Stale in the pulpit? Leader tenure and the relationship between market growth strategy and church performance

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Taking a strategic choice perspective, the current study examines leader tenure and the growth implications of pursuing a market penetration versus market development strategy in a church setting. Using cross-sectional time series regression analyses of 1415 church organizations over a period of 6 years, study findings demonstrate the influence of leader tenure on both financial and non-financial church performance, but provide minimal evidence supporting the argument that the selected market strategy matters to organizational performance outcomes in churches.

Introduction

Strategic decisions innately lie within the domain of the upper echelons of management (Hambrick and Mason, 1984). However, a leader’s influence is contingent on a number of variables at the individual, organizational, and environmental levels (Greiner and Bhambri, 1989; Finkelstein and Hambrick, 1996). As such, there is an enormous amount of research examining various combinations of variables, at multiple levels of analysis, in an attempt to better understand how leaders impact organizational strategy and subsequent organizational performance (e.g., Miller and Droge, 1996). Despite extensive research in all domains of the management and marketing literature, there remains some uncertainty about how leaders of religious-based organizations influence organizational strategy and, therefore, organizational performance.

Leader tenure has been shown to result in distinctive patterns of organizational behavior and has a direct impact on organizational performance (Hambrick and Finkelstein, 1987). Generally speaking, organizational leaders are more likely to utilize a higher risk strategy early in their tenure because of the need to demonstrate highly visible changes to the organization or ensure faster growth than a more conservative strategy might allow. However, Miller (1991) observed a commonly occurring problem with leaders in that they became “stale in the saddle” over time. In
essence, leaders who stay in office for a long period of time become susceptible to strategic inertia where momentum and gestalts are created that do not allow the organization to easily respond to shifts in the environment (Miller, 1991). The current study is geared toward expanding this argument to church organizations to determine whether or not tenure is related to organizational strategies and outcomes similar to that shown in previous work examining for-profit organizations.

The study of strategic issues in a church setting is important because these organizations represent unique organizational types in terms of strategy, structure, processes, and desired outcomes (e.g., Colignon, 1987). Indeed, the study of NPOs has only recently found a foothold in the management and marketing literature that has heretofore been dominated by for-profit, public organizations (e.g., Stone et al., 1999). This deficiency is despite several authors calling for more strategic management and marketing research of churches in particular. Because the American religious context has been described as “a competitive, consumer-driven free market reality” (Thumma and Travis, 2007, p. 120), the importance of strategic management research of churches is quite strong. Unfortunately, there has been a lack of empirical studies examining areas of strategic effectiveness in either public or nonprofit human service organizations (Singh, 1996). Similarly, Miller (2002) called on scholars to more closely examine religious organizations, including the study of growth strategies used by these firms and how they compete.

Drawing upon contingency perspectives found in both the mainstream management and marketing literature and the public and nonprofit literature, this study examines the growth implications (financial and non-financial) of churches pursuing market penetration versus new market expansion strategies. More importantly, following upper echelon perspectives, we examine the direct effect of leader tenure on performance, as well as the potential moderating impact of leader tenure on the market strategy to performance relationship. To test our hypotheses, we use cross-sectional time series regression analyses of 1415 Southern Baptist (Protestant Christian) churches over a period of 6 years. When compared to other denominational organizations, Southern Baptist churches are unique in that while every member church is affiliated with the Southern Baptist Convention, each church enjoys autonomy as a self-operating entity “to determine its own membership and to set its own course” (Southern Baptist Convention, 2000, Position Statement). Hence, given the level of sovereignty these churches enjoy and the lack of denominational rules governing the tenure of pastors, an examination of leader tenure and strategic choice is especially salient in this setting.

Theory and hypothesis development

The foundational, theological cornerstone of the Christian church is converting non-believers to believers in Jesus Christ, or “saving lost souls.” Because the achievement of this mission at the organizational level is primarily measured through growth in attendance and financial resources, the central question becomes, how can individual churches best achieve these more quantifiable goals regarding church membership?

For decades, researchers have acknowledged the complexity surrounding factors that influence church membership growth and decline (e.g., Roozen and Carroll, 1979). However, the ability to attract and maintain committed church members has become increasingly challenging as overall Christian church attendance in the United States has steadily declined over the last 20 years (Barna, 1996). Further, while scholars have uncovered a range of factors that impact church growth, most of these factors are beyond the strategic influence of church leaders. For example, Thompson et al. (1993), in a sample of 583 Presbyterian congregations, found contextual factors (e.g., affluence, population...
change, and education levels in the local community) were more important in predicting growth than church demography variables (e.g., affluence and relative youth of members) or local institutional variables (e.g., church school size and emphasis on Christian education). As such, many church leaders and researchers have generally ignored the more strategic aspects of church management. Therefore, while churches require committed members and financial resources to successfully fulfill their broader mission (Stark and Finke, 2000), uncertainty still surrounds the selection of strategic approaches that allow optimal church growth and performance without compromising the central Christian mandate of salvation. Indeed, Bontrager and Showalter (1986, p. 10) suggest the need for a more strategic perspective by stating that "today's churches that wish to effectively reach out cannot depend on their 'welcome' sign to bring people in."

A growing number of influential pastors and business professionals have called for churches to look to the business community to gain insight into how market-based solutions could enable their churches to grow committed new members (Watson and Scalen, 2008). Specifically, such leaders of the modern church growth movement have articulated that churches need to be well-managed organizations, pursuing organizational excellence, and learning from the business sector. For example, Hybels (2002) developed the seeker-sensitive model of organizing evangelical worship services, and Maxwell (1993) suggested that pastors apply executive leadership principles to pastoral leadership in congregations. Also, Barna (2004) highlighted the importance of statistical measures of church growth and polling data as the basis for church program development. Finally, Drucker (1998) advocated the application of corporate management models to evangelical churches, the use of modern marketing techniques, and a focus on satisfying consumer needs through church-based programs. The common theme among all of these influential contributions is the need for churches to draw on knowledge and practices of successful for-profit organizations.

**Church growth strategy: an Ansoff perspective**

Based on two implicit strategic categories, Ansoff (1957, 1965) described four strategic approaches available to organizations pursuing market growth. First, organizational leaders have a choice between using existing products/services and developing new ones. Second, there is a choice between targeting existing markets and finding new markets to exploit. These two choices created a $2 \times 2$ model which described the four possible strategic approaches of organizations pursuing growth: (1) market penetration – selling existing products or services to existing markets; (2) market development – selling existing products or services to new markets; (3) product development – selling new products or services to existing markets; and (4) diversification – selling new products or services to new markets.

Market growth is a common directive of organizational leaders and is often critical to long-term profitability and survival. Indeed, growth strategies have been extensively examined in existing literature, including studies of acquisitions (e.g., Hitt et al., 1990; Datta, 1991), mergers (e.g., Michel, 1985; Hitt et al., 1990), and product development (e.g., Ansoff, 1957; deBrentani, 1989). Market penetration involves exploiting firm expertise in a delimited competitive arena (Pearce and Harvey, 1990). While utilized in several studies, past research has not explicitly examined market penetration from a strategic choice perspective or as a specific orientation of strategic activity. Similarly, growth into new markets using existing products or services has received little attention except when explicitly considering geographic or international expansion (e.g., Bogner et al., 1996; Zahra et al., 2000). Despite an extensive number of studies in various business disciplines concerning growth strategies in general, there is a paucity...
of research examining two specific types of market expansion strategies; market penetration and new market development for existing products or services.

Renewed interest in Ansoff’s original work has more recently emerged. Lowy and Hood (2004) and Beam (2005) applaud Ansoff’s matrix because of its ability to clarify the crucial elements of truly important decisions. Similarly, Chakrapani (2005) suggests researchers and practitioners alike should revisit the 2 × 2 matrix in efforts to tackle important organizational dilemmas. Further, Courtney (1996) suggested that researchers utilize Ansoff’s product and market development typology when examining the strategic alternatives available in settings outside traditional for-profit firms. Following such calls for exploration, we focus on the strategic choice of new or existing markets with respect to church growth through baptisms or through transferred memberships to determine if there are differences in growth rate based upon the church’s strategic focus.

Since Ansoff (1965), a number of scholars have presented slightly modified and/or more detailed versions of the original 2 × 2 matrix (e.g., Karger and Murdick, 1966; Pessemier, 1966; Day, 1975; Luck et al., 1989). Some scholars have simplified the model by discussing growth strategies as either: (1) growth realized through a product focus or (2) growth realized through a market focus (Kotler, 1988; Pleshko and Souiden, 2003). The first of these, product development, has seen some theoretical and empirical development relating it to firm growth. Specifically, the effects of the product life cycle and product portfolios on firm growth are notable (e.g., Wind et al., 1983; Golder and Tellis, 2004). The second growth strategy focuses on markets, which involves targeting new geographic markets or new market segments with existing products (Pleshko and Souiden, 2003). It is this portion of the matrix that will be the focus of the current study as we apply Ansoff’s market penetration and development perspectives to the strategic approaches of religious organizations. Specifically, we investigate how growth through baptisms can be viewed as reaching a new market (non-believers), while growth through transferred memberships can be viewed as penetrating an existing market (existing believers).

The relationship between a market penetration or market development strategy and performance is associated with the stage of the industry life cycle being examined. Doyle and Wong (1998) report that it is very difficult to achieve high levels of performance in mature markets as opposed to growth markets. In one of the very few studies examining market growth strategies, Pleshko and Souiden (2003, p. 258) found that “a product growth strategy has no impact on profits, but that market growth strategy does significantly affect profitability.” Further, they found organizations emphasizing new markets to be the highest performers, even above those emphasizing growth through current markets or through both current and new markets (Pleshko and Souiden, 2003).

Ansoff’s strategies are particularly salient to examine within the context of Southern Baptist Convention (SBC) churches. There are a number of ways churches can grow, including the internal spiritual maturity growth of individual members. However, there are two primary ways in which churches can achieve external growth: conversion or transfer. Conversion growth (Towns et al., 2004) is an indicator of the success a church has experienced in reaching into its community and winning people to Christ. This growth measure is akin to Ansoff’s conception of a market development strategy in the sense that the church is capturing new markets through baptisms. For example, evangelical Christian churches act in response to their belief in the Bible that they should actively reach out to non-believers and share their faith. Hence, the ability of a church to communicate effectively with non-believers and convert them to be committed followers of Christ and become members of a local congregation is a significant performance measurement for many churches. This process of reaching a new market (i.e., non-believers) is carried out through both
The other type of external growth is akin to Ansoff’s conception of “market penetration” in that churches can experience what some have called transfer growth (Towns et al., 2004). This type of growth occurs when existing “believers” who are already members of a church decide to move to a new church. Their membership is transferred over to the new church, thus representing growth for the new church organization. Through the increasing mobility of American society, transfer growth has received more attention among churches, especially SBC churches, as some have seen their ranks swell or shrink through members transferring their member status from one SBC church to another. Studies have shown that a significant component to the growth of both large and small churches has been from “circulating saints” who go from one church to another (Bibby and Brinkerhoff, 1994). In fact, transferred memberships have been acknowledged as a leading factor accounting for the emergence and success of mega-churches. A recent multi-denomination study of 667 mega-churches found that new converts to the Christian faith accounted for 40% of their new members, whereas the remaining members came from other established (both local and distant) churches (Thumma et al., 2005). Certainly churches should continually strive to devise strategies to penetrate new markets and grow through baptisms; however, as Towns et al. (2004, p. 45) point out, “if a church is serious about reaching people, it should have a strategy for reaching Christians moving into its community.” This suggests church organizations should be responsible for carrying out both market penetration and market development strategies if they are to meet the needs of their community and achieve optimal growth.

Given the minimal number of studies examining the relationship between market growth strategies and performance, it seems more likely that churches pursuing growth strategies and entering new markets (i.e., market development) will have higher growth than those churches seeking to gain market share in existing markets (i.e., market penetration). This is particularly true in slow growth markets (Doyle and Wong, 1998). Additionally, recent business trends encourage the pursuit of developing a new market to achieve the benefits of first-mover advantage and the resulting higher returns (Pleshko and Souiden, 2003). Thus, following this logic, we suggest that organizations pursuing a market development strategy should show higher levels of firm growth in comparison to firms pursuing a market penetration strategy. This relationship, and those described in the following sections, are visually demonstrated in Figure 1. Formally, we state:

**H1:** Churches following a market penetration-oriented strategy will have lower levels of growth than those following a market development-oriented strategy.

**Leader tenure**

For many years researchers have looked at the influence of leaders on their organization. Researchers began by examining the influence of a leader through his/her many roles and responsibilities within the organization (Barnard, 1938; Selznick, 1957). Through their position, leaders are able to imprint their firms with their own set of values to the extent that they can be reflected within the firm (Kets de Vries and Miller, 1984; Wally and Baum, 1994). Other research has shown that the leader is the person most responsible for strategic change within a firm (Greiner and Bhambr, 1989) and...
that he/she is often the most visible person within the organization (Dalton and Kesner, 1985; Nadler and Heilpern, 1998). Because of this monumental role of the leader, Finkelstein and Hambrick (1996) suggest that he/she ultimately bears responsibility for the organization’s overall conduct and performance.

The concept of a life cycle has been applied in various contexts, whether to industries (Audretsch and Woolf, 1986), organizations (Miller and Friesen, 1983), or products (Vernon, 1966). Examining the life cycle of leaders, these individuals follow a similar pattern of phases during their tenure that results in distinctive patterns of organizational behavior and performance (Hambrick and Fukutomi, 1991). Within this framework we can better understand how a leader’s tenure impacts his/her ability to influence the firm. With increased tenure, it has been shown that leaders are in a better position to control firms’ internal information flows (Hill and Phan, 1991). Firms also benefit from the increased tenure of their leader as he/she gains the ability to implement sweeping organizational change as a result of lowered barriers of resistance within the firm. Particular to the church environment examined in the current study, leader tenure is not controlled at the denominational level, but at the church level. As a result, the range of leader tenure is very broad. However, studies have shown that the average tenure of senior pastors of Southern Baptist churches in the United States has been just over seven years (Ellison Research, 2005).

While there are numerous benefits to longer leader tenure, some drawbacks have also been identified. For example, increased tenure can provide the leader with the power to circumvent organizational change (Staw et al., 1981). This ability to prevent undesired change may provide the leader with a greater commitment to maintaining the status quo within an organization. The success of past strategies may narrow a leader’s field of vision and provide him/her with a sense of infallibility to such an extent that long-tenured leaders may be disinclined to allow new strategic direction even when it is called for by organizational stakeholders. As such, inertial pressures on the strategy of the organization intensify over time with the same leader in place. These arguments suggest that we should expect a curvilinear relationship between leader tenure and organizational performance. Formally,

\[ H2: \text{In churches, there is a curvilinear relationship between leader tenure and performance such that performance is low in early stages of leader tenure, high at moderate stages of leader tenure, and low again in later stages of leader tenure (i.e., there is an inverted U-shaped relationship).} \]

**Leader tenure and church growth strategy**

As suggested above, the tenure of the organization’s leader is likely to impact organizational decisions and strategic actions. Miller (1991) describes the relationship of the leader and performance through a match between the organization’s strategy and the environment in which it competes. Prior research suggests leaders are more willing to take necessary risks to pursue new strategic directions early in their tenure but this tendency tapers off as the tenure of the leader increases. Yadav et al. (2007) suggest that CEO attentiveness to external events is critical to the innovative activities of a firm. It is likely that in the case of pastors, increased tenure may reduce the environmental scanning a pastor may perform and their attentiveness to new trends, thus reducing the likelihood the church engages in new and unique evangelism innovations. Chandy and Tellis (1998) describe the amount of attention devoted to events that are yet to occur as “future focus.” Firms whose CEOs have a greater external focus are faster at detecting new technological opportunities, and faster at developing initial products based on these technologies (Yadav et al., 2007). Further, Barker and Mueller (2002) found that as leader tenure increases, the leader enhances his/her ability to shape the strategic activities

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of the organization. As Miller (1991) pointed out, the leader often hires or promotes the top management team (TMT), resulting in a homogenized organization of followers who are loyal to their leader (Pfeffer and Salancik, 1977, 1978; Mintzberg, 1983). As a result, strategic objectives often become stagnant, simply following the status quo that has worked in the past, rather than envisioning and proactively capturing new growth opportunities. Miller (1991) described this process of a limited vision by the leader as growing “stale in the saddle.” Simsek (2007) suggested the reason leader tenure directly influences firm performance is because of the impact he/she has on TMT risk-taking propensity and the resulting pursuit of entrepreneurial opportunities by the organization. Given these arguments, Hypothesis 3 states:

\[ H3: \text{In churches, leader tenure will moderate the strategy-growth relationship such that the market penetration to growth relationship will be diminished with longer leader tenure.} \]

\section*{Methods}

To test the hypotheses, we needed a unique sample of churches that were particularly reliant on growth strategies for success and survival. We also needed relatively simple, independent organizations with a clear mission and a clear leader. We determined that independent Protestant churches were uniquely qualified. Specifically, independent churches, within a single denomination, such as the SBC, seemed to meet the criteria set forth here and we found data that were readily available and covering multiple years from Annual Church Profiles (ACPs). ACPs report organizational and financial data of all Southern Baptist churches by state of residence. These data allow an informative and powerful study to be conducted. In addition, while some denominations dictate the length of tenure for their pastors (or church leaders), Southern Baptist churches do not place any limits in this area. Thus, we were able to examine varying lengths of tenure and the implications as hypothesized.

A single denomination study is used here because it allows us to easily differentiate between existing markets and new markets (i.e., existing Baptists versus non-Baptists). In addition, a single denomination study minimizes sample variance and results in greater accuracy of comparison and testing (Stump, 1998). The use of Baptist churches was also important given the evangelical focus of this religious group. In these organizations, church attendance and financial growth (i.e., giving) are both seen as primary observable goals. These provide stable objective performance criteria measures. Further, the basis of performance within these types of organizations was confirmed by acting organizational leaders (pastors) of a select number of churches from this denomination.

A total of 1415 churches from South Carolina were examined for 6 years extending from 1999 through 2004, resulting in a total of 8490 observations. Because we were using yearly change scores for the dependent variables, independent variables from year 2004 are not included in the analyses. Thus, the number of observations was reduced by 1415. Also, the organizations were not asked to report the starting year of their respective pastors until 2003. To account for this, we backwards extrapolated those that were appropriate, given the specific year, and eliminated those churches for which we were unable to garner the information. After the elimination of observations not providing the needed information, a total of 1106 churches (3940 observations) and 1104 churches (3919 observations) remained in the analyses, respective of the two dependent variables.

\section*{Independent variables}

To compare the effectiveness of market penetration strategies against market development strategies, our measure focused on the primary type of growth strategy being pursued
by each organization. We employed two variables to measure membership growth: the number of baptisms and the number of new members who transferred into the focal church from other congregations. Baptisms represent the ability of the church organization to go outside their normal market, while “other additions” includes transfers of memberships or statements of belief from “like-minded” persons wishing to join the church. Most often, transfers of membership are gained from other churches in the same denomination. Thus, market penetration is operationalized as a percentage of new members coming from places other than new converts via baptisms. This variable is labeled “Market Penetration” in Figure 1 and in our discussion. Given that only two primary approaches to gaining market share exist in this setting, a measure of new market development (measured as a percentage of baptisms to total additions) was not necessary. Using the “Market Penetration” measure, we argue that churches are either more highly penetration-focused or development-focused, based on the ratio calculated. In addition, leader tenure is examined in its direct influence on growth and is also considered a moderator in our study. Tenure of the leader (pastor) was reported in the ACP in years and ranged from 0 to 61 years.

**Dependent variables**

Market growth was measured with both financial and non-financial indicators. The first measure calculated the total revenue change per year over the 6-year period. Revenues include all monetary gifts – designated or undesignated – received by the church for the year. We employ the percentage change in revenue in an effort to reduce the influence of church size on the variable as one absolute measure of revenue change would greatly bias larger organizations. The second measure of market growth was change in worship attendance. This measure was calculated as the difference in average Sunday morning service attendance from year to year.

**Control variables**

Control variables included organization size, youthfulness of the church, and mission focus; each of these was thought to potentially impact the growth of the church. Size was measured using the number of resident members in the church organization. Resident members refer to the number of church members living in the general area of the church’s location. The purpose of using this measure of church size is to more accurately estimate the number of active members by not counting those who have left the church but have not transferred their membership to another church body. This size variable ranged from 0 to 5959 and was positively skewed. We used a log transformation to improve normality.

The youthfulness of the church was measured using a ratio of the number of Sunday school attendees under the age of 18 to total Sunday school attendees. This measure was intended to reveal any differences in performance that were a result of the age demographics of the church body.

The final control variable, local mission focus, sought to identify the evangelistic nature of the church in its local environment. While many church organizations are involved in missions, this variable measured the extent to which each organization placed emphasis on their local environment as opposed to state, national, or international missions. This variable was measured by calculating the percentage of local mission giving to total mission giving by each church.

**Analysis and results**

To control for unobserved differences between organizations, we utilized a fixed-effects regression model. The fixed-effects model was deemed appropriate, rather than the random-effects model, based on a Hausman test, which demonstrated that the correlations between organizations is not random but patterned. Estimating a fixed-effects model is equivalent to using dummy variables to control for individual organization effects. Thus, we
lose efficiency and a large number of degrees of freedom. Given the longitudinal nature of the study and the relation between the two dependent variables, cross-sectional time-series regression analysis was used. This is consistent with past research examining similar longitudinal models (e.g., Morrisey and Ohsfeldt, 2003).

Using the procedure described above, we tested each of our hypotheses considering the relationship between growth strategy and organizational performance, and the direct and moderating role of leader tenure. Table 1 presents the means, standard deviations, and correlations for all variables in the analysis. Market penetration is significantly correlated with the number of resident members \((p < 0.01)\), youthfulness \((p < 0.01)\), tenure \((p < 0.01)\), total revenue change \((p < 0.01)\), and attendance change \((p < 0.01)\). Leader tenure is associated with both measures of performance \((p < 0.01)\). However, since these associations do not control for other factors that impact firm performance, interpretations of correlations should be made with caution. The following paragraphs provide a brief discussion of the quantitative results from the fixed-effects regression analyses.

Results for the “Change in Total Revenues” dependent variable are shown in Table 2.

### Table 1. Descriptive statistics and pairwise correlations

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Resident members</td>
<td>332.62</td>
<td>411.67</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Local focus</td>
<td>0.38</td>
<td>0.39</td>
<td>0.11**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Youthfulness</td>
<td>0.37</td>
<td>0.12</td>
<td>0.14**</td>
<td>0.04**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Market penetration</td>
<td>0.53</td>
<td>0.28</td>
<td>0.09**</td>
<td>−0.01</td>
<td>−0.14**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Tenure</td>
<td>7.02</td>
<td>6.67</td>
<td>0.15**</td>
<td>−0.04**</td>
<td>0.01</td>
<td>0.09**</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Total revenue change</td>
<td>−0.04</td>
<td>0.50</td>
<td>−0.02</td>
<td>0.01</td>
<td>−0.04**</td>
<td>−0.04**</td>
<td>0.05**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>7 Attendance change</td>
<td>0.02</td>
<td>0.36</td>
<td>−0.03*</td>
<td>−0.01</td>
<td>−0.03*</td>
<td>−0.05**</td>
<td>0.25**</td>
<td>0.25**</td>
<td>1.00</td>
</tr>
</tbody>
</table>

1Descriptive statistics are given for raw data, before transformations.
2Correlations show relationships after transformations, \(p < 0.05\), \(**p < 0.01\).

### Table 2. Cross-sectional time-series regression analyses for revenue change

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Youthfulness</td>
<td>−0.0155</td>
<td>−0.1270</td>
<td>−0.1385</td>
<td>−0.1308</td>
</tr>
<tr>
<td>Local missions focus</td>
<td>0.0186</td>
<td>0.0306†</td>
<td>0.0294†</td>
<td>0.0307†</td>
</tr>
<tr>
<td>Size (members)</td>
<td>0.0080**</td>
<td>0.0028</td>
<td>0.0500</td>
<td>0.0029</td>
</tr>
<tr>
<td>Independent variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market penetration (MP)</td>
<td>−0.0465†</td>
<td>−0.0459†</td>
<td>−0.0748†</td>
<td></td>
</tr>
<tr>
<td>Leader tenure (LT)</td>
<td>0.1980**</td>
<td>0.0293***</td>
<td>0.0177***</td>
<td></td>
</tr>
<tr>
<td>Leader tenure squared</td>
<td>−0.0096</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interaction variable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MP × LT</td>
<td></td>
<td></td>
<td></td>
<td>0.0039</td>
</tr>
<tr>
<td>(F)</td>
<td>3.58***</td>
<td>7.37***</td>
<td>6.77***</td>
<td>6.35***</td>
</tr>
<tr>
<td>No. of observations</td>
<td>6630</td>
<td>3940</td>
<td>3940</td>
<td>3940</td>
</tr>
<tr>
<td>No. of groups</td>
<td>1398</td>
<td>1106</td>
<td>1106</td>
<td>1106</td>
</tr>
<tr>
<td>Sigma u</td>
<td>0.1866</td>
<td>0.2716</td>
<td>0.2615</td>
<td>0.2713</td>
</tr>
<tr>
<td>Sigma e</td>
<td>0.3124</td>
<td>0.3076</td>
<td>0.3075</td>
<td>0.3076</td>
</tr>
<tr>
<td>Rho</td>
<td>0.2524</td>
<td>0.4382</td>
<td>0.4197</td>
<td>0.4375</td>
</tr>
</tbody>
</table>

\([p < 0.10. \ ^{*}p < 0.05. \ ^{**}p < 0.01. \ ^{***}p < 0.001.\)
while the “Change in Attendance” results are shown in Table 3. Four models are shown in each of the tables. In both, Model 1 shows the results of the null model, using control variables only. Model 2, in both tables, shows the relationship between both independent variables and the dependent growth variable. Model 3 presents tests for curvilinearity in the tenure–growth relationship, and Model 4 presents findings for the hypothesized interaction effect.

Hypothesis 1 predicted a significant negative relationship between the use of a market penetration strategy and growth, which inherently presumed a stronger relationship between a market development strategy and growth. To test this relationship, we regressed market penetration on both growth measures, after controlling for organization size (i.e., resident members), local focus, and youthfulness. Results, shown in Model 2 of both tables, indicated that there are differences according to the specific dependent variable. Testing of the first hypothesis showed mixed findings based on the performance measure. We found a moderate level of support for our first hypothesis when measuring performance as change in revenue (p < .10). However, attendance change did not show any statistical evidence of a relationship. Thus, while these findings suggest it is possible a relationship exists between market strategy and change in revenue, it is difficult to draw a confident conclusion on the impact of market strategy on either performance variable.

The second hypothesis investigated the role of leader tenure on firm performance, predicting a curvilinear, inverted U-shaped relationship. Our regression findings confirm this curvilinear relationship (p < .01), suggesting that early and late years of a pastor’s tenure are associated with lower levels of financial and attendance growth, while growth is maximized at moderate levels of leader tenure. Thus, Hypothesis 2 was supported. However, an interesting finding related to this hypothesis was found in the regression on change in attendance. While our analyses first indicated attendance levels decreased in the late years of leader tenure, subsequent analysis revealed a second increase in firm growth when pastors held their position for an extended period of time. Thus, an S-shaped curvilinear relationship exists between tenure and change in worship attendance.

Our third and final hypotheses examined the interaction effect of market penetration and leader tenure on growth. Contrary to our

### Table 3. Cross-sectional time-series regression analyses for attendance change

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Youthfulness</td>
<td>0.0058</td>
<td>-0.1971*</td>
<td>-0.1969*</td>
<td>-0.1969*</td>
</tr>
<tr>
<td>Local missions focus</td>
<td>-0.0012</td>
<td>0.0043</td>
<td>0.0013</td>
<td>0.0013</td>
</tr>
<tr>
<td>Size (members)</td>
<td>0.0072**</td>
<td>0.0053†</td>
<td>0.0054†</td>
<td>0.0054†</td>
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<tr>
<td>Independent variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market penetration orientation (MP)</td>
<td>-0.0239</td>
<td>-0.0200</td>
<td>-0.0182</td>
<td></td>
</tr>
<tr>
<td>Leader tenure (LT)</td>
<td>0.0189***</td>
<td>0.0515***</td>
<td>0.0517***</td>
<td></td>
</tr>
<tr>
<td>Leader tenure squared</td>
<td>-0.0031***</td>
<td>-0.0031***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leader tenure cubed</td>
<td>0.0001***</td>
<td>0.0001***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interaction variable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MP × LT</td>
<td></td>
<td></td>
<td></td>
<td>-0.0002</td>
</tr>
<tr>
<td>F</td>
<td>3.19*</td>
<td>8.78***</td>
<td>9.84***</td>
<td>8.61***</td>
</tr>
<tr>
<td>No. of observations</td>
<td>6621</td>
<td>3919</td>
<td>3919</td>
<td>3919</td>
</tr>
<tr>
<td>No. of groups</td>
<td>1403</td>
<td>1104</td>
<td>1104</td>
<td>1104</td>
</tr>
<tr>
<td>Sigma u</td>
<td>0.1642</td>
<td>0.2085</td>
<td>0.1929</td>
<td>0.1929</td>
</tr>
<tr>
<td>Sigma e</td>
<td>0.2819</td>
<td>0.2546</td>
<td>0.2536</td>
<td>0.2537</td>
</tr>
<tr>
<td>Rho</td>
<td>0.2534</td>
<td>0.4014</td>
<td>0.3605</td>
<td>0.3604</td>
</tr>
</tbody>
</table>

†p < 0.10. *p < 0.05. **p < 0.01. ***p < 0.001.
hypothesis, no significance was found for the presence of this interaction. Possible reasons for these findings are discussed below.

**Discussion**

Past research has placed little emphasis on the church sector despite the fact that it is one of the largest contingencies of nonprofit organization, with over 300,000 churches in America (Brinckerhoff, 2000). While significant differences exist, church organizations have many similarities to their nonprofit counterparts (Letts *et al*., 1997). For example, they experience challenges in the areas of financing, information systems, human resource management, and strategic planning. Scholars suggest that churches can benefit by reframing their strategies to be more aligned with those of other nonprofits (Brinckerhoff, 2000). In addition, church operations and the operations of for-profit businesses have been viewed as having little to do with one another. However, scholars suggest that religious organizations and for-profit businesses are engaged in a complex and interdependent relationship (Stebbins, 1997; Dodd and Seaman, 1998; Barro and McCleary, 2003).

From a research perspective, this analysis has two primary areas of interest. First, it examines the growth implications (both financial and non-financial) of a market penetration versus new market expansion option in a church organization setting. Second, the impact of the leader tenure on organizational growth and the moderating impact of tenure on the market strategy-growth relationship were assessed. Findings demonstrate that a strategic focus on market penetration is marginally related (*p* < 0.10) to revenue changes, but not related to changes in average worship attendance from 1 year to the next, providing a minimal level of support for Hypothesis 1. These findings can be attributed to several possible things (or possibly a combination). It is feasible that the same market penetration and market expansion strategic approaches found in for-profit organizations are not as prevalent or dichotomous in the church setting examined here.

Given the wide range of variables indicative of performance in these settings, the analysis of a single strategic approach might fail to capture the various strategic initiatives present in churches. It is also possible that these organizations simply do not select or follow any particular umbrella strategy for the organization. In other words, church leaders might choose to simultaneously follow both strategic approaches, viewing them as equally important to the organization. A second explanation for the lack of support for Hypothesis 1 is the methodological approach used and the structure of the longitudinal examination. A lag effect might exist which our data analysis would not have captured since we looked at change from year to year. A longer term perspective looking at a 5- to 10-year time frame might reveal a stronger relationship between market strategy and financial performance.

In examining our second hypothesis, our findings reveal that leaders with shorter tenure tend to have a positive impact on both attendance and giving levels of SBC churches. We found that tenure demonstrates a curvilinear relationship to both forms of growth (financial and non-financial) in this setting. This finding is consistent with several related studies examining the impact of leader tenure (e.g., Eitzen and Yetman, 1972; Sibin *et al*., 2005). There were slight differences between the results for the two performance measures. Leader tenure showed a curvilinear relationship with attendance, suggesting a growth in attendance in the early years of a leader’s tenure followed by a period of decline. Attendance growth in a pastor’s early tenure can be attributed to the “newness” of the pastor and resulting changes in church structure and processes that accompany church leadership changes. While much of the attendance growth that accompanies a leadership change comes from individuals new to the church, it is also possible that the attendance growth accompanying a new
pastor may be attributable to inactive members returning to “active” status.

Interestingly, in late stages of tenure, we again found a growth in attendance. This suggests that if a leader is at an organization long enough, they will experience the growth (in attendance) that was seen at early stages of their tenure. There are a number of explanations for this phenomenon. First, this finding could be the result of the “cream of the crop” pastors who held positions for a long period of time while maintaining a strong level of performance within their organization. Another explanation could be that while early tenure growth may stem from the “newness” of the pastor himself, late tenure growth could stem from a composite of internal factors stemming from the spiritual growth and volunteerism of congregation members. Previous studies have suggested the importance of member volunteerism to church growth (Hougland and Wood, 1982; Meyers and Olson, 1991; Iaiaccone et al., 1995). However, what is not clear is the relationship between pastor tenure and the volunteerism of church members. Future research should explore how longer term pastors mobilize congregations to achieve growth similar to the levels pastors achieve early in their tenure.

While our results show that the positive impact leaders have on attendance levels diminishes over time, the contribution levels of members (revenue growth) does not follow the same curvilinear pattern. In contrast, contribution levels grow at an increasing rate in the short term, yet flatten out and remain at sustained levels as leader tenure increases (not exhibiting the same decline as is seen with attendance). This finding may help explain why organizations examined experience exponential growth as new pastors are brought on board, yet eventually reach certain plateaus constraining additional growth. These results hint at the idea that some pastors may feel somewhat insulated in their current roles given the sustained nature of church revenues. As a result some pastors may be inclined to narrow their field of vision and be less willing to adopt more risky or entrepreneurial strategies necessary to continue market development and the resulting growth. Another explanation for this finding could be that the downturn in attendance primarily comprised individuals who are not providing financial support to the organization. Those individuals who are more devoted to the church and represent this by their financial contributions maintain their attendance and contribution, explaining the total drop off in attendance but the consistent revenue stream. Our final hypothesis assessed the possible moderating impact of leader tenure on the relationship between market strategy and firm performance. This hypothesis was not supported. This can be primarily attributed to the lack of a direct relationship between market strategy and firm performance. Given the lack of a relationship in Hypothesis 1, it was not surprising to see a lack of empirical support for this moderating influence.

In essence, several practical implications can be drawn from the current study. As is the case in for-profit organizations, it is easy for leaders to fall victim to strategic inertial pressures. This study suggests this is also a serious issue in the church setting. There are several possible explanations for this finding. Shen (2003) and Walters et al. (2007) suggest leaders sometimes experience a “honeymoon” period, while this is becoming less frequent in for-profit organizations. Discussions with individuals familiar with the industry examined in the current study confirmed the presence of this period of transition. However, after the “honeymoon” period (typically about 2 years), numerous issues begin facing the pastor. As with normal organizations, disagreements can surface and power groups opposed to current operations can form. This could be the result of the inability of the pastor to effectively build an adequate support system and empower others around him/her. In addition, given the resource limitations faced in these organizations, growth in the congregation is often not accompanied by growth in personnel and/or growth in contributions. This places more pressure on the pastor and existing staff to
perform the same duties at a more strenuous pace or level with the same (or lower) level of resources. The natural result of this is the inability to maintain past performance levels because current operations, employees, and resources are stretched too thin. Future research should explore the supporting conditions enabling the so-called ‘‘honeymoon’’ period of leaders to be prolonged in some institutional environments.

While not initially hypothesized, an interesting finding emerging from the data results was the significant impact of ‘‘Youthfulness’’ on ‘‘Attendance Change’’ (Table 3). Findings showed a negative effect of ‘‘Youthfulness’’ on the dependent variable ($p < 0.05$). This highlights an issue that was beyond the intended focus of the current study; how do various demographic variables of church members influence the church’s performance? This particular finding suggests youthfulness has a negative impact on attendance growth rate. Future research could seek to expand on this finding and examine possible causes.

**Limitations and areas for future research**

While the current study utilized an extensive data set from a large sample of organizations, several limitations still exist and offer opportunities for future research. One limitation was the unavailability of interesting or otherwise important variables in the secondary data. Combining these archival data with surveys of the leaders or members of the congregation would greatly enhance these data and potentially shed new light on the issues discussed.

A second limitation was the embedded lack of generalizability. Here, we only collected data from a single type of religious organization (i.e., Southern Baptist Churches) and only from a single location (i.e., South Carolina). This focus on a single denomination and geographic region provided consistency for measurement. However, differences in strategy and implementation across various denominations are extensive. Other religious organizations might differ in their structure, organizational rules and procedures, strategic focus, or other areas. As a result, the findings in this study should not be expected to hold true across all denominational boundaries. While this provides a good starting point for research on this topic, future research should expand both the type of organization (or denomination) and the geographic regions represented.

Another limitation is the inability to assess or consider the role of the competitive environment in the current study. This exclusion was due to (1) data availability and (2) the difficulties of defining the competitive environment in this industry. The competitive environment for SBC churches against one another is minimized internally by the SBC. However, competition across denominations and competition against possible substitutes are very difficult variables to assess, and something that would be a valuable contribution in future research. In addition, further investigation and consideration of both geographic and demographic variables influencing church growth would be very informative to both practitioners and researchers alike. Related to this denominational issue, future research could also examine the role of denominational popularity or acceptance on church size and growth potential.

Specific to churches, there are several additional areas of future research stemming from this study. For instance, while we examined the influence of market strategy on firm performance measures, it would be interesting to examine the role of product development in these same or similar organizations. This type of study could be done by looking at how organizations are developing new products or services (e.g., mothers day out, vacation bible school, etc.) to attract new or existing markets (i.e., the other side of the Ansoff product matrix). Thus, offering new products focused on serving the needs of non-members would be new product development in new markets. This might also have an effect on the type of growth seen in the church organization. A study of this type would be particularly interesting given the lack of
findings related to market strategy and performance in our study. Either the churches are pursuing the strategic approach of attracting new or existing markets with new products or services, or there is a strategic dynamic taking place in these organizations that is not captured in Ansoff's matrix. Either finding would provide valuable insight into this industry.

Further research should also look deeper into the demographics and surrounding reasons prompting members to transfer churches. In addition, future research should look into the institutional, organizational, and individual factors that constrain churches from moving beyond “plateaus” in financial giving. For example, studies should examine whether “staff-led” churches or “committee-led” churches are more likely to reach financial giving plateaus. Studies should also examine what leadership characteristics, both of the pastor and of entire TMT, best position churches to move past these financial giving plateaus.

A final suggestion for future research in this area would be a geographic study of the agglomeration of church organizations and the resulting impact on growth. Geographic location can often have a strong influence on both church membership and the ability to reach new markets. Further, the agglomeration of churches to particular areas is evident in many growing urban cities. The extent to which these church organizations can forecast population growth in given areas and quickly capture these markets would be an interesting area of research, especially given the growing popularity of mega-churches in largely populated areas. In addition, this type of geographical market growth could also have implications on the type of growth seen.

Conclusion

To date, little research has centered on empirical examinations of church organizations (and other nonprofits) and their strategic challenges, despite calls from strategy researchers (e.g., Odom and Boxx, 1988; Miller, 2002). In particular, there has been a significant deficiency in research comparing expansion strategies in different situations and contexts. Such a gap in the literature is rather surprising given the popularity of the product-market matrix developed by Ansoff (1965). The current study begins addressing this gap by examining how these expansion strategies influence performance in church organizations. While our study provides valuable insight into the similarities between churches and for-profit organizations when it comes to the impact of leader tenure, it also highlights the differing influence of market strategies in these two settings.

Biographical notes

Dr. Justin L. Davis is an Assistant Professor of Strategic Management at Ohio University. His primary research interests include firm-level entrepreneurship, venture capital funding, social capital in entrepreneurship, and other areas of small business development. He has published research in outlets such as the Journal of Small Business Management, the Journal of Business Ethics, and the Journal of Developmental Entrepreneurship.

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Dr. G. Tyge Payne is an Associate Professor of Strategic Management and holder of the Rawls Endowed Professorship of Management in the Rawls College of Business at Texas.

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