Pearson correlations between the study's variables.

Descriptive Statistics and Pearson Correlations

Table 1

Variable	Mean	Std	1	2	3	4	5	6	7
1. CEO's Gender ^a	-	-	-						
2. CEO's Age	52.59	6.73	-.05	-					
3. Center's SES	5.77	1.96	.21**	-.05	-				
4. Center's Sector ^b	-	-	-.05	.09	-.56**	-			
5. CEO's Community Awareness	4.05	0.60	-.09	.00	.08	-.23**	-		
6. CEO's Performance	4.38	0.59	-.04	-.02	.09	-.22**	.59**	-	
7. Center's Performance	4.09	0.52	-.06	-.04	.21**	-.34**	.82**	.71**	

Note: $N = 164$, * = $p < .05$, ** = $p < .01$. ^a = dummy coded (1 = male, 2 = female), ^b = dummy coded (1 = Jewish, 2 = Arab).

As expected, positive and significant correlations were found between the center's performance and the CEO's performance ($r = .71$), and the center's performance and community awareness ($r = .82$), confirming Hypothesis 1. A relatively strong positive correlation ($r = .59$) was also found between the CEO's performance and his or her community awareness.

Next, we present the regression models to explore the effects of the CEO's performance and community awareness on the center's performance. We also included controls and an interaction term to examine the moderating effect of the CEO's community awareness on the CEO's performance and center's performance relationships. The models' results are presented in Table 2.

Regression Models Predicting the Center's Performance

Table 2

Variable	Center's Performance		
	Model 1 <i>b</i> (SE)	Model 2 <i>b</i> (SE)	Model 3 <i>b</i> (SE)
Intercept	4.68** (.40)	4.13** (.21)	4.15** (.20)
CEO's Gender ^a	-.10 (.09)	-.02 (.05)	-.02 (.04)
CEO's Age	.00 (.01)	.00 (.00)	.00 (.00)
Center's SES	.02 (.00)	.03* (.01)	.03* (.01)
Center's Sector ^b	-.44** (.13)	-.08 (.07)	-.11 (.07)
CEO's Community Awareness		.55** (.04)	.53** (.04)
CEO's Performance		.29** (.04)	.33** (.05)
CEO's Community Awareness X CEO's Performance			.09* (.04)
<i>R</i> ²	.12**	.77**	.78**

N = 164. Unstandardized regression coefficients are reported with standard errors in parentheses;. ^a = dummy coded (1 = male, 2 = female), ^b = dummy coded (1 = Jewish, 2 = Arab). * *p* < .05; ** *p* < .01. Community awareness and CEO's performance are mean centered.

As shown in Table 2, conforming Hypothesis 2, we found a significant interaction effect between the CEO's performance and the CEO's community awareness. A post-hoc simple slopes analysis revealed that for managers with low community awareness (1 SD below mean), relationship between the CEO's performance and the center's performance are weaker, *b* = .29, *SE* = .04, *p* < .001, compared to managers with high community awareness (1 SD above mean), *b* = .39, *SE* = .06, *p* < .001. Thus, the CEO's performance would contribute the most to the center's performance when the manager has a high community awareness.

5. Discussion

The CEO's role in an organization is vitally important to its success, regardless of whether he is a CEO in the business sector, the public/government sector, or the third sector (Drucker, 2010). However, most work has been done in the business sector due to methodological, technical, or theoretical issues.

Following management classics as Habrick's work (Hambrick & Mason, 1984), we demonstrate the essential role of the top management in the third sector organization's success. Specifically, we provide evidence for the essential role of the CEO's performance and their community awareness. Moreover, we show that community awareness is increasing the effects of the CEO's performance as it

reflects in the community center's performance.

Third sector organizations are required today for more and better performance. Furthermore, donors and governments agencies are demanding accountability, or in other words, to evaluate the performances of the third sector organizations and their achievements in solving social problems (Sawhill & Williamson, 2003).

The new pattern of partnerships between governments and third sector organizations imposes reforms on the third sector. As a result, CEOs of the NPOs seek ways to improve their performances, and researchers try to find criteria to evaluate their performances and make them more accountable (Anheier, 2000; Bode & Brandon, 2014). Thus, the current study contributes to this literature by introducing tools to evaluate the CEO's and the community center's performance, which is specifically designed to evaluate third sector organizations.

6. Conclusions

We find that CEO's functioning is crucial for the performance of the community center, but also the level of his/her community awareness. Without CEO's community awareness, the center can not thrive, regardless of the CEO's own performance. This it seems that the CEO needs specific skills to improve his/her community awareness in order to succeed in the job. This has both theoretical and practical implications.

As for theoretical implications, the current study sheds light on the role of the CEO in the success of the community center. We know for decades that top management performance reflects in organizational performance (Hambrick, 2007). We provide empirical evidence showing that the CEO's performance reflects the organization's successes in the third sector as well. As for practical implications, findings could help board members to select CEOs. Community centers' boards of directors invest a great deal of attention in the process of selecting suitable candidates for the role of CEOs. We suggest that they should consider the candidate's community awareness in the process of the CEO's selection.

One notable limitation is that the current study is correlational and can not indicate causality. For example, it might be that when the center is thriving, the CEO is gaining better conditions to approach the community. In other words, it might be that the center's success also influences the community awareness of the CEO. Future research should address this limitation, for example, by employing a longitudinal design. Further, the current study used questionnaires to measure all variables. This technique has several limitations, and some consider it biased (Antonakis et al., 2016; Murray & Antonakis, 2019). Future research could rely on other tools rather than questionnaires (see: Milstein et al., 2020). We employed a multiperspective approach to overcome some biases and confounds inherent in correlative research based on surveys. We relied not only on reports from the CEOs themselves as in prior research (e.g., Ritchie et al., 2004) but on a multiperspective approach. Further, to control for potential confounds, we controlled for key demographics that might affect the results.

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