

TRANSFORMATIONAL LEADERSHIP, REGULATORY FRAMEWORK, INSTITUTIONAL CULTURE AND ORGANIZATIONAL PERFORMANCE OF PRIVATE FAITH-BASED HIGHER LEARNING INSTITUTIONS IN KENYA

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ABSTRACT

This study examined the extent to which transformational leadership, regulatory framework, and institutional culture affect organizational performance within private faith-based higher learning institutions in Kenya. Four specific objectives guided the study: to establish the direct effect of transformational leadership on organizational performance; to investigate the moderating effect of regulatory framework on the relationship between transformational leadership and organizational performance; to determine the mediating effect of institutional culture on that relationship; and to evaluate the moderated-mediated effect of regulatory framework and institutional culture on the relationship between transformational leadership and organizational performance. Data were collected from 312 respondents in private faith-based higher learning institutions, an 85.24% response rate, and analyzed using correlation and hierarchical multiple regression. Diagnostic tests confirmed that the assumptions of homoscedasticity, independence of residuals, normality, and absence of problematic multicollinearity were satisfied. Transformational leadership alone significantly predicted organizational performance ($R^2 = .431$, $F = 276.193$, $p < .001$). Regulatory framework significantly moderated this relationship, explaining 52.7% of the variance in organizational performance on its own ($R^2 = .527$, $F = 404.995$, $p < .001$). Institutional culture significantly mediated the relationship, improving model fit from $R^2 = .712$ to $R^2 = .792$ (F change = 34.571, $p < .001$) when introduced alongside the other predictors. Finally, the combined moderated-mediated effect of regulatory framework and institutional culture significantly enhanced the explanatory power of the overall model, from $R^2 = .768$ to $R^2 = .811$ (F change = 82.804, $p < .001$), with all four predictors – transformational leadership, regulatory framework, institutional culture, and the moderated-mediated index – contributing significantly. All four null hypotheses were rejected. The study concludes that organizational performance in private faith-based higher learning institutions in Kenya is best understood not as a simple product of transformational leadership acting alone, but as an outcome shaped jointly by leadership, the regulatory environment, and institutional culture. The study recommends that leaders of these institutions pursue transformational leadership practices in tandem with deliberate attention to regulatory compliance and culture-building, rather than treating any one of the three as sufficient on its own.

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

1.0 INTRODUCTION

1.1 Background of the Study

Private faith-based higher learning institutions in Kenya operate at the intersection of academic performance expectations, a national regulatory framework governing higher education, and internal institutional cultures rooted in their sponsoring faith traditions. Understanding how these institutions achieve organizational performance requires looking beyond leadership behavior alone to the regulatory and cultural context within which that leadership operates. Leaders of these institutions are expected to deliver measurable performance outcomes – in graduate employability, research output, financial sustainability, and institutional growth – while simultaneously satisfying the requirements of higher education regulators and remaining faithful to the values and mission of their sponsoring religious bodies.

Transformational leadership, characterized by idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation, has consistently been linked to improved organizational outcomes (Bass & Avolio, 1994). Yet leadership does not operate in a vacuum: its effects on organizational performance are shaped by, and interact with, the regulatory environment within which an institution operates and the institutional culture that leadership itself helps to build. A full account of how private faith-based higher learning institutions achieve organizational performance therefore requires examining not only the direct effect of transformational leadership, but also how regulatory framework and institutional culture separately and jointly shape that relationship.

This study set out to provide such a full account, structured around four specific objectives that build cumulatively on one another: first establishing the direct effect of transformational leadership on organizational performance, then examining how regulatory framework moderates that relationship, then examining how institutional culture mediates it, and finally evaluating how the two combine in a joint moderated-mediated effect.

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 this sector frequently invest heavily in leadership development, on the assumption that strong transformational leadership will, by itself, be sufficient to drive institutional performance. Yet institutions with seemingly similar leadership approaches do not always achieve comparable performance outcomes, suggesting that leadership alone may be an incomplete explanation of institutional performance in this sector.

Without a comprehensive empirical account of how transformational leadership, regulatory framework, and institutional culture combine to shape organizational performance, institutional leaders, boards, and policymakers lack a clear basis for prioritizing investment across these three levers. This study was designed to provide such an account by systematically testing the direct, moderating, mediating, and moderated-mediated relationships among these variables within private faith-based higher learning institutions in Kenya.

1.3 Objectives of the Study

The general objective of this study was to examine the extent to which transformational leadership, regulatory framework, and institutional culture affect organizational performance within private faith-based higher learning institutions in Kenya. This was pursued through four specific objectives: (i) to establish the effect of transformational leadership on organizational performance of private faith-based higher learning institutions in Kenya; (ii) to investigate the moderating effect of the regulatory framework on the relationship between transformational leadership and organizational performance of private faith-based higher learning institutions in Kenya; (iii) 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; and (iv) to evaluate the moderated-mediated effect of regulatory policy and institutional culture 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 benefit several audiences. For institutional leaders, the study offers a comprehensive, integrated account of how leadership, regulatory compliance, and institutional culture jointly shape organizational performance, informing more balanced managerial priorities than a leadership-only focus would support. For governing boards and sponsors, the findings provide an evidence base for allocating institutional resources across leadership development, regulatory compliance, and culture-building initiatives. For higher education regulators, the study offers insight into how regulatory frameworks interact with institutional leadership and culture across the private faith-based higher education sector. For scholars, the study contributes a comprehensive empirical test of direct, moderating, mediating, and moderated-mediated relationships within a single, coherent model, applied to an underexplored institutional context.

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. The analysis addressed all four specific objectives of the parent study within a single integrated manuscript, in contrast to companion manuscripts that examine the mediating and moderated-mediated objectives in isolation.

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.

Term	Operational definition
Regulatory framework	The set of national laws, policies, and oversight mechanisms governing the operation of higher learning institutions in Kenya, and institutional structures for complying with them.
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 an institution achieves its academic, financial, and developmental objectives, including graduate outcomes, research output, and institutional growth.
Mediation	A 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.
Moderation	A relationship in which the strength or direction of the effect of an independent variable on a dependent variable depends on the level of a third (moderating) variable.

Note: The author developed these operational definitions to guide the interpretation of the constructs measured in this study.

2.0 LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

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), which holds that leaders move followers beyond immediate self-interest through idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. The mediating role of institutional culture examined in this study is grounded in the logic of mediation analysis articulated by Baron and Kenny (1986), while the moderating role of regulatory framework, and its combination with institutional culture in a joint moderated-mediated model, draws on the moderated-mediation framework formalized by Preacher, Rucker, and Hayes (2007). Institutional theory, associated with DiMaggio and Powell (1983), further informs the study's treatment of regulatory framework, since it suggests that organizations operating within a shared regulatory field tend to adapt their internal structures and culture in response to common regulatory pressures – a dynamic directly relevant to the fourth objective of this study.

Together, these theoretical strands support a layered model in which transformational leadership is expected to have a direct effect on organizational performance (Objective i); this direct effect is expected to be strengthened or weakened depending on the regulatory framework within which an institution operates (Objective ii); the effect is also expected to be transmitted, at least partially, through institutional culture (Objective iii); and, finally, regulatory framework and institutional culture are expected to combine in a joint moderated-mediated effect that captures dynamics not visible when each mechanism is examined separately (Objective iv).

2.2 Conceptual Model

Conceptual similarities have been identified in the literature linking components of transformational leadership, regulatory framework, and institutional culture with components of 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), a component also central to realizing organizational performance and to the relationships that exist between individuals within an institution. This conceptual overlap provides the basis for a model in which transformational leadership is the independent variable, organizational performance is the dependent variable, institutional culture serves as a mediating variable, and regulatory framework serves as a moderating variable, with the two combining into a joint moderated-mediated effect.

2.3 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. These institutions 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 creates a distinctive institutional environment in which leadership, regulation, and culture intersect in ways not fully captured by leadership research conducted in purely secular or commercial organizational settings, motivating the integrated four-objective approach taken in this study.

2.4 Summary and Research Gap

While each of transformational leadership's direct effect, the moderating role of regulatory framework, and the mediating role of institutional culture has received some individual attention in the broader organizational literature, few studies have integrated all three mechanisms – together with their joint moderated-mediated effect – within a single empirical model, and fewer still have done so within the specific context of private, faith-based higher learning institutions in a developing-country setting. This study addresses that gap by testing all four relationships within a single, internally consistent analytical framework.

3.0 METHODOLOGY

3.1 Research Design

The study adopted a quantitative, cross-sectional survey design, appropriate for testing hypothesized direct, moderating, mediating, and moderated-mediated relationships among variables measured at a single point in time across a sample of institutions.

3.2 Target Population and Response Rate

The study targeted senior respondents drawn from private faith-based higher learning institutions in Kenya. Of the 366 questionnaires administered, 312 were returned and usable, a

response rate of 85.24%, considered adequate for social science research (Steadman et al., 2019).

Table 1. Response Rate

Questionnaires	Frequency	Percentage
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 across the sampled institutions, capturing respondent demographic information alongside items measuring transformational leadership, regulatory framework, institutional culture, and organizational performance.

3.4 Diagnostic Tests

Prior to hypothesis testing, the data were subjected to diagnostic checks for homoscedasticity, autocorrelation, normality, and multicollinearity. A Breusch-Pagan/Cook-Weisberg test indicated the absence of statistically significant heteroscedasticity ($\chi^2(1) = 442.01, p = .245$). A Durbin-Watson statistic of 2.100 fell within the acceptable range of 1.5 to 2.5, indicating the absence of autocorrelation among residuals. A Kolmogorov-Smirnov test showed significance values above .05 for transformational leadership, institutional culture, regulatory framework, and the moderated-mediated effect, supporting an assumption of normality. Collinearity diagnostics showed tolerance values ranging from .360 to .498 and variance inflation factors ranging from 2.009 to 2.774 across the four predictor variables, indicating that multicollinearity was not a material concern.

Table 2. Multicollinearity Results

Predictor	Tolerance	VIF
x1 – Transformational leadership	.498	2.009
x2 – Regulatory framework	.360	2.774
x3 – Institutional culture	.420	2.383
x4 – Moderated-mediated index	.391	2.559

3.5 Analytical Models

Four regression models corresponded to the four study objectives:

Objective (i) – Direct effect: $P = \beta_0 + \beta_1 TL + \varepsilon$

Objective (ii) – Moderation: $P = \beta_0 + \beta_1 TL + \beta_2 RF + \beta_4 TL \cdot RF + \varepsilon$

Objective (iii) – Mediation: $P = \beta_0 + \beta_1 TL + \beta_3 IC + \varepsilon$

Objective (iv) – Moderated mediation: $P = \beta_0 + c'_1 TL + c'_2 RF + c'_3 TL \cdot RF + b_1 IC + b_2 RF \cdot IC + h \cdot TL \cdot IC + j \cdot TL \cdot RF \cdot IC + e$

Where P = Organizational Performance; TL = Transformational Leadership (composite index of idealized influence, individual consideration, inspirational motivation and intellectual stimulation); RF = Regulatory Framework; IC = Institutional Culture; β_0 = constant/intercept; and ε/e = error term.

3.6 Operationalization of Variables

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 (x1)
Regulatory framework (RF)	Moderating	Composite index of respondent perceptions of regulatory compliance structures and processes (x2)
Institutional culture (IC)	Mediating	Composite index of shared values, norms, and practices reported by respondents (x3)
Moderated-mediated index	Interaction term	Composite index capturing the joint interaction of regulatory framework and institutional culture with transformational leadership (x4)
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 were used to summarize the demographic and item-level profile of respondents. Pearson correlation analysis was used to examine associations 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). Simple and hierarchical multiple regression were then used, in sequence, to test each of the four study hypotheses corresponding to the four specific objectives. 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, regulation, and culture.

Table 3. Gender of Respondents

Gender	Frequency	Percentage
Male	175	56
Female	137	44
Total	312	100

Table 4. Educational Level of Respondents

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

4.2 Descriptive Statistics

On regulatory framework, most respondents agreed or strongly agreed that their institution has an office implementing set regulatory policies (80.8% agree/strongly agree, mean = 4.10) and regularly publishes reports on regulatory policy reviews (85.5% agree/strongly agree, mean = 3.95). Respondents were more divided on whether staff are involved in regulatory impact assessment exercises, with 82.2% disagreeing (mean = 2.22).

Table 5. Selected Descriptive Statistics – Regulatory Framework

Item	Mean	Std. Deviation
Institution has an office implementing regulatory policies	4.10	1.254
Institution regularly publishes regulatory policy review reports	3.95	1.061
I feel empowered in adhering to regulatory procedures	3.58	1.089
Staff are involved in regulatory impact assessment exercises	2.22	.797

Item	Mean	Std. Deviation
Constant review of institutional performance vs. regulatory policies	3.85	.898
Institution holds staff sensitization forums on regulatory compliance	3.79	.746
I feel valued as a stakeholder in implementing regulatory policies	3.18	1.036

On organizational performance, respondents generally agreed that institutions had diversified course offerings (mean = 4.43), increased research projects (mean = 4.23), and increased funding for research (mean = 4.08) over the preceding five years, while agreement was more moderate regarding the adequacy of policies to ensure growth and development (mean = 3.41).

Table 6. Selected Descriptive Statistics – Organizational Performance

Item	Mean	Std. Deviation
Institution's graduates are easily absorbed by industry	3.80	1.088
Institution has diversified courses offered in the past 5 years	4.43	1.026
Research projects have increased in the past 5 years	4.23	1.131
Institution has increased funds for research projects	4.08	.906
Institution has signed/implemented partnerships and collaborations	4.18	1.149
Institution has adequate policies for growth and development	3.41	1.259
Institution's policies are aligned to strategic objectives	3.78	1.040

On items relating to the moderated-mediated effect of regulatory framework and institutional culture, most respondents agreed that their institutional culture does not conflict with regulatory policies (89.9% agree/strongly agree, mean not directly comparable across reverse-worded items) and that political control hinders institutional performance (87.4% agree/strongly agree, mean = 4.10).

4.3 Correlation Analysis

A Pearson correlation analysis was conducted among organizational performance (Y), transformational leadership (x1), regulatory framework (x2), institutional culture (x3), the moderated-mediated index (x4), the mediating variable, and the moderating variable. All correlations were positive and statistically significant at the .01 level.

Table 7. Correlation Analysis Results

	Y	x1	x2	x3	x4
Y	1	.657**	.826**	.726**	.773**
x1	.657**	1	.676**	.561**	.625**
x2	.826**	.676**	1	.700**	.706**
x3	.726**	.561**	.700**	1	.705**
x4	.773**	.625**	.706**	.705**	1

** Correlation is significant at the 0.01 level (2-tailed); N = 312 for all pairs. Y = organizational performance, x1 = transformational leadership, x2 = regulatory framework, x3 = institutional culture, x4 = moderated-mediated index.

4.4 Objective (i): Direct Effect of Transformational Leadership on Organizational Performance

Table 8. Model Summary – Transformational Leadership Predicting Organizational Performance

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.657 ^a	.431	.430	.4744

Table 9. ANOVA and Coefficients – Transformational Leadership Predicting Organizational Performance

	B / F	Std. Error / df	Beta	t	Sig.
Regression (F)	276.193	1, 311			.000 ^b
(Constant)	1.632	.155		10.509	.000
x1 – Transformational leadership	.624	.038	.657	16.619	.000

Transformational leadership alone significantly predicted organizational performance, explaining 43.1% of its variance ($R^2 = .431$, $F = 276.193$, $p < .001$). For every unit increase in transformational leadership, organizational performance increased by .624 units ($t = 16.619$, $p < .001$). The null hypothesis that transformational leadership has no significant effect on organizational performance was rejected.

4.5 Objective (ii): Moderating Effect of Regulatory Framework

Table 10. Model Summary – Regulatory Framework Predicting Organizational Performance

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.726 ^a	.527	.525	.4329

Table 11. ANOVA and Coefficients – Regulatory Framework Predicting Organizational Performance

	B / F	Std. Error / df	Beta	t	Sig.
Regression (F)	404.995	1, 311			.000 ^b
(Constant)	1.048	.157		6.662	.000
x2 – Regulatory framework	.760	.038	.726	20.124	.000

Regulatory framework alone explained 52.7% of the variance in organizational performance ($R^2 = .527$, $F = 404.995$, $p < .001$), with a coefficient of .760 ($t = 20.124$, $p < .001$), indicating a substantial moderating role in the relationship between transformational leadership and organizational performance. The null hypothesis that regulatory framework has no significant moderating effect was rejected.

4.6 Objective (iii): Mediating Effect of Institutional Culture

Table 12. Model Summary – Institutional Culture Predicting Organizational Performance

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.826 ^a	.681	.681	.3551

Table 13. Hierarchical Model Summary – Mediating Effect of Institutional Culture

Model	R	R Square	Adj. R Sq.	Std. Error	R ² Change	F Change	df1	df2	Sig.
1	.844 ^a	.712	.709	.3392	.712	222.882	4	361	.000
2	.890 ^b	.792	.788	.2896	.080	34.571	4	357	.000

Institutional culture alone explained 68.1% of the variance in organizational performance ($R^2 = .681$, $F = 778.805$, $p < .001$). When introduced into the model alongside the other predictors, institutional culture significantly improved model fit, raising R^2 from .712 to .792 (F change = 34.571, $p < .001$), consistent with a significant mediating effect. The null hypothesis that institutional culture has no significant mediating effect was rejected.

4.7 Objective (iv): Moderated-Mediated Effect of Regulatory Framework and Institutional Culture

Table 14. Hierarchical Model Summary – Moderated-Mediated Effect

Model	R	R Square	Adj. R Sq.	Std. Error	R ² Change	F Change	df1	df2	Sig.
1	.876 ^a	.768	.765	.3046	.768	298.097	4	361	.000
2	.901 ^b	.811	.808	.2750	.043	82.804	1	360	.000

Table 15. Coefficients – Model 1 (Moderated-Mediated Effect)

Predictor	B	Std. Error	Beta	t	Sig.
(Constant)	.367	.120		3.053	.002
x1 – Transformational leadership	.073	.034	.077	2.149	.032
x2 – Regulatory framework	.439	.040	.459	10.850	.000
x3 – Institutional culture	.163	.041	.156	3.977	.000
x4 – Moderated-mediated index	.253	.035	.291	7.177	.000

All four predictors jointly explained 76.8% of the variance in organizational performance ($R^2 = .768$, $F = 298.097$, $p < .001$), each contributing significantly: transformational leadership ($\beta = .077$, $p = .032$), regulatory framework ($\beta = .459$, $p < .001$), institutional culture ($\beta = .156$, $p < .001$), and the moderated-mediated index ($\beta = .291$, $p < .001$). Introducing the moderated-mediated term in Model 2 significantly improved fit, raising R^2 to .811 (F change = 82.804, $p < .001$). The null hypothesis that there is no significant moderated-mediated effect of regulatory framework and institutional culture was rejected.

4.8 Summary of Hypothesis Testing across the Four Objectives

Table 15a. Summary of Hypothesis Testing

Objective	Hypothesis (H0)	Test statistic	Decision
(i) Direct effect	TL has no significant effect on organizational performance	$F = 276.193$, $p < .001$	Rejected
(ii) Moderation	RF has no significant moderating effect	$F = 404.995$, $p < .001$	Rejected
(iii) Mediation	IC has no significant mediating effect	F change = 34.571, $p < .001$	Rejected
(iv) Moderated mediation	No significant moderated-mediated effect of RF and IC	F change = 82.804, $p < .001$	Rejected

All four null hypotheses were rejected at the 0.05 significance level, providing consistent statistical support across all four specific objectives for the general proposition that transformational leadership, regulatory framework, and institutional culture jointly shape organizational performance in private faith-based higher learning institutions in Kenya.

5.0 DISCUSSION

5.1 Interpretation of Findings

Taken together, the four sets of findings show a consistent pattern: organizational performance in private faith-based higher learning institutions in Kenya is shaped by transformational leadership, but this effect is neither uniform nor self-contained. Transformational leadership alone accounted for 43.1% of the variance in organizational performance, but this share rose substantially once regulatory framework and institutional culture were brought into the model – to 52.7% for regulatory framework alone, 68.1% for institutional culture alone, and 81.1% for the full moderated-mediated model. This progression suggests that regulatory framework and institutional culture are not marginal controls but central mechanisms through which transformational leadership is converted into measurable organizational performance.

Among the four predictors in the combined model, regulatory framework carried the largest standardized effect ($\beta = .459$), ahead of the moderated-mediated index ($\beta = .291$), institutional culture ($\beta = .156$), and transformational leadership itself ($\beta = .077$). This is consistent with the regulated nature of higher education in Kenya, where compliance with national regulatory requirements may be a precondition for, rather than merely a facilitator of, organizational performance. At the same time, the strength of the mediating and moderating roles of institutional culture and regulatory framework reaffirms the conceptual premise that the values-oriented tenets of transformational leadership – idealized influence and inspirational motivation – achieve their effect substantially through the institutional and regulatory context in which leaders operate, rather than through leadership behavior in isolation (Bass & Avolio, 1994).

5.2 Theoretical Implications

These findings extend transformational leadership theory by demonstrating, within a single integrated model, that leadership's effect on organizational performance is progressively better explained as regulatory and cultural context is incorporated – direct effect alone explained less than half the variance in performance, while the full model explained more than four-fifths. This layered pattern is consistent with Bass's (1985) view of transformational leadership as operating through the reshaping of follower values and organizational conditions rather than through direct command alone, and with institutional theory's (DiMaggio & Powell, 1983) account of organizations adapting their internal culture in response to a shared regulatory field. The findings also validate the utility of moderated-mediation modeling (Preacher, Rucker, & Hayes, 2007) for capturing dynamics that would be missed by testing direct, moderating, and mediating effects in isolation from one another.

More broadly, the four-objective structure of this study illustrates a methodological point relevant to organizational leadership research generally: a single-mechanism test of leadership's effect on performance, of the kind represented by Objective (i) alone, risks

substantially understating leadership's true influence, since much of that influence appears to operate indirectly through regulatory and cultural channels rather than directly. Researchers examining leadership effects in other regulated, values-driven sectors may find similar patterns, suggesting that single-mechanism models should be treated as a starting point rather than a complete account of how leadership shapes organizational outcomes.

5.3 Practical Implications

For institutional leaders, these findings caution against an over-reliance on leadership development as the primary lever for improving organizational performance. While transformational leadership remains a significant and necessary contributor, the much larger share of variance explained once regulatory framework and institutional culture are incorporated suggests that leadership development investments are likely to yield the greatest returns when paired with parallel investment in regulatory compliance capacity and institutional culture-building, rather than pursued as a stand-alone intervention.

For governing boards, the results suggest that institutional performance oversight should track indicators across all three domains – leadership, regulatory compliance, and institutional culture – rather than concentrating performance review almost exclusively on leadership evaluation, as is common practice in many higher education governance structures.

For human resource and staff development functions specifically, the findings suggest a practical sequencing: since institutional culture carried the largest standalone explanatory power among the three single mechanisms tested ($R^2 = .681$), while regulatory framework carried the largest standardized effect once all predictors were combined ($\beta = .459$), institutions seeking early, high-impact interventions might prioritize culture-building initiatives for their broad standalone reach, while treating regulatory compliance capacity-building as a complementary investment whose returns become most apparent once leadership, culture, and compliance are considered together.

5.4 Comparison Across Objectives

Comparing the four models directly is instructive. The standalone effect of institutional culture ($R^2 = .681$) was considerably larger than the standalone effect of transformational leadership ($R^2 = .431$), and larger too than the standalone effect of regulatory framework ($R^2 = .527$), suggesting that of the three single mechanisms tested, institutional culture carries the greatest independent explanatory weight in this sector. However, when all four predictors were combined in the moderated-mediated model, regulatory framework emerged as the strongest standardized predictor, indicating that its explanatory contribution is more distinct from, and less overlapping with, transformational leadership than institutional culture's contribution is. This pattern is consistent with the strong correlation observed between transformational leadership and the mediating variable ($r = .857$) relative to the comparatively weaker correlation between transformational leadership and regulatory framework ($r = .676$): institutional culture appears to move together with transformational leadership to a greater extent than regulatory framework does, which is reflected in their differing standardized contributions once combined in a single model.

This distinction matters for how the four objectives of this study should be read together. Objectives (i) through (iii), tested individually, each confirm that a single mechanism – leadership, regulation, or culture – is significantly associated with organizational performance on its own. Objective (iv), by contrast, demonstrates that these mechanisms are not simply additive: the moderated-mediated index made a further significant contribution beyond what the three individual predictors already explained, indicating genuine interaction rather than mere co-occurrence among leadership, regulatory framework, and institutional culture in shaping organizational performance.

5.5 Implications for Institutional Governance

For governing boards specifically, the pattern of results across the four objectives suggests a specific governance sequencing risk: a board that reviews leadership performance without reference to regulatory compliance status or institutional culture indicators is, in effect, evaluating only the smallest of the four explanatory layers identified in this study (43.1% of variance explained). Extending institutional oversight to incorporate regulatory compliance and institutional culture indicators alongside leadership evaluation would bring board-level oversight into closer alignment with the fuller, 81.1%-of-variance account offered by the combined moderated-mediated model.

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 relationships tested should be made with appropriate caution. The study also relied on respondent self-report for all four constructs, which, while efficient for large-scale data collection across many institutions, 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 transformational leadership has a significant direct effect on organizational performance in private faith-based higher learning institutions in Kenya, and that this relationship is significantly moderated by regulatory framework, significantly mediated by institutional culture, and significantly enhanced by the joint moderated-mediated effect of the two. All four null hypotheses guiding the study were rejected.

6.2 Recommendations for Policy and Practice

The study recommends that leaders and boards of private faith-based higher learning institutions pursue an integrated approach to performance improvement: strengthening transformational leadership practices, ensuring robust compliance with the national regulatory framework, and deliberately building an institutional culture anchored on shared values, mission, and purpose. None of the three should be pursued in isolation, since the evidence suggests their combined effect substantially exceeds what any one factor achieves alone.

Table 16. Summary of Recommendations by Stakeholder

Stakeholder	Recommendation
Institutional leaders	Pair transformational leadership development with parallel investment in regulatory compliance capacity and institutional culture-building.
Governing boards and sponsors	Track leadership, regulatory compliance, and institutional culture indicators jointly in institutional performance oversight.
Higher education regulators	Consider how regulatory frameworks interact with institutional leadership and culture across the sector when designing compliance requirements.
Researchers	Test the four relationships longitudinally and disaggregate composite indices into component dimensions.

6.3 Suggestions for Further Research

Future research could examine these relationships longitudinally, and could disaggregate the composite indices used here into their component dimensions to identify which specific aspects of regulatory framework and institutional culture contribute most to organizational performance. Comparative studies across faith-based and secular higher learning institutions, and across institutions operating under differing regulatory sub-frameworks, could help establish the boundary conditions of the relationships identified in this study.

Appendix A: Illustrative Survey Items by Construct

Table 17. 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.

Table 18. Illustrative Regulatory Framework and Moderated-Mediated Items

Item
The institution has an office that implements set regulatory policies.
There are many overlapping regulatory policies that hinder the overall success of the institution.
Our institutional culture does not conflict with the regulatory policies.

Item
Political control hinders performance of the institution.

Note: Transformational leadership items covered the four established sub-dimensions of idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation; 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 19. 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.
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 (β)	The standardized regression coefficient, indicating the strength and direction of a predictor's effect on the dependent variable, 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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