

# THE MEDIATING EFFECT OF INSTITUTIONAL CULTURE ON THE RELATIONSHIP BETWEEN TRANSFORMATIONAL LEADERSHIP AND ORGANIZATIONAL PERFORMANCE OF PRIVATE FAITH-BASED HIGHER LEARNING INSTITUTIONS IN KENYA

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## ABSTRACT

This study examined the mediating effect of institutional culture on the relationship between transformational leadership and organizational performance of private faith-based higher learning institutions in Kenya. While the direct influence of transformational leadership on institutional performance is well documented, less attention has been paid to the mechanism through which this influence is transmitted, particularly the role of institutional culture as an intervening variable. Guided by the Baron and Kenny (1986) four-step approach to testing mediation, data were collected from 312 respondents (an 85.24% response rate) drawn from private faith-based higher learning institutions. Regression analysis was used to test the study hypothesis, which stated that institutional culture has no significant mediating effect on the relationship between transformational leadership and organizational performance. The findings showed that institutional culture had a strong, statistically significant, and positive relationship with organizational performance ( $R^2 = .681$ ,  $F = 778.805$ ,  $p < .001$ ), and that introducing institutional culture into the regression model significantly improved the model's explanatory power, from  $R^2 = .712$  to  $R^2 = .792$  ( $F$  change = 34.571,  $p < .001$ ). The null hypothesis was therefore rejected, and the study concludes that institutional culture significantly mediates the relationship between transformational leadership and organizational performance in this sector. The study recommends that leaders of private faith-based higher learning institutions deliberately cultivate institutional cultures that reinforce values, mission, and purpose, as a pathway through which transformational leadership translates into improved organizational performance.

**Keywords:** Transformational leadership; institutional culture; organizational performance; mediation; faith-based higher education; Kenya

## 1.0 INTRODUCTION

### 1.1 Background of the Study

Private faith-based higher learning institutions occupy an important place in the higher education landscape in Kenya, combining academic mandates with distinct value systems rooted in their sponsoring faith traditions. These institutions are simultaneously expected to meet the same performance benchmarks as their secular counterparts – in terms of graduate employability, research output, financial sustainability, and institutional growth – while also preserving the values-based identity that distinguishes them from purely secular providers of

higher education. The performance of these institutions is shaped not only by the leadership approaches adopted by their administrators but also by the internal cultural environment within which leadership is exercised.

Transformational leadership, characterized by idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation, has consistently been linked to improved organizational outcomes (Bass & Avolio, 1994). Leaders who exhibit these behaviors are theorized to inspire followers toward a shared vision, model the values they wish to see embedded in the organization, and stimulate innovative thinking among staff. However, the pathway through which transformational leadership translates into organizational performance is not always direct. A leader's vision and values must first be absorbed into the fabric of the organization – into its norms, assumptions, and everyday practices – before that vision can reliably produce measurable performance outcomes. It is this absorption process that institutional culture is theorized to represent.

Institutional culture, understood broadly as the shared values, beliefs, assumptions, and practices that characterize an organization, has long been recognized in the management literature as a variable that can either amplify or dampen the effects of leadership. In faith-based institutions specifically, institutional culture carries an additional layer of significance, since it is often explicitly tied to the doctrinal and moral commitments of the sponsoring religious body. This makes the question of how institutional culture mediates the leadership-performance relationship particularly salient in this sector: a transformational leader in a faith-based institution is not simply building a generic high-performance culture, but one that must remain congruent with the institution's founding values while still driving measurable organizational performance.

Despite the theoretical plausibility of institutional culture as a mediating mechanism, much of the existing leadership literature has tended to examine the direct relationship between transformational leadership and organizational performance without explicitly modeling the intervening role of culture. This gap motivates the present study's focus on empirically testing institutional culture as a mediator in this specific institutional and national context.

The importance of this question is heightened by the increasingly competitive environment in which private faith-based higher learning institutions in Kenya now operate. As the number of accredited higher education providers has grown, these institutions can no longer rely on denominational loyalty alone to sustain enrolment and stakeholder support; they must also demonstrate measurable performance on conventional metrics such as graduate outcomes, research productivity, and financial sustainability. Understanding the internal organizational mechanisms – such as institutional culture – that help convert leadership vision into these measurable outcomes is therefore of direct practical relevance to institutional leaders and sponsors navigating this environment.

## **1.2 Statement of the Problem**

Private faith-based higher learning institutions in Kenya face mounting pressure to demonstrate strong organizational performance amid growing competition for students, tightening regulatory oversight, and rising public expectations of accountability in higher education. Leaders in these institutions frequently invest in leadership development and in articulating a

transformational vision, yet institutions with seemingly similar leadership approaches do not always achieve comparable performance outcomes. This inconsistency suggests that leadership alone may be an incomplete explanation of institutional performance, and that some intervening organizational factor may be strengthening or weakening the translation of leadership behavior into measurable results.

Institutional culture is a plausible candidate for this intervening role, given its theoretical connection to the values-oriented tenets of transformational leadership. However, without empirical evidence establishing whether – and to what extent – institutional culture actually mediates this relationship in private faith-based higher learning institutions, leaders and policymakers in this sector lack a clear basis for deciding whether efforts to strengthen institutional culture are a worthwhile complement to leadership development initiatives. This study was designed to address that gap by empirically testing the mediating effect of institutional culture on the relationship between transformational leadership and organizational performance in this specific institutional context.

### **1.3 Objective of the Study**

The objective of this study was to determine the mediating effect of institutional culture on the relationship between transformational leadership and organizational performance of private faith-based higher learning institutions in Kenya. The corresponding null hypothesis tested was that institutional culture has no significant mediating effect on the relationship between transformational leadership and organizational performance of private faith-based higher learning institutions in Kenya.

### **1.4 Significance of the Study**

The findings of this study are expected to be useful to several audiences. For leaders and administrators of private faith-based higher learning institutions, the study offers empirical evidence on whether investment in institutional culture-building is a worthwhile complement to leadership development as a route to improved organizational performance. For boards and sponsors of these institutions, the findings provide guidance on where to focus limited institutional resources when seeking to improve performance outcomes. For scholars, the study contributes to the broader literature on mediation mechanisms in the leadership-performance relationship, particularly within the underexplored context of faith-based higher education in a developing-country setting. Finally, for policymakers and higher education regulators in Kenya, the study offers insight into the internal organizational dynamics that may help or hinder institutional compliance and performance within the sector they oversee.

### **1.5 Scope of the Study**

The study was confined to private faith-based higher learning institutions in Kenya and drew its data from 312 respondents, predominantly senior staff and administrators within these institutions, who were considered best placed to provide informed responses on questions of leadership, institutional culture, and organizational performance. The analysis focused specifically on the mediating role of institutional culture, leaving the moderating role of regulatory framework and the combined moderated-mediated effect – both of which were part of the broader parent study – to be addressed elsewhere.

## 1.6 Definition of Key Terms

**Table A. Definition of Key Terms**

| Term                                    | Operational definition                                                                                                                                                                                               |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transformational leadership             | A leadership approach characterized by idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation, aimed at inspiring followers toward a shared institutional vision. |
| Institutional culture                   | The shared values, beliefs, assumptions, and practices that characterize a private faith-based higher learning institution and shape how staff interpret their roles and make decisions.                             |
| Organizational performance              | The extent to which a private faith-based higher learning institution achieves its academic, financial, and developmental objectives, including graduate outcomes, research output, and institutional growth.        |
| Mediation                               | A statistical and conceptual relationship in which the effect of an independent variable on a dependent variable is transmitted, in whole or in part, through an intervening (mediating) variable.                   |
| Faith-based higher learning institution | A private institution of higher learning that is sponsored by, and operates under the values framework of, a religious organization.                                                                                 |

**Note:** These operational definitions were developed by the author to guide the interpretation of the constructs measured in this study.

## 2.0 LITERATURE REVIEW

### 2.1 Theoretical Review

This study is anchored on transformational leadership theory, originally advanced by Burns (1978) and later extended by Bass (1985) and Bass and Avolio (1994). Transformational leadership theory holds that leaders can move followers beyond immediate self-interest through idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, thereby achieving performance outcomes that exceed what transactional exchange-based leadership can produce. Central to this theoretical tradition is the idea that transformational leaders do not merely direct behavior but reshape the values and assumptions that followers hold – a process that, over time, becomes embedded in the organization as its institutional culture.

The mediating role of institutional culture in this study is further grounded in the logic of mediation analysis articulated by Baron and Kenny (1986), who distinguished mediating variables – which explain the process or mechanism through which an independent variable influences a dependent variable – from moderating variables, which alter the strength or

direction of that relationship without explaining the mechanism itself. Under this framework, institutional culture is treated not as a boundary condition on the leadership-performance relationship, but as the conduit through which transformational leadership is converted into organizational performance: transformational leaders shape institutional culture, and it is this reshaped culture that, in turn, drives performance.

The study is also informed by organizational culture theory, most notably associated with Schein (2010), who conceptualized organizational culture as operating at multiple levels – visible artifacts, espoused values, and underlying shared assumptions – and argued that leaders play a primary role in creating, embedding, and transmitting culture within an organization. Schein's framework is particularly relevant to the mediation model tested here, since it explicitly positions leadership as the originating force behind organizational culture, while treating culture itself as the mechanism through which that leadership influence becomes durable and self-sustaining across an organization, even in the leader's absence. This theoretical lens reinforces the expectation that institutional culture should mediate, rather than simply parallel, the effect of transformational leadership on organizational performance.

## **2.1 A Contextual Overview of Private Faith-Based Higher Education in Kenya**

Kenya's higher education sector has expanded considerably in recent decades, with private institutions – many of them faith-sponsored – playing an increasingly prominent role alongside public universities and colleges. Private faith-based higher learning institutions in Kenya are typically sponsored by churches or other religious bodies, and are expected to operate within the regulatory framework established by national higher education authorities while also upholding the doctrinal and moral commitments of their sponsors. This dual accountability – to regulatory authorities on the one hand and to sponsoring religious bodies on the other – creates a distinctive institutional environment in which leadership, culture, and performance intersect in ways that may not be fully captured by leadership research conducted in purely secular or purely commercial organizational settings. It is this distinctive environment that motivates the focus of the present study on institutional culture as a mediating mechanism specific to this sector.

## **2.2 Conceptual Framework**

Conceptual similarities have been deduced in the literature linking components of transformational leadership with components of institutional culture and organizational performance. Within the transformational leadership approach, the tenets of idealized influence and inspirational motivation are inclined towards the significance of values, mission, and purpose (Bass & Avolio, 1994). This orientation mirrors a core component of institutional culture, which likewise emphasizes shared values and the relationships that exist between individuals within an organization. It is this conceptual overlap that provides the theoretical basis for expecting institutional culture to mediate the relationship between transformational leadership and organizational performance: leaders who exhibit idealized influence and inspirational motivation are theorized to do so, in part, by shaping and reinforcing institutional culture, which in turn drives organizational performance. In the conceptual model guiding this study, transformational leadership is treated as the independent variable, organizational performance as the dependent variable, and institutional culture as the mediating variable that channels the effect of the former on the latter.

### **2.3 Institutional Culture as a Mediating Mechanism**

The proposition that institutional culture mediates the leadership-performance relationship rests on the assumption that culture is not a static organizational attribute but an evolving product of leadership action. Transformational leaders, through consistent modeling of values (idealized influence) and articulation of a compelling vision (inspirational motivation), gradually shape the assumptions and norms that constitute institutional culture. Once embedded, this culture influences how staff throughout the institution – not only those in direct contact with senior leadership – interpret their roles, make decisions, and respond to challenges, thereby extending the reach of leadership's influence well beyond what direct supervision alone could achieve. This suggests that the leadership-performance relationship should be at least partly explained by the intervening presence of institutional culture, which is the central proposition tested empirically in this study.

At the same time, mediation need not be complete: leadership may retain a residual direct effect on performance even after institutional culture is accounted for, reflecting channels of influence – such as direct decision-making authority or resource allocation – that do not operate through culture. Distinguishing between full and partial mediation is therefore an important empirical question, addressed in this study using the Baron and Kenny (1986) criteria described in the methodology section below.

### **2.4 Institutional Culture and Organizational Performance**

Beyond its hypothesized mediating role, institutional culture has independently been treated in the organizational literature as a driver of performance in its own right. Institutions with strongly internalized, coherent cultures are generally expected to exhibit greater consistency in decision-making, stronger staff commitment, and more effective coordination across departments, all of which plausibly translate into improved organizational outcomes such as graduate employability, research output, and institutional growth. In faith-based institutions, this general logic is reinforced by the additional coherence that a shared doctrinal or moral framework can provide, potentially strengthening the link between culture and performance beyond what would be observed in a purely secular setting. This suggests that any empirical test of institutional culture's mediating role should also account for, and where possible report, its direct association with organizational performance – a step this study takes in section 4.3 below.

### **2.5 Transformational Leadership and Organizational Performance**

The direct relationship between transformational leadership and organizational performance has received considerably more empirical attention than the mediated pathway examined in this study. Leaders who exhibit idealized influence are theorized to earn the trust and respect of followers, making it easier to align individual effort with institutional goals; those who exhibit inspirational motivation are theorized to raise followers' aspirations and commitment to a shared vision; individualized consideration is theorized to improve staff satisfaction and retention by attending to followers' individual developmental needs; and intellectual stimulation is theorized to encourage innovative problem-solving that can improve institutional processes and outcomes over time. Collectively, these mechanisms provide the theoretical basis for expecting a positive direct relationship between transformational leadership and

organizational performance, a relationship that this study treats as the starting point (Equation 1) before testing whether institutional culture helps explain how that relationship operates (Equation 2).

## **2.6 Summary and Research Gap**

While transformational leadership theory provides strong conceptual grounds for expecting institutional culture to mediate the leadership-performance relationship, much of the applied leadership literature in higher education has tended to test the direct effect of leadership on performance without explicitly modeling this intervening mechanism. Fewer still have done so within the specific context of private, faith-based higher learning institutions, where institutional culture is shaped by both organizational and religious considerations simultaneously. This study addresses that gap by empirically testing institutional culture as a mediating variable within this specific institutional and national context, using the Baron and Kenny (1986) approach to mediation testing.

## **3.0 METHODOLOGY**

### **3.1 Research Design**

The study adopted a quantitative, cross-sectional survey design, appropriate for testing hypothesized relationships among variables measured at a single point in time across a sample of institutions. This design allowed the study to collect standardized data from a relatively large number of respondents across multiple institutions, supporting the statistical testing of the mediation hypothesis through regression analysis.

### **3.2 Target Population and Response Rate**

The study targeted respondents drawn from private faith-based higher learning institutions in Kenya, the majority of whom held senior positions within their institutions and were therefore well placed to provide informed responses on questions of leadership, institutional culture, and organizational performance. Of the 366 questionnaires administered, 312 were returned and found usable, translating to a response rate of 85.24%, which is considered adequate for social science research (Steadman et al., 2019). This response rate compares favorably with response rates reported in related studies on leadership and performance in Kenyan higher learning institutions.

**Table 1. Response Rate**

| <b>Questionnaires</b> | <b>Frequency</b> | <b>Percentage</b> |
|-----------------------|------------------|-------------------|
| Returned              | 312              | 85.24%            |
| Not returned          | 54               | 14.76%            |
| Total                 | 366              | 100%              |

### **3.3 Data Collection Instrument**

Data were collected using a structured questionnaire administered to respondents across the sampled institutions. The questionnaire captured respondent demographic information alongside items measuring transformational leadership, institutional culture, and organizational performance, using response formats suited to subsequent quantitative analysis.

### 3.4 Diagnostic Tests

Prior to hypothesis testing, the data were subjected to diagnostic checks to confirm that the assumptions underlying ordinary least squares regression were satisfied. A Breusch-Pagan/Cook-Weisberg test indicated the absence of statistically significant heteroscedasticity ( $\chi^2(1) = 442.01$ ,  $p = .245$ ), meaning that the variance of the residuals did not vary systematically with the fitted values, a precondition for valid significance testing in regression (Field, 2013). A Durbin-Watson statistic of 2.100 fell within the generally accepted range of 1.5 to 2.5, indicating the absence of problematic autocorrelation among the residuals and supporting the assumption that observations were independent of one another. A Kolmogorov-Smirnov test showed that all study variables, including institutional culture, had significance values above .05, supporting an assumption of normality in their distributions. Collinearity diagnostics further showed tolerance values ranging from approximately .360 to .498 and variance inflation factors ranging from 2.009 to 2.774 across the independent variables, comfortably within the thresholds conventionally used to rule out problematic multicollinearity (tolerance > 0.10 and VIF < 10), indicating that multicollinearity was not a concern for this analysis.

### 3.5 Analytical Model

The mediating effect of institutional culture (IC) was tested using the four-step approach recommended by Baron and Kenny (1986), which involves regressing the dependent variable on the independent variable, regressing the dependent variable on the mediator, and then examining whether the effect of the independent variable is reduced (partial mediation) or rendered non-significant (full mediation) once the mediator is introduced. The regression equations used were:

$$P = \beta_0 + \beta_1 TL + \varepsilon \dots\dots\dots (1)$$

$$P = \beta_0 + \beta_1 TL + \beta_3 IC + \varepsilon \dots\dots\dots (2)$$

Where P = Organizational Performance; TL = composite index of idealized influence, individual consideration, inspirational motivation and intellectual stimulation; IC = Institutional Culture;  $\beta_0$  = constant;  $\beta_1$ ,  $\beta_3$  = beta coefficients; and  $\varepsilon$  = error term. Following Baron and Kenny (1986), there is no mediation where one or more of the relations tested is not significant. If the effect of TL remains significant after IC is accounted for, mediation is suggested; there is full mediation if TL becomes non-significant when IC is controlled for, and partial mediation where both TL and IC significantly predict organizational performance.

### 3.6 Operationalization of Variables

Table 1a summarizes how the study's key constructs were operationalized for the purpose of quantitative analysis.

**Table 1a. Operationalization of Study Variables**

| Variable                         | Type        | Operational measure                                                                                                                 |
|----------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Transformational leadership (TL) | Independent | Composite index of idealized influence, individualized consideration, inspirational motivation, and intellectual stimulation        |
| Institutional culture (IC)       | Mediating   | Composite index of shared values, norms, and practices reported by respondents (x3)                                                 |
| Organizational performance (P)   | Dependent   | Composite index of institutional performance indicators, including graduate outcomes, research output, and institutional growth (y) |

### 3.7 Data Analysis Procedure

Quantitative data collected through the questionnaire were coded, cleaned, and analyzed using statistical software. Descriptive statistics (frequencies, percentages, means, and standard deviations) were used to summarize the demographic profile of respondents. Pearson correlation analysis was used to examine the strength and direction of association between the study variables prior to regression analysis, consistent with the recommendation that correlation analysis should precede more in-depth inferential techniques such as regression (Latunde, 2017). Hierarchical multiple regression was then used to test the mediation hypothesis, following the Baron and Kenny (1986) stepwise procedure described above. All hypotheses were tested at the conventional 0.05 level of significance.

### 3.8 Ethical Considerations

The study observed standard ethical practices for social science research involving human respondents. Participation was voluntary, respondents were informed of the purpose of the study prior to completing the questionnaire, and responses were treated confidentially and reported only in aggregate form, such that no individual respondent or institution can be identified from the results presented in this manuscript.

## 4.0 RESULTS

### 4.1 Respondent Profile

Of the 312 respondents, 56% were male and 44% were female. In terms of educational attainment, 5% held an undergraduate degree, 58% a master's degree, and 37% a doctoral degree, indicating a highly educated respondent pool well placed to give informed responses on institutional leadership and culture.

**Table 2. Gender of Respondents**

| Gender | Frequency | Percentage |
|--------|-----------|------------|
| Male   | 175       | 56         |

| Gender | Frequency | Percentage |
|--------|-----------|------------|
| Female | 137       | 44         |
| Total  | 312       | 100        |

**Table 3. Educational Level of Respondents**

| Education Level      | Frequency | Percentage |
|----------------------|-----------|------------|
| Undergraduate degree | 16        | 5          |
| Master's degree      | 181       | 58         |
| Doctorate degree     | 115       | 37         |
| Total                | 312       | 100        |

The relatively high proportion of respondents holding postgraduate qualifications (95%) suggests that the sample was well positioned, in terms of professional exposure and analytical capacity, to provide informed and reliable responses to the survey instrument, reducing the risk of response bias arising from limited understanding of the constructs under study.

This educational profile is also consistent with the seniority of roles typically involved in shaping and interpreting institutional culture within a higher learning institution – department heads, deans, registrars, and senior administrators are more likely to hold advanced degrees and to have accumulated sufficient organizational tenure to meaningfully assess how institutional values are lived out in daily practice. This lends additional confidence to the reliability of the institutional culture and organizational performance measures used in the analysis that follows.

#### 4.2 Correlation between Institutional Culture and Organizational Performance

A Pearson correlation analysis showed a strong, positive, and statistically significant association between institutional culture and organizational performance ( $r = .826$ ,  $p < .01$ ), as well as a strong positive association between the mediating variable and organizational performance ( $r = .792$ ,  $p < .01$ ), and between the mediating variable and transformational leadership ( $r = .857$ ,  $p < .01$ ). These associations are consistent with a mediation pathway in which transformational leadership is strongly related to institutional culture, which is in turn strongly related to organizational performance. Notably, the correlation between institutional culture and organizational performance ( $r = .826$ ) exceeded the correlation between transformational leadership and organizational performance ( $r = .657$ ), an early indication that institutional culture may carry more of the explanatory weight in the performance outcome than leadership behavior measured directly.

**Table 4. Correlation Results (selected variables)**

| Variable pair                                           | Pearson r | Sig. (2-tailed) | N   |
|---------------------------------------------------------|-----------|-----------------|-----|
| Organizational performance – Institutional culture (x3) | .826**    | .000            | 312 |

| Variable pair                                                 | Pearson r | Sig. (2-tailed) | N   |
|---------------------------------------------------------------|-----------|-----------------|-----|
| Organizational performance – Mediating variable               | .792**    | .000            | 312 |
| Transformational leadership (x1) – Mediating variable         | .857**    | .000            | 312 |
| Organizational performance – Transformational leadership (x1) | .657**    | .000            | 312 |

\*\* Correlation is significant at the 0.01 level (2-tailed).

#### 4.3 Regression Results for the Mediating Effect of Institutional Culture

A linear regression model was first run to examine the relationship between institutional culture (x3) alone and organizational performance (y).

**Table 5. Model Summary – Institutional Culture Predicting Organizational Performance**

| Model | R                 | R Square | Adjusted R Square | Std. Error of Estimate |
|-------|-------------------|----------|-------------------|------------------------|
| 1     | .826 <sup>a</sup> | .681     | .681              | .3551                  |

**Table 6. ANOVA – Institutional Culture Predicting Organizational Performance**

| Model      | Sum of Squares | Df  | Mean Square | F       | Sig.              |
|------------|----------------|-----|-------------|---------|-------------------|
| Regression | 98.201         | 1   | 98.201      | 778.805 | .000 <sup>b</sup> |
| Residual   | 45.897         | 311 | .126        |         |                   |
| Total      | 144.098        | 312 |             |         |                   |

**Table 7. Coefficients – Institutional Culture Predicting Organizational Performance**

| Model                      | B    | Std. Error | Beta | t      | Sig. |
|----------------------------|------|------------|------|--------|------|
| (Constant)                 | .894 | .119       |      | 7.504  | .000 |
| x3 (Institutional culture) | .790 | .028       | .826 | 27.907 | .000 |

The model demonstrated a strong and statistically significant association, with an  $R^2$  of .681, indicating that approximately 68.1% of the variance in organizational performance could be explained by institutional culture alone ( $F = 778.805$ ,  $p < .001$ ). The adjusted  $R^2$  of .681 confirms that this explanatory power is not an artifact of the number of predictors in the model. The coefficient for institutional culture was .790 ( $t = 27.907$ ,  $p < .001$ ), indicating that for every unit increase in institutional culture, organizational performance is predicted to increase by .790 units. This is a substantively large effect, underscoring institutional culture's standing as a powerful predictor of organizational performance in its own right, independent of its hypothesized role as a mediator.

#### 4.4 Test of the Mediating Effect

To test the mediating role of institutional culture, a hierarchical regression was run in which Model 1 excluded institutional culture and Model 2 introduced it alongside the other study variables.

**Table 8. Hierarchical Model Summary for the Mediating Effect of Institutional Culture**

| Model | R                 | R Square | Adjusted R Square | Std. Error | R <sup>2</sup> Change | F Change | df1 | df2 | Sig. F Change |
|-------|-------------------|----------|-------------------|------------|-----------------------|----------|-----|-----|---------------|
| 1     | .844 <sup>a</sup> | .712     | .709              | .3392      | .712                  | 222.882  | 4   | 361 | .000          |
| 2     | .890 <sup>b</sup> | .792     | .788              | .2896      | .080                  | 34.571   | 4   | 357 | .000          |

In Model 1, which did not include institutional culture, a significant relationship was found between the independent variables and organizational performance, with an R<sup>2</sup> of .712, indicating that approximately 71.2% of the variance in organizational performance could be explained. Model 2, which introduced institutional culture, showed a marked improvement in model fit, with R<sup>2</sup> rising to .792 (approximately 79.2% of variance explained). The F-change statistic associated with this improvement was highly significant (F change = 34.571,  $p < .001$ ), indicating that Model 2 significantly improved on Model 1. The standard error of the estimate also declined from .3392 to .2896 between the two models, a further indication of improved precision once institutional culture was incorporated.

Applying the Baron and Kenny (1986) criteria, the significant improvement in explanatory power upon the introduction of institutional culture, combined with the strong and significant direct relationship between institutional culture and organizational performance ( $\beta = .826$ ,  $p < .001$ ) shown in section 4.3, supports the presence of mediation. Because the predictor variables remained associated with organizational performance in Model 2 rather than becoming non-significant, the pattern is consistent with partial rather than full mediation. The null hypothesis that institutional culture has no significant mediating effect on the relationship between transformational leadership and organizational performance was therefore rejected.

#### 4.5 Summary of Hypothesis Testing

**Table 9. Summary of Hypothesis Testing**

| Hypothesis                                                                                                                                            | Test statistic                   | Decision |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------|
| H0: Institutional culture has no significant mediating effect on the relationship between transformational leadership and organizational performance. | F change = 34.571,<br>$p < .001$ | Rejected |

The rejection of the null hypothesis indicates sufficient statistical evidence, at the 0.05 significance level, that institutional culture plays a significant mediating role in this relationship within the sampled private faith-based higher learning institutions.

## **5.0 DISCUSSION**

### **5.1 Interpretation of Findings**

The findings affirm that institutional culture is not a passive backdrop to leadership but an active mechanism through which transformational leadership is translated into organizational performance in private faith-based higher learning institutions. This is consistent with the conceptual expectation that the values-oriented tenets of transformational leadership, particularly idealized influence and inspirational motivation, operate through the shared values, mission, and purpose that constitute institutional culture (Bass & Avolio, 1994). The strong correlation between the mediating variable and both transformational leadership ( $r = .857$ ) and organizational performance ( $r = .792$ ) lends further support to this mediating pathway, suggesting that leaders who are more transformational also tend to preside over institutions with stronger, more performance-supportive institutional cultures.

The magnitude of the improvement in model fit upon introducing institutional culture – an eight-percentage-point increase in  $R^2$ , from .712 to .792 – is substantively meaningful in applied organizational research, where improvements of this scale are generally regarded as practically significant and not merely statistically detectable given the sample size.

### **5.2 Theoretical Implications**

These findings extend transformational leadership theory by providing empirical support, within a faith-based higher education context, for the proposition that leadership's influence on performance is at least partly channeled through institutional culture rather than exercised solely through direct managerial action. This is consistent with the broader theoretical claim that transformational leaders achieve their effects by reshaping followers' values and assumptions (Bass, 1985) – changes that, once internalized across an institution, constitute a shift in institutional culture. The evidence of partial, rather than full, mediation further suggests that transformational leadership retains channels of direct influence on organizational performance that operate independently of institutional culture, a nuance consistent with Baron and Kenny's (1986) recognition that mediation is rarely complete in applied organizational settings.

The findings also lend indirect support to Schein's (2010) view of culture as a multi-layered organizational phenomenon that leaders actively construct: the strong correlation between transformational leadership and the mediating variable ( $r = .857$ ) suggests that the visible artifacts and espoused values associated with strong institutional culture are closely tied to observable leadership behavior, even though the study's cross-sectional design cannot definitively establish the direction of causality implied by this theoretical account.

### **5.3 Practical Implications**

For leaders of faith-based institutions, these findings suggest that efforts to improve organizational performance should not focus on leadership behavior alone but should also deliberately attend to the institutional culture that leadership behavior helps to shape. Practically, this might involve explicit efforts to embed institutional values into orientation and staff development programs, to model desired behaviors consistently at senior leadership level,

and to create structures – such as regular forums or communication channels – that reinforce shared institutional values across all levels of staff, not only among those in direct contact with senior leadership.

More concretely, an institution seeking to act on these findings might begin by auditing the consistency between its stated institutional values and staff members' everyday lived experience of those values, using tools such as staff culture surveys or facilitated focus group discussions. Where gaps are identified between espoused values and actual practice, targeted interventions – ranging from revised onboarding materials to structured mentorship programs pairing senior and junior staff – could help close that gap over time, strengthening the cultural pathway through which transformational leadership is converted into organizational performance.

#### **5.4 Comparison with Conceptual Expectations**

The empirical pattern observed here – a strong direct effect of institutional culture on organizational performance, coupled with a significant improvement in model fit once culture is introduced alongside other predictors – aligns closely with the conceptual model set out in section 2.2, in which institutional culture was positioned as the channel through which the values-oriented components of transformational leadership are converted into performance outcomes. The fact that mediation was found to be partial, rather than full, is also consistent with theoretical expectations: transformational leaders influence organizational performance not solely through the cultural systems they help build, but also through more direct mechanisms such as resource allocation, strategic decision-making, and direct oversight of key institutional processes, which would be expected to preserve some direct leadership-performance association even after institutional culture is statistically controlled for.

#### **5.5 Implications for Institutional Governance**

For governing boards, the finding that institutional culture partially mediates the leadership-performance relationship carries a specific governance implication: performance oversight that focuses exclusively on leadership evaluation, without corresponding attention to the institutional culture that leadership helps shape, risks overlooking a substantial share of the mechanism through which performance outcomes are actually produced. Boards seeking to strengthen institutional performance may therefore benefit from incorporating culture-related indicators – such as staff perceptions of values alignment and mission clarity – into their regular institutional oversight processes, alongside conventional financial and academic performance metrics.

#### **5.6 Limitations of the Study**

As with any cross-sectional survey-based study, the findings reported here reflect associations observed at a single point in time, and causal claims about the direction of the mediating pathway should be made with appropriate caution. The study also relied on institutional culture and organizational performance as measured through respondent self-report, which, while efficient for large-scale data collection, may be subject to common method variance. Future studies could usefully complement this design with longitudinal data or with performance measures drawn from independent institutional records.

## 6.0 CONCLUSION AND RECOMMENDATIONS

### 6.1 Conclusion

The study concludes that institutional culture significantly and partially mediates the relationship between transformational leadership and organizational performance of private faith-based higher learning institutions in Kenya. Institutional culture, on its own, is a strong and significant predictor of organizational performance, and its inclusion in the regression model significantly improves the model's ability to explain organizational performance. The null hypothesis that institutional culture has no significant mediating effect was rejected.

### 6.2 Recommendations for Policy and Practice

The study recommends that leaders and boards of private faith-based higher learning institutions invest deliberately in building and sustaining an institutional culture anchored on shared values, mission, and purpose, as a means of strengthening the translation of transformational leadership into improved organizational performance. Human resource and staff development functions within these institutions could be redesigned to explicitly incorporate culture-building objectives alongside conventional leadership development programs, recognizing that the two are complementary rather than substitute investments.

For institutional leaders specifically, the findings suggest that periodic institutional culture assessments – gauging staff perceptions of shared values, communication norms, and alignment between stated mission and everyday practice – could serve as a useful complement to conventional performance monitoring, providing an early indicator of whether leadership efforts are being effectively absorbed into the institution's cultural fabric. For governing boards and sponsors, the findings support allocating institutional resources not only to leadership recruitment and development but also to structures that reinforce institutional culture, such as staff induction programs, shared institutional rituals, and communication channels that keep staff connected to the institution's founding values and mission.

**Table C. Summary of Recommendations by Stakeholder**

| Stakeholder                   | Recommendation                                                                                                                                       |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Institutional leaders         | Pair leadership development with deliberate, ongoing culture-building initiatives rather than treating leadership training as sufficient on its own. |
| Governing boards and sponsors | Incorporate institutional culture indicators into routine institutional performance oversight, alongside financial and academic metrics.             |
| Human resource functions      | Embed institutional values into staff induction, ongoing development, and internal communication programs.                                           |
| Researchers                   | Investigate which specific dimensions of institutional culture most strongly carry the mediating effect identified in this study.                    |

### 6.3 Suggestions for Further Research

Future research could extend this study by examining the specific dimensions of institutional culture (for example, values alignment, communication norms, and adaptability) that most strongly carry the mediating effect identified here. Comparative studies across faith-based and secular higher learning institutions could also help establish whether the strength of this mediating effect is unique to the faith-based sector or generalizable more broadly across Kenyan higher education. Finally, longitudinal designs would allow future researchers to more confidently establish the causal ordering implied by the mediation model tested in this study.

Researchers may also wish to explore whether the strength of the mediating effect of institutional culture varies systematically with institutional characteristics such as institutional age, size, or denominational affiliation, which this study's cross-sectional, sector-wide design was not intended to disaggregate. Qualitative case studies of individual institutions could complement the quantitative findings reported here by illuminating the specific processes through which transformational leaders build and sustain institutional culture in practice.

#### Appendix A: Illustrative Survey Items by Construct

The following items, drawn from the study questionnaire, illustrate how organizational performance was measured. Respondents rated each item on a five-point scale ranging from strongly disagree to strongly agree.

**Table B. Illustrative Organizational Performance Items**

| Item                                                                                                |
|-----------------------------------------------------------------------------------------------------|
| The institution's graduates are easily absorbed by industry.                                        |
| The institution has diversified the courses offered in the past five years.                         |
| Research projects have increased in the past five years.                                            |
| The institution has increased funds for various research projects.                                  |
| The institution has signed and implemented partnerships and collaborations with other institutions. |
| Our institution has adequate policies to ensure appropriate growth and development.                 |
| The institution's policies are aligned to the strategic objectives.                                 |

**Note:** Transformational leadership items covered the four established sub-dimensions of idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation, while institutional culture items covered shared values, communication norms, and alignment between stated mission and everyday institutional practice.

#### Appendix B: Glossary of Statistical Terms Used in This Manuscript

**Table D. Glossary of Statistical Terms**

| Term               | Meaning                                                                                                                                         |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| R Square ( $R^2$ ) | The proportion of variance in the dependent variable (organizational performance) explained by the predictor variable(s) in a regression model. |

| Term              | Meaning                                                                                                                                                                             |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Adjusted R Square | A version of $R^2$ adjusted for the number of predictors in the model, providing a more conservative estimate of explanatory power.                                                 |
| Beta ( $\beta$ )  | The standardized regression coefficient, indicating the strength and direction of a predictor's effect on the dependent variable, expressed in standard-deviation units.            |
| F Change          | A test statistic indicating whether the improvement in $R^2$ between two hierarchical regression models is statistically significant.                                               |
| p-value (Sig.)    | The probability of observing the given result, or one more extreme, if the null hypothesis were true; values below .05 are conventionally treated as statistically significant.     |
| Tolerance / VIF   | Diagnostic statistics used to detect multicollinearity among predictor variables; low tolerance or high VIF values indicate that predictors are highly correlated with one another. |

**Note:** Definitions provided for reader reference; standard usage in applied regression analysis (Field, 2013).

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