

**INFLUENCE OF STRATEGIC LEADERSHIP ON THE ORGANIZATIONAL
PERFORMANCE OF TIER-1 COMMERCIAL BANKS IN NAKURU COUNTY:
MODERATING ROLE OF ORGANIZATIONAL CULTURE**

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**A Project Submitted to the Institute of Postgraduate Studies of Kabarak University
in Partial Fulfillment of the Requirements for the Award of Master of Business
Administration (Strategic Management) Degree**

KABARAK UNIVERSITY

NOVEMBER, 2025

DECLARATION

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The project entitled “**Influence of Strategic Leadership on the Organizational Performance of Tier-1 Commercial Banks in Nakuru County: Moderating Role of Organizational Culture,**” written by **Joseph Karamu Maeri**, is presented to the Institute of Postgraduate Studies of Kabarak University. We have reviewed the thesis and recommend it be accepted in partial fulfillment of the requirement for the award of the Award of Degree of Master of Business Administration (Strategic Management).

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ACKNOWLEDGEMENT

I want to extend my gratitude to all who have made significant contributions to the progress of this research. I am deeply indebted to my supervisors, Prof. Simon Kipchumba

and Dr. Jeptepkeny Chebet Bowen, for their invaluable guidance and support. The research methods knowledge acquired through my coursework at Kabarak University has been instrumental in shaping this study. My classmates' collaborative spirit has enriched the research process. Also, I am grateful for the support and encouragement of my beloved family. Lastly, I thank God for granting me the health and opportunity to pursue this academic endeavor.

DEDICATION

This work is dedicated to my loving family: siblings, beloved wife Joan, and adoring children Elias, Elsie, and Elisha. Their constant support and belief in me continue to help me overcome challenges and achieve my goals. Their unwavering support and encouragement, notwithstanding my prolonged absence in pursuing this study, were overwhelming. May their love last forever, and may God bless them for their kindness.

ABSTRACT

This study examined the influence of strategic leadership on organizational performance in tier-1 commercial banks in Nakuru County, Kenya. It addressed three specific objectives: to determine the influence of transformational leadership on performance, assess the influence of transactional leadership on performance, and evaluate the moderating role of organizational culture in the relationship between strategic leadership and performance. Using a quantitative cross-sectional design, data were collected from 154 managers (response rate: 92.2%) via an online-based closed-ended questionnaire and analyzed through multiple linear regression and ANOVA. The questionnaire was subjected to validity and reliability tests. The overall Cronbach alpha ($\alpha = 0.796$) obtained from the pilot study confirmed instrument reliability before its full-scale implementation. Results revealed that transformational leadership significantly predicted performance ($R^2 = 0.334$, $\beta = 0.246$, $p = 0.016$), transactional leadership had a stronger influence ($R^2 = 0.403$, $\beta = 0.321$, $p = 0.033$), and organizational culture exerted direct positive effects ($\beta = 0.253$, $p = 0.038$) on organizational performance. Organizational culture had no moderating influence on the strategic leadership-performance relationship ($\beta = 0.054$, $p = 0.462$). Findings show that while transformational and transactional leadership styles independently enhance the performance of top-tier banks, organizational culture stands out as a direct performance predictor rather than a contextual enhancer. This evidence encourages commercial banks in Nakuru County and Kenya at large to adopt hybrid leadership approaches and rethink the role of culture in performance improvement.

Keywords: *Transformational Leadership, Transactional Leadership, Tier-1 Commercial Banks, Organizational Culture, Organizational Performance*

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LIST OF ABBREVIATIONS AND ACRONYMS

ABSA	Amalgamated Banks of South Africa Limited
ANOVA	Analysis of Variance
ATMs	Automated Teller Machines
CEO	Chief Executive Officer
Co-op Bank	Co-operative Bank of Kenya Limited
COVID-19	Coronavirus Disease 2019
DTB	Diamond Trust Bank
ESG	Environmental, Social, and Governance
FinTech	Financial Technology
GDP	Gross Domestic Product
G-SIB	Global Systemically Important Bank
HRM	Human Resource Management
I&M	Investments & Mortgages Limited
IT	Information Technology
KCB	Kenya Commercial Bank Limited
KUREC	Kabarak University Research Ethics Committee
NACOSTI	National Commission for Science, Technology, and Innovation
NCBA	National Commercial Bank of Africa, Kenya
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
SRSWOR	Simple Random Sampling without Replacement
TBTF	Too-Big-to-Fail

CONCEPTUAL AND OPERATIONAL DEFINITION OF TERMS

Organization: The study operationalizes organization as a social and structured entity whose performance depends on interconnected formal and informal aspects. This definition aligns with Senior, Swailes, and Carnall's (2020) definition of the organization as a system of interacting components within broader systems and environments, encompassing structure, culture, leadership, and operations.

Organizational Culture: This refers to the shared values, beliefs, and practices that characterize an organization and guide its members' behavior and decision-making processes (Senior et al., 2020). It is applied as a moderating variable, assessed by sense of belonging and shared values.

Organizational Performance: As the study's outcome variable, organizational performance is the effectiveness and efficiency with which an organization achieves its objectives, sustains competitiveness, and drives continuous improvement (Senior et al., 2020).

Strategic Leadership: Defined by Kasuni, Mandere, and Njeru (2022) as "the creation of clear vision and mission statements, as well as the development of human capital and the efficient management of resources" (p. 315), strategic leadership is operationalized as the collective independent variable characterized by transformational and transactional leadership styles.

CHAPTER ONE

INTRODUCTION

1.1 Overview

Strategy is about making and aligning short-term and long-term plans to influence organizational change. Strategic leaders are expected to analyze the effects of the external environment and quickly respond to changes effectively (Senior et al., 2020). Since corporate executives are often detached from regular operations (Ateş, Tarakci, Porck, Van Knippenberg, & Groenen, 2020), they hardly influence change at the tactical and operational levels. Such challenges necessitate strategic planning and proper strategy implementation, which is a major challenge for most commercial banks in Kenya (Masya, Wamitu, & Weru, 2022; Muriithi & Louw, 2017). Leadership structures within organizations are largely influenced by the interactive alignment across managerial levels and employee engagement (Juma & Kimencu, 2023; Senior et al., 2020; Tipurić, 2022a). Also, leaders should recognize that organizational reality is continually shaped by collective beliefs (Airo, 2021). An organization performs best when its structural and social components are well-aligned. This study assesses the influence of strategic leadership on the organizational performance of tier-1 commercial banks in Nakuru County, while addressing the moderating role of organizational culture.

1.2 Background of the Study

1.2.1 Organizational Performance

This study applies organizational performance as the dependent variable, assessed through technology effectiveness, resource utilization, and job satisfaction level. Continuous digital transformation across commercial banks globally has been primarily influenced by shifting consumer behavior (Abdurrahman, 2025; Kitsios, Giatsidis, & Kamariotou, 2021). According to Abdurrahman, resource-based capabilities have a

positive impact on digital product innovation in banking. Consumer-centric performance outcomes suggest that most commercial banks are doing well, especially through digital transformation strategies (Felipe, Torres de Oliveira, Toth-Peter, Mathews, & Dulleck, 2025). Satisfaction surveys in the United States have established that about 90% of banking customers are satisfied with their current banks, including those who use international top-tier banks, such as JPMorgan Chase and Wells Fargo (Ashcraft, 2025; Bizouati-Kennedy, 2021). Despite potential response bias, the high satisfaction levels indicate reliable consumer contentment.

Banks across all tiers are collaborating with FinTech firms to set up digital banking services, allowing them to adapt fast and meet the evolving consumer preferences. Top-tier banks like Chase, Industrial and Commercial Bank of China, and Bank of America are better positioned to partner with FinTechs since they have substantial resources (Feyen, Frost, Gambacorta, Natarajan, & Saal, 2021). In a survey of over 500 executives from different international banks, about 75% of respondents acknowledged the commercial banking sector's responsibility to tackle societal problems, as it falls short compared to other industries regarding environmental, social, and governance (ESG) goals (The Economist Group, 2022). KMPG (2022) analyzed the views of more than 400 commercial banking leaders and discovered increased focus on customer-centric strategy to improve consumer satisfaction.

Kenya's commercial banking sector has experienced shifts in growth and performance decline over the last decades. For example, the industry's financial performance declined from 2015 to 2019, where ROA dropped from 4.51% to 3.84% and ROE from 29.4% to 25.6% (Kasuni et al., 2022). In 2020, the country's banking assets grew by 16% (Njenga & Odollo, 2023). Such performance improvements reflect how leaders manage internal and external environmental factors. Tier-1 commercial banks in Kenya significantly

influence both the growth and decline in performance within the country's banking economy. These top-tier banks account for a market share index of 74.68% (Chege, 2024). Tier-1 banks are identifiable by their significant capital, net assets, loans, reserves, and deposits. They include ABSA, KCB, Equity Bank, Co-op Bank, CFC Stanbic Bank, I&M, DTB, and NCBA. Besides generally recording higher absolute profits compared to lower-tier (tier-2 and tier-3) banks, Kenya's top-tier banks experience lower employee turnover rates (Daudi, 2021). Their higher retention rates can be linked to better remuneration and stronger brand recognition.

The performance of top-tier banks in Nakuru County largely depends on effective resource allocation, strategic change management, and strong leadership (Kibet & Anyieni, 2024; Maritim & Bett, 2024). Maritim and Bett reported significant positive impacts of organizational structure ($p = 0.008$) and leadership ($p = 0.001$) on the effectiveness of commercial banks in Nakuru. Corporate executives with strong organizational leadership qualities significantly influence performance outcomes by effectively delegating authority and involving employees in strategic planning. Although organizational structure may not directly impact financial performance, it supports strategic goals and the corporate vision. Kibet and Anyieni investigated how strategic management affects the performance of commercial banks in Nakuru and documented a steady increase in non-performing loans, from 12.7% in 2019 to 14.5% in 2023. Rising non-performing loans reduce the banks' lending capacity, explaining why tier-1 commercial banks in the county have experienced mixed outcomes over the last five years.

Nakuru County's banking market is experiencing a significant rise in market coverage due to organizational structure and leadership (Kibet & Anyieni, 2024; Maritim & Bett, 2024) and external (regulatory) market forces (Mwanzia, Miroga, & Makokha, 2024).

Koech, Njau, and Gachuru (2023) established that better management and expansion of market coverage enhance competitive advantage in the region's banking sector. The ROA of tier-1 commercial banks in Nakuru is significantly influenced by annual liquidity ratios and annual fraud loss (Gitau & Samson, 2016). Better-performing banks have higher ROA than poor performers. All tier-1 banks are embracing digital innovation, as they seek to expand their market scope, respond to consumer complaints, and introduce new products and services (Koech et al., 2023). Regulatory compliance is a crucial factor influencing a bank's competitiveness. Mwanzia et al. found a positive relationship between financial regulatory compliance and the performance of commercial banks in Nakuru County. However, these banks still face challenges in communicating with local regulators and integrating compliance responsibilities into their business processes.

1.2.2 Strategic Leadership

This study investigates strategic leadership as the independent variable. It underscores how different strategic leadership styles, particularly transformational and transactional, influence organizational performance. Globally, the performance of commercial banks depends on how well strategic leaders balance and execute their leadership roles (Chalise & Paudel, 2023; Jaouadi, Jazia, Khabbouchi, & Haqawi, 2023; Reta & W/Gebriel, 2022). Combining different leadership styles is more effective than a single approach (Tipurić, 2022a; Yas, Alkaabi, Albaloushi, Al Adeedi, & Streimikiene, 2023). To achieve the desired performance outcomes, leaders should identify and strategically implement what works within their specific business context. Given the strong positive relationship between leadership strategies and organizational performance, David, Riyadi, Lestari, Saputro, and Muhdaliha (2025) recommended that leaders align flexible management practices with their organization's values.

Strategic leaders are visionary. Transformational and transactional leadership are among the widely adopted strategies in the global banking industry. The transactional approach focuses on task completion through the use of rewards and punishments (Yas et al., 2023). Transactional leaders employ a “carrot or stick” method to goal-setting, assigning tasks with deadlines and providing rewards or corrections based on performance (Makambe & Moeng, 2020; Yas et al., 2023). This method improves satisfaction and commitment, albeit with punitive measures for mistakes. The indicators of transactional leadership include reward fairness, recognition frequency, and appropriateness of corrective actions. On the other hand, transformational leaders inspire followers to prioritize the company's interests while enhancing their skills (Koske & Munjuri, 2023; Yas et al., 2023). In global banking, digital transformation demands leaders who can manage change through effective stakeholder engagement and collaboration (Abdurrahman, 2025; Kitsios et al., 2021). The measures of transformational leadership include decision-making autonomy, new product launches, and the level of stakeholder engagement.

The success of tier-1 commercial banks in Kenya can be attributed to strategic intervention and resilience. The African Banking Awards named Co-op Bank’s CEO the Best Bank CEO of the Year, acknowledging the firm’s strategic capabilities in change management (Co-operative Bank Kenya, 2023; Mwenda, 2022). Co-op Bank rose over previous performance setbacks, including the 10.4% decline in after-tax profit noted mid-2017 (Makori & Kinyua, 2019). It further recorded critical financial losses in 2020 among other top-tier institutions, such as I&M and Equity Bank (Oloo, 2021). Despite the devastating COVID-19 disruptions that caused economic decline, these banks stayed resilient (Oloo, 2021). Strategic interventions in the Kenyan banking sector rely on digital transformation, with mobile banking accounting for close to 50% of the country’s

GDP (Hakizimana, Makau Charity Wairimu, & Stephen, 2023). Loop DFS, a subsidiary of NCBA, was launched in 2017 as a banking service (Otieno, 2024). It has evolved into a financial platform that integrates various financial modules, including savings, investment, loans, and spending (Loop DFS, 2022). Given the Loop project, NCBA exemplifies Kenya's tier-1 banks that leverage strategic innovation to provide comprehensive digital financial services.

Nakuru's tier-1 banks are more prevalent than those in lower tiers (tier-2 and tier-3), with multiple branches and agency networks (M'mbwanga & Anyieni, 2022). They lead in mobile and internet banking platforms (Kiplagat, Gesimba, & Gichuhi, 2019), indicating a strategic move to improve adoption. Usability influences technology adoption. Customers who perceive a technology as more usable are 3.27 times more likely to adopt digital banking (Kiplagat et al., 2019). Kiplagat et al., who examined the influence of technology usability on the adoption of digital banking by Nakuru's tier-1 customers, found that 59.9% of respondents rely on digital banking for regular transactions, compared to an 81.0% acceptance rate. Banks are competing to onboard customers on their digital banking platforms. Yet, the M-Pesa FinTech remains ubiquitous in Nakuru through its mobile money services, with over 90% of Kenyan households using it (Fintech Association of Kenya, 2025). Although M-Pesa is a collaborator, it is also a disruptive force, with its prevalence reflecting a strategic gap for banks that have not innovatively integrated mobile money.

Nakuru County's banking activity is relatively low considering its city status. Kenya Bankers Association's countrywide customer satisfaction survey concluded that Nakuru's banking access is moderate (Kenya Bankers Association, 2024). Nakuru accounted for 3.37% of the respondents compared to Nairobi at 36.88% and Meru at 11.16%. Kiplagat et al. (2019) demonstrated significant digital banking usability

(67.2%), a high acceptance rate (81.0%), and considerable agency banking usage (52.6%) in Nakuru town. Tier-1 banks face moderate market penetration, particularly outside urban centers, suggesting gaps in mobile money platform integration. While M'mbwanga and Anyieni (2022) pointed out that Nakuru's commercial banks lack sufficient banking infrastructure, like ATMs, lines of communication, and knowledge repositories, they acknowledged customer transaction efficiency as the industry's strength. Conversely, Ndirangu and Muthimi (2024) pointed out a decline in customer efficiency, stating that customers served per employee dropped by 7.55% between 2021 and 2022. Banks in Nakuru County are implementing strategic innovations, diversifying investments, and making operational changes to address growing performance setbacks (M'mbwanga & Anyieni, 2022; Ndirangu & Muthimi, 2024). While corporate leaders seem enthusiastic about digital transformation in the banking sector, strategic planning and execution are ongoing concerns.

1.2.3 Organizational Culture

This study examines the cultural context of corporate functions as critical confounders to discuss how strategic leadership impacts performance. The moderating role of organizational culture rests on two foundational premises. Firstly, the core function of commercial banks is to mobilize finances and allocate surplus resources to borrowers, driving growth through effective resource management (Kasuni et al., 2022). The first premise perceives the organization as a system of interconnected and interrelated parts that work collectively to achieve its financial goals (Rocha, Almeida, & Calili, 2022). Secondly, strategically leading stakeholders through social structures directly impacts the performance of tier-1 commercial banks. The second premise depicts the organization as a social construct with formal and informal stakeholder interactions (Ocasio, 2023). Within the backdrop of strategic leadership dimensions, no single type of leadership can

drive organizational performance in unique corporate settings (Makori & Kinyua, 2019). From a social constructivist perspective, this study examines the social constructs of organizational culture and how stakeholders perceive and value cultural practices.

The GLOBE (Global Leadership and Organizational Behavior Effectiveness) project illustrates how cultural values impact leadership effectiveness worldwide (Senior et al., 2020). The project examined cultural values and their impact on organizational behavior and leadership across 62 countries worldwide. It established that cultural dimensions influence leadership expectations (Senior et al., 2020). International HRM practices in North America exhibit transformational leadership (Gao, Han, Pan, & Zhang, 2023), in contrast to the predominant servant leadership in Africa (Bonisele, 2025) and the paternalistic leadership dimension in Asian cultures (Yang, 2024). Although different regions employ unique leadership strategies, corporations reflect but are not bound by national cultures. Effective management of the interplay between the organization as a system and a social construct is the basis for strategic leadership.

This research holds that an organization's success lies in managing the social and structural aspects of tier-1 commercial banks in Nakuru County through strategic leadership approaches. Kenyan banks have embraced a culture of technology innovation (Kitsios et al., 2021); for example, NCBA's growth strategy involves a digital transformation agenda driven by Loop DFS (Loop DFS, 2022). The underlying innovative culture encompasses customer-centric practices in digital banking platforms and collaboration with FinTechs, such as Safaricom's M-Pesa (Kenya Bankers Association, 2024; M'mbwanga & Anyieni, 2022). Although the innovative culture promotes competitive growth in technology usability, digital banking adoption in Nakuru remains relatively underutilized (Kiplagat et al., 2019), with customer efficiency showing inconsistencies (Ndirangu & Muthimi, 2024). Neglecting prevalent cultural perspectives

can create a misalignment between culture and strategy, thereby impeding the implementation of strategy (Tipurić, 2022b). Failure to address consumer expectations causes suboptimal performance outcomes.

1.3 Statement of the Problem

Although strategic leadership is recognized as a critical factor for organizational performance within the Kenyan banking industry, tier-1 commercial banks in Nakuru County exhibit concerning performance inconsistencies, including the rise in non-performing loans, from 12.7% in 2019 to 14.5% in 2023 (Kibet & Anyieni, 2024). While M'mbwanga and Anyieni (2022) acknowledged increased customer transaction efficiency, Ndirangu and Muthimi (2024) cited a 7.55% drop in customers served per employee between 2021 and 2022. Such inconsistent customer efficiencies reflect inadequate operational management. According to Yegzaw and Imiru (2024), 50–90% of business strategies fail due to poor execution, not strategic planning. Karuoya and Waithaka (2023) echoed this finding by affirming the inadequate strategy implementation across Kenyan banks. The performance inconsistencies in Nakuru are likely influenced by strategic leadership gaps characterized by inadequate strategy execution at the middle and lower management levels.

The ongoing performance inconsistencies in Nakuru County's tier-1 banks can be attributed to a knowledge gap among leaders regarding the organization's inherent nature as both a system of interconnected parts and a social construct (Senior et al., 2020). While Maritim and Bett (2024) established the direct positive influence of strong leadership ($p = 0.001$) and organizational structure ($p = 0.008$) on bank effectiveness in Nakuru, Tipurić (2022b) noted the critical role of organizational culture in strategy implementation; there is still an empirical gap. Specifically, no study has investigated cultural moderation in Nakuru-based tier-1 commercial banks. Neglecting cultural

alignment creates strategy-culture misalignment, potentially explaining the performance decline in Kenya's financial market from an ROA of 4.51% to 3.84% between 2015 and 2019 (Kasuni et al., 2022) and the mixed performance results in Nakuru over the last five years (M'mbwanga & Anyieni, 2022) despite leadership enthusiasm for digital transformation.

Largely influenced by insufficient strategic leadership choices, performance inconsistencies can negatively impact productivity and employee morale (David et al., 2025). Its effects on banking institutions are felt by critical stakeholders like managers, junior staff, customers, and shareholders. There is a growing need for tier-1 commercial banks in Nakuru County to incorporate diverse cultural perspectives into their strategy execution. Failure to address the problem could have adverse consequences, including strategic misalignment, conflicts in stakeholder relationships, and prolonged employee resistance to change (David et al., 2025; Maritim & Bett, 2024; Senior et al., 2020), ultimately compromising the desired organizational performance.

1.4 Objectives of the Study

1.4.1 General Objective of the Study

The general objective of this study is to investigate the influence of strategic leadership on the organizational performance of tier-1 commercial banks in Nakuru County.

1.4.2 Specific Objectives of the Study

The following specific objectives guided the study:

- i. To determine the influence of transformational leadership on the organizational performance of tier-1 commercial banks in Nakuru County.
- ii. To assess the influence of transactional leadership on the organizational performance of tier-1 commercial banks in Nakuru County.

- iii. To evaluate the moderating influence of organizational culture on the relationship between strategic leadership and the organizational performance of tier-1 commercial banks in Nakuru County.

1.5 Research Hypothesis

The following hypotheses were tested:

H₀₁: Transformational leadership has no statistically significant influence on the organizational performance of tier-1 commercial banks in Nakuru County.

H₀₂: Transactional leadership has no statistically significant influence on the organizational performance of tier-1 commercial banks in Nakuru County.

H₀₃: Organizational culture has no statistically significant moderating influence on the relationship between strategic leadership and the organizational performance of tier-1 commercial banks in Nakuru County.

1.6 Justification of the Study

There is a growing need for commercial banks to integrate diverse cultural perspectives to remain competitive in an industry characterized by transformative and disruptive innovations (David et al., 2025; Mwangagi, 2021). Few studies investigate how holistic perspectives (viewing the organization as a system and a social construct) drive performance, with none focusing on tier-1 commercial banks in Nakuru County. Although there is extensive literature on the impacts of strategic leadership dimensions on the performance of tier-1 commercial banks (Ismael, 2023; Makori & Kinyua, 2019; Njenga & Odollo, 2023), most of these studies directly investigate causality, overlooking cultural moderation in Nakuru and the wider banking sector. For example, when assessing the influence of strategic leadership on the performance of commercial banks

in Kenya, Kasuni et al. (2022) failed to control for multiple confounders. The current study acknowledges the cultural perspectives surrounding organizational practices.

Corporate executives focus on making profits by managing the organization as a system with interacting parts that warrant proper resource mobilization and allocation (Kasuni et al., 2022; Rocha et al., 2022). In doing so, they often overlook the organization's social and cultural aspects, disregarding the influence of employee beliefs and values on business functions. Strategic leaders should view the organization holistically, accounting for both formal and informal structures that enhance productivity (Wada, Ofoma, Zekeri, & Ochesuru, 2023). That way, they can successfully execute their plans through a structured system and stakeholder engagement. The current study is motivated by the complexity of top-tier banks, necessitating a multidimensional approach that acknowledges cultural diversity.

1.7 Significance of the Study

This study contributes to strategic management literature by highlighting the moderating role of organizational culture in the strategic leadership-performance relationship, filling the empirical gap on cultural moderation. Specifically, it examines how strategic leadership styles, both individually and collectively, influence performance outcomes in the banking sector, while controlling for various cultural confounders. The study presents banking institutions as both social and systemic constructs, focusing on how a collective and adaptive approach to strategic leadership can improve performance. This holistic view contradicts the one-size-fits-all philosophy, which states that an organization can base all its practices on a single leadership dimension, such as transactional or transformational leadership.

The study can influence policy and practice, with its significance extending to stakeholders and other decision-making entities in the commercial banking sector. The

findings can benefit tier-1 banks in Nakuru County by recommending how to approach diverse challenges adaptively. The associated policy implications apply to internal policy changes, including the adaptive leadership framework, culture-based decision-making, and stakeholder engagement. For instance, adaptive leadership formwork fosters the much-needed flexibility and responsiveness in the innovative banking industry, which is being transformed by digital technology (Abdurrahman, 2025; David et al., 2025). Cultural considerations align with the idea that each organization has unique cultural values that develop over time. Furthermore, government policymakers can leverage study outcomes to create policies that reinforce Kenya's culture of technological innovation (Kitsios et al., 2021), thereby encouraging customer-centricity.

1.8 Scope of the Study

This study focuses on tier-1 commercial banks in Nakuru County, Kenya, as its geographical scope. It provides insights into two strategic leadership styles – transformational and transactional – and how they affect organizational performance in Nakuru's tier-1 banks. The study focuses on various indicators of organizational performance: job satisfaction level, perceived technology effectiveness, and perceived resource utilization.

The literature covers the period from December 2016 to May 2025. This timeframe intentionally captures the pre-and post-COVID-19 pandemic's transformative impact on banking sector innovation, particularly the surge in digital transformation (Abdurrahman, 2025; Kuah & Dillon, 2022; Mwangagi, 2021). Data collection for primary data occurred between October and November 2024. By focusing on these time frames, the study examined the impact of strategic leadership practices on organizational performance during a transformative period in the banking industry.

The primary target group of the study comprises top managers, middle managers, supervisors, and junior staff members of tier-1 commercial banks in Nakuru County. Top managers are responsible for strategic choices. Middle managers and supervisors bridge senior leadership and frontline employees, managing change and innovation. Junior staffers are responsible for day-to-day operations that align with strategic organizational goals.

1.9 Limitations and Delimitations

The study is specific to tier-1 commercial banks in Nakuru County, and its findings may not directly apply to lower-tier banks (tier-2 and tier-3) or other contexts, as they exhibit unique challenges. Secondly, the study relies on data and information available during the research, and any subsequent changes or developments may not be accounted for. Thirdly, the findings are based on the respondents' conceptions of transformational and transactional leadership practices. The study faced limitations regarding data availability and access to critical stakeholders for surveys, which likely impacted the depth and comprehensiveness of the analysis.

Results exclude non-tier-1 commercial banks in Nakuru County. The collection and analysis of primary data were limited to the county, excluding other regions in Kenya and international banking contexts. This research excluded qualitative data collection methods, such as interviews and focus groups. It relied exclusively on quantitative data gathered through a structured, closed-ended questionnaire. It did not delve into external factors affecting the banking sector, like government regulatory changes, focusing instead on internal leadership dynamics. The following chapter explores the relevant literature.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter Two explores the literature in line with the study's goal to analyze the influence of strategic leadership (transformational and transactional) on organizational performance. This chapter extensively covers the empirical and theoretical literature in light of the study's objectives. Empirical review analyzes current literature on the research objectives, while the theoretical review explores accepted scientific theories to determine a suitable theoretical framework. Chapter Two also entails the conceptual framework and research gaps.

2.2 Theoretical Review

This study's framework is grounded in multiple theoretical perspectives, including Social Constructionism Theory, Contingency Theory, and Complexity Leadership Theory.

2.2.1 Social Constructionism Theory

Peter Berger and Thomas Luckmann established the Social Constructionism Theory in 1966 (Airo, 2021). Before then, scholars and philosophers primarily focused on determining and proving the "truth" rather than exploring how it came to be constructed. During the 1980s, a "narrative turn" emerged within the social sciences, where scholars shifted their emphasis from uncovering objective truths to exploring the construction of knowledge and meaning through narratives (Airo, 2021; Zhao, 2020). This shift in thinking led to the birth of Social Constructionism. Since language and communication attribute meaning to the world around us, it has become necessary to understand how social structures and relations shape human practices in organizational settings.

Social Constructionism Theory primarily posits that reality and knowledge are collaboratively built through shared interactions (Airo, 2021). It provides a foundational

lens for understanding how strategic leaders shape organizational truths, norms, and adaptive practices. Social constructionists argue that what people consider to be “truth” is subject to social and cultural influence (Airo, 2021). Social reality emerges from the realities shared by individuals within a group. The theory, therefore, supports the idea that the values of employees across organizations may completely differ even if they belong to the same market or location. However, social construction must not be confused with social constructivism, which does not account for Berger and Luckmann’s social construction of reality (Barbehön, 2020). Constructivism refers to how an individual experiences, perceives, and interprets reality, encompassing a broader philosophical stance that extends beyond social phenomena (Barbehön, 2020). Constructivism interprets reality based on an individual’s lived experiences, not a group’s shared experiences.

Social Constructionism in tier-1 banks helps members construct facts and subjectively interpret truths, understanding how institutional narratives shape business practices and perceptions of trust and authority. In practice, the theory emphasizes that aspects of banking culture, such as customer value and professionalism, are continually negotiated within stakeholder interactions. Therefore, strategic leadership is about shaping the future and guiding followers toward improvement, rather than precisely defining reality (Spoelstra, 2020). Although organizational members collectively and socially understand their reality, top leaders often overlook the minor challenges that junior staffers face due to the high power distance prevalent in most hierarchical leadership structures (Ocasio, 2023; Zhao, 2020). Instead of imposing strict rules on workplace behavior, bank executives may allow members to naturally shape their preferred workplace culture by understanding that reality is constructed through shared meanings, language, and interactions.

Berger and Luckmann's social construction of reality can enhance transactional and transformational leadership by promoting collaboration, creativity, and communication. Airo (2021) and Zhao (2020) agreed that social construction acknowledges the role of power in forming reality and fostering dominant narratives. Social construction is necessary for deconstructing power dynamics and promoting equitable distribution of resources. However, Burr and Dick (2017) argued that the theory focuses heavily on how social problems are constructed, while overlooking the associated real-world consequences. Detachment from the external reality may lead to conservative bias, whereby leaders are accused of being non-adaptive.

2.2.2 Contingency Theory

Fred Fiedler developed Contingency Theory in 1967, establishing a contingent approach to management (Wilbur & Cameron, 2020). The emergence of Contingency Theory in the late 1960s was motivated by the need to disprove the claim that leaders possess inherent qualities that make them great. Scholars like Fiedler and Joan Woodward explored the limitations in behavioral and trait theories of leadership, popularizing the idea that the effectiveness of a leader is contingent upon the situation or context in which they are leading (Changar & Atan, 2021; Shala, Prebreza, & Ramosaj, 2021). Contingent management is now perceived to rely on contextual variables, such as leadership style, participatory decision-making, and organizational structure, to shape management strategies.

The core idea behind Contingency Theory is that successful leadership is contingent upon situational variables (Senior et al., 2020; Wilbur & Cameron, 2020). Since there is no one-size-fits-all approach to leadership, different situations necessitate different strategic leadership styles (Changar & Atan, 2021; Senior et al., 2020). Senior et al. maintained that effective leadership requires contextual alignment, achieved through

style adaptation, making the theory highly applicable in identifying adaptive approaches to achieve better outcomes. Yet, critics like Wilbur and Cameron (2020) argue that “the contingency continuum and its stances are overdue for continued theoretical development” (p. 107). An example of the theory’s limitations necessitating its review is that business stances like negotiation exhibit a wide variety of variations, which challenge contingency approaches. Nonetheless, it remains instrumental in modifying managerial practices across various levels.

In tier-1 commercial banks, Contingency Theory explains how leadership and decision-making must adapt to the bank’s internal and external conditions, including regulatory pressures, innovative disruptions, digital transformation, and cultural diversity. The theory provides a framework for managing the organization as a system and social construct, especially in culturally diverse organizational contexts. Tier-1 commercial banks in Nakuru County and across Kenya host personnel from different ethnicities and cultures. From a contingency standpoint, leadership effectiveness is determined by the alignment between cultural values and the situational demands of the organization.

2.2.3 Complexity Leadership Theory

Russ Marion and Mary Uhl-Bien began exploring complexity leadership as early as 2001 (Jiang, Boghrat, Grabmeier, & Cross, 2023). Uhl-Bien established the foundation of Complexity Leadership Theory in 2006 through a publication that laid the framework for understanding leadership in complex and dynamic environments (Jiang et al., 2023). This theory has been explored in recent studies, which have guided organizations through a leadership framework that harnesses the power of self-organization while maintaining structure and focus (Jiang et al., 2023; Rosenhead, Franco, Grint, & Friedland, 2019). It reframed leadership as a dynamic, emergent process rather than a static role, hinting at the need for adaptive leadership.

Complexity Leadership Theory maintains that leaders should empower others to help organizations adapt to change, especially in uncertain situations (Jiang et al., 2023). Its constructs are 1) complex adaptive systems, which is of the view that organizations function as complex adaptive systems, 2) three types of leadership (entrepreneurial, operational, and enabling leadership), 3) emergence, which is the process by which new patterns, properties, and solutions arise from the interactions of system agents, 4) adaptive process, which the framework to help organizations adapt to challenges, and 5) distributed leadership, which emphasizes the sharing of leadership roles among team members (Jiang et al., 2023). Its assumptions and propositions are relevant to corporate establishments, such as commercial banks with complex structures.

Complexity Leadership Theory supports distributed leadership in tier-1 commercial banks, based on a framework that depicts strategic leadership as an emergent, adaptive process that thrives in complex systems, such as multi-branch structures. In the banking industry, particularly in the top-tier sector, innovation, responsiveness, and interdependent decision-making occur across both formal and informal networks (Abdurrahman, 2025; Achimbo & John, 2025). The theory's core ideas touch on interdependence, adaptive systems, and shared leadership.

Jiang et al. (2023) justified their practicality using a real-life example: a leader held a town hall meeting to understand the perspectives of different stakeholders on how to improve weekly research meetings. Jiang et al. described how the open discussion produced creative solutions that improved the meetings and fostered a sense of belonging. This example demonstrates how strategic communication can help bank leaders engage with organizational members to develop transformative technology solutions in Kenya's evolving digital landscape. Besides, managers should embrace the interconnected nature of banking institutions. They should create environments that

promote collaboration and adaptability rather than relying solely on conventional hierarchical leadership styles.

Critics of Complexity Leadership highlight its complexity (considering its five core constructs mentioned earlier) and overemphasis on emergence. Some scholars contend that the model overemphasizes emergence, potentially downplaying the importance of structured leadership, which is also necessary for organizational success (Jiang et al., 2023). Still, the interactions within organizational systems are central to creativity in complex systems, such as those in multi-branch banking institutions, whose competitiveness significantly depends on collaboration with FinTechs (Abdurrahman, 2025). Also, Rosenhead et al. (2019) depicted a contradiction within the Complexity Leadership discourse, arguing that Uhl-Bien's framework claims to be grounded in science. Yet, it rejects traditional scientific research's strict methods and beliefs, according to Rosenhead et al. Complexity Leadership Theory relies more on metaphorical reasoning than empirical validation, despite being rooted in Complexity Theory, which is often associated with the hard sciences like meteorology and physics.

2.3 Empirical Review

This section explores current literature based on the independent variable (strategic leadership), the dependent variable (organizational performance), and the moderating variable (organizational culture). The empirical review illustrates the relationship between the variables, providing a deeper understanding of how strategic leadership dimensions impact the performance of tier-1 commercial banks.

2.3.1 Overview of Strategic Leadership

In profit-driven institutions, such as commercial banks, strategic leadership aligns organizational resources with long-term objectives. As resource managers, strategic leaders are responsible for allocating financial, human, and technological resources to

achieve strategic goals. However, there are instances where strong leadership skills are more critical than management. Jibreal (2021) pointed out that during a crisis or transition, like during a merger or acquisition, a leader's ability to inspire and motivate employees to adapt and collaborate towards a shared objective becomes more crucial than their capacity to allocate resources. Even with proper resource allocation, the workforce may remain disorderly, necessitating exemplary leadership skills. The digital transformation era involves adopting innovative solutions, such as integrating remote working and mobile banking (Jibreal, 2021). Musaigwa (2023) agreed that a leader who can inspire creative thinking, explore unconventional approaches, and embrace risks holds greater significance than a manager who primarily focuses on overseeing their work.

Finding both a leader and a manager in an individual increases the likelihood of success. Leadership is not the same as strategic leadership. While a leader guides and motivates a group of individuals toward shared goals, a strategic leader has a broader focus on long-term organizational success and sustainability (Ahmed, Kilika, & Gakenia, 2022). Ahmed et al. and Tipurić (2022b) link strategic leadership to the highest echelon within the organization. Strategic leadership is visible through multiple lenses, including transformational, transactional, charismatic, and charismatic-visionary (Kasuni et al., 2022; Yas et al., 2023). One leadership style can exhibit the characteristics of another, such as transformational and transactional leaders, who are also often visionary and charismatic. The empirical review explores the transformational and transactional dimensions of strategic leadership.

2.3.2 Transformational Leadership on Organizational Performance

Transformational leadership significantly influences organizational performance (Alsayyed, Suifan, Sweis, & Kilani, 2020); this is partly attributed to transformational

leaders being visionary and charismatic (İlic, 2023). Alsayyed et al. conducted a quantitative study using a cross-sectional design to determine the impact of transformational leadership on the University of Jordan's performance. Results showed that transformational leadership has a significant impact and induces idealized influence. Alsayyed et al.'s findings align with İlic's argument that transformational leaders leverage charisma to further their innovative ideas. According to İlic, idealized influence blends charismatic and visionary qualities, as leaders understand and cater to followers' motivations while emulating respected figures.

The concept of idealized influence offers insights into the motivation of followers, the emulation of respected and trusted leaders, and the achievement of mission and goals (Alsayyed et al., 2020; İlic, 2023). By creating a shared vision and fostering a culture of collaboration and innovation, transformational leaders connect disparate units or departments to achieve a common goal (İlic, 2023; Kasanah, 2019). That way, transformational leadership embodies the organization as a system, with shared values and goals, allowing individuals to work toward a collective vision.

Transformational leadership influences performance through personal initiative and intellectual growth. In the University of Jordan case, Alsayyed et al. (2020) listed intellectual stimulation and individualized consideration as critical dimensions of transformational leadership that significantly influence organizational performance. Transformational leaders foster intellectual growth and improve employees' willingness to adopt IT innovation in their workplace (Bunjak, Bruch, & Černe, 2022). Bakker, Hetland, Kjellefold Olsen, and Espevik (2023), who perceived transformational leadership as a source of inspiration for performance enhancement, also acknowledged the significant role of intellectual stimulation and individual consideration in improved corporate practices.

Findings from Bakker et al.'s cross-sectional survey revealed that transformational leadership significantly improves performance outcomes when followers are inspired to leverage their strengths and personal initiative. Since charismatic traits of leaders are exhibited through charm, persuasiveness, and confidence (Ilic, 2023; Khan & Ismail et al., 2020), they can build strong emotional connections with organizational members, instilling trust and admiration. Transformational leadership is a crucial driver in shaping social dynamics, as leaders build strong relationships and promote a sense of belonging.

High-quality, superior-subordinate interaction has significant influence on organizational behavior, ultimately affecting performance. O'Neil, McMillan, and Garavan (2024) embarked on an insightful longitudinal case study to explore the transformative effects of a leadership development program aimed at cultivating transformational leadership skills. Employing a multi-method approach that encompassed interviews, surveys, and archival data analysis, the study examined the impact of the intervention on organizational performance metrics over time (O'Neil et al., 2024).

The findings unveiled substantial improvements in employee motivation, innovation, and service quality following the implementation of the leadership development program. Brown and Clark's (2023) qualitative inquiry elucidated the mechanisms through which transformational leadership influences organizational performance within public sector agencies. Through in-depth interviews with managers and employees, the study sought to uncover the dynamics and processes that mediate the relationship between leadership behaviors and organizational outcomes (Brown & Clark, 2023). The findings provided valuable insights into the specific leadership behaviors and organizational processes that drive improved performance within the public sector context.

A critical strength of transformational leadership within HRM is its ability to cultivate and leverage human capital effectively. Strategic leaders should not only adapt to

turbulent forces caused by innovation and technology, but also to regional and international HRM practices. Githaiga (2021) assessed the moderating effect of income diversification on the human capital-bank performance relationships using panel data. After investigating 53 banks in East Africa, the study found that while human capital has a significant positive impact on banks' performance, income diversification has a significant negative effect. Githaiga's results challenge most studies in the banking sector, which have largely established that financial investment often has a significant positive effect on organizational performance (Hailu & Tassew, 2018; Mehmetaj & Hajdari, 2025).

Tang, Rasool, Sarmad, Ahmed, and Ahmed (2022) also highlighted the significance of non-financial performance indicators, focusing on strategic orientation, organizational culture, and organizational internal market orientation. Tang et al. referred to these indicators as strategic attributes, arguing that they significantly and positively influence bank performance if the organization prioritizes strategic positioning and a strong culture.

Transformational leadership is a leader's ability to inspire employees to perform beyond their expected capabilities. Khan, Rehmat, Butt, Farooqi, and Asim (2020) undertook a study on the impact of transformational leadership on work performance, burnout, and social loafing. Khan et al. investigated the impact of intrinsic motivation as a mediator between transformational leadership and outcome variables (work performance, burnout, and social loafing). The authors conducted a cross-sectional survey to collect data from 308 employees working in the telecommunication sector (Khan et al., 2020). To test the hypotheses, Model 4 of Process Hayes was used to examine the direct and mediating effects of transformational leadership on employees' work outcomes and working behavior. The results showed that transformational leadership has a significant positive

relationship with mediator intrinsic motivation (Khan et al., 2020). The results concluded that work performance has a significant positive relationship with transformational leadership.

Non-financial leadership approaches, such as human capital investment (Githaiga, 2021) and strategic orientation and organizational culture (Tang et al., 2022), are emerging in the banking industry. Adaptive leadership strategies are integral to the competitiveness of commercial banks in developing African nations (Githaiga, 2021). PwC (2019) engaged banking executives to investigate the macroeconomic trends and their influence on the East African banking industry. When asked to determine the macro-economic trends that would likely affect their bank's or group's business in the next 5 - 10 years, 30% cited technological evolution, while 25% cited social and behavioral change, including changing customer behaviors and social media impact (PwC, 2019).

Even though most leaders predicted a fall in the traditional banking models soon, they recognized consumers' reluctance to shift to the fully digital models. PwC documented, "65% of consumers believe that it is still important to have a local bank branch and 25% would not open an account with a bank that did not have at least one local branch" (p. 8). Adaptive strategies promote the accommodation of stakeholder perspectives through corrective feedback and idealized influence.

A key challenge facing transformational leadership in Kenya's commercial banks is the digital transformation, particularly the transition from conventional to online banking. Kiplagat et al. (2019) investigated how technology usability affects digital banking adoption in Nakuru. Focusing on tier-1 customers through a cross-sectional quantitative survey, Kiplagat et al. recorded a significantly high (59.9%) reliance on digital banking for regular transactions, establishing that ease of technology usability significantly improves the performance of digital banking. However, the 59.9% reliance rate was

relatively low compared to an 81.0% technology acceptance rate in Nakuru (Kiplagat et al., 2019). These results indicate a potential gap in the effective implementation of strategic leadership in digital transformation. Hakizimana et al.'s (2023) study on the impact of digital banking transformation on Kenyan commercial banks showed that while digital banking offers numerous advantages, such as cost-effectiveness and immediate access, it presents challenges for traditional banks. Hakizimana et al. and Mugambi (2022) noted the transition from conventional banking to online banking as challenging for the Kenyan banking sector. Yet tier-1 commercial banks have sufficient resources to expand into digital markets (Makumba & Phiri, 2023).

Like in Kiplagat et al.'s case, Hakizimana et al. and Mugambi solidify the potential strategy execution challenge faced by transformational leaders in Kenya's banking sector as they seek to embrace digital transformation. Besides human capital management, transformational leadership also influences resource allocation, enabling managers to assess, acquire, and allocate resources in response to changing business needs (Kasuni et al., 2022). In accessible banking services negatively impact the organizational performance of commercial banks. The limited access significantly impacts banks' performance due to a lack of physical infrastructure, such as branches and ATMs, or digital infrastructure, including internet connectivity and mobile banking services (Hakizimana et al., 2023; Muriithi & Louw, 2017). Bank consolidation policy enhances future bank efficiency and stability. It involves significant shifts in ownership structure that result from mergers, fierce competition, and evolving customer demands (Muriithi & Louw, 2017).

Tier-1 commercial banks leverage bank consolidation policies, especially through mergers and acquisitions, to fill the infrastructure and resource gaps, significantly improving their financial and overall organizational performance (Garrab & Yahyaoui,

2025; Muriithi & Louw, 2017). Therefore, the performance of tier-1 commercial banks is significantly influenced by the quality of services provided and the state of the financial infrastructure. Although transformational leadership has proven to be effective in achieving better performance through innovative and adaptive measures, it (transformational leadership) is unlikely to influence performance in isolation significantly. Saher and Ayub (2020) acknowledged limitations in perceptions of vision content and delivery, which affect organizational performance. While transformational leaders may appear visionary, it is very challenging to measure and determine whether visionary qualities have been effective without distinguishing them from different leadership dimensions (İlic, 2023; Saher & Ayub, 2020).

The challenge lies in the shared characteristics of various strategic leadership styles and the overlapping traits of leaders. For instance, transformational leaders often exhibit transactional qualities, blurring the lines between the two approaches. Studies have considered charisma an inherent quality of transformational leaders (Fu et al., 2022; Gunasekare, 2021; Ullah et al., 2021). Charismatic leadership is primarily based on the social ties between the leader and their followers. A leader's power of charisma depends on the followers' perception. Ullah et al. (2021) explained that charisma is synonymous with transformational leadership, as strategic leaders often possess personal appeals. Now that charisma is primarily inherent (İlic, 2023; Senior et al., 2020), it remains unclear whether transformational leaders possess charisma as an innate trait (so they cannot be considered transformational unless charismatic) or are better off with charisma. Still, a leader's charisma influences employee job satisfaction and engagement (Ullah et al., 2021).

However, the influence of charismatic qualities on performance is ideal – they do not represent the real working environment, as it is impractical for corporate leaders to possess charisma in isolation. So, charisma may only help elevate organizational performance because it is a key quality of transformational leaders.

2.3.3 Transactional Leadership on Organizational Performance

Transactional leadership has been widely conceptualized as a leadership style based on a system of rewards and punishments. Transactional leadership can be correlated with greater follower trust. It relies on empowering followers, positively influencing the trust members have in their leader as a performance driver (Tipurić, 2022b). Transactional leaders are less visionary than transformational leaders; this explains why significant changes that transform markets and organizational structure align more with transformational approaches (Senior et al., 2020). Transactional leaders make minor adjustments to HRM to influence behavioral change, while transformational leaders make significant adjustments, including influencing organizational culture (Klein, 2023; Senior et al., 2020). Still, transactional leaders improve performance due to their equitable, transparent, and dependable qualities (Khairy, Baquero, & Al-Romeedy, 2023). Gunasekare (2021) viewed transactional leaders as managers who manage responsibilities and the group's overall performance.

Transactional leadership influences organizational performance by focusing on the exchange between leaders and followers. Kabiru and Bula (2020) confirmed this argument after investigating the influence of transactional leadership on employee performance in Nairobi County's commercial banks. Following quantitative analysis of cross-sectional data, the study established a strong, significant relationship between transactional approaches and performance (Kabiru & Bula, 2020). A transactional relationship is guided by the principle that followers agree to fulfill their responsibilities

in exchange for rewards or suffer consequences for failing to meet their obligations (Kabiru & Bula, 2020; Tipurić, 2022c). It functions well within established systems and structures, relying on existing processes to accomplish tasks (Tipurić, 2022c). For example, a commercial bank has daily or monthly targets that employees must achieve. The manager observes the junior workforce to ensure everyone plays their part and accomplishes their duties in time to claim an agreed-upon reward. This type of leadership motivates employees because they continue working, knowing that there is an additional gain beyond their regular salary. Ocasio (2023) indicated that organizations are not created anew but are molded by existing structures and practices passed down over time and in various situations.

Contingency leadership holds that the suitability of any leadership style depends on the current situation or condition surrounding its application (Senior et al., 2020). It is impossible to understand the leadership approach without acknowledging the interaction between the leader, the followers, and the context of practice (Tipurić, 2022c). Hutama, Noermijati, and Wirawan Irawanto (2024) sought to establish how job satisfaction, job stress, and trust mediate the transactional leadership-performance relationship through a cross-sectional quantitative survey design. Results showed that trust has a slightly significant effect on the relationship, while job stress had no statistically significant effect. Job satisfaction, on the other hand, significantly influenced the transactional leadership-performance interaction (Hutama et al., 2024).

Sometimes, trust can just be as important as job satisfaction in driving performance (Tipurić, 2022b). Hutama et al. highlighted the high probability that a mutually beneficial relationship between a leader and their employees boosts organizational performance as long as the employee feels satisfied with their job. Managers must recognize the existing designs that drive social interactions, as working organizational

structures are socially constructed (Ocasio, 2023; Senior et al., 2020). Senior et al. (2020) explored the concept of “empty restructuring,” which describes what happens when managers change design while overlooking organizational social constructs.

There is extensive literature on the positive and significant influence of transactional leadership on the performance of commercial banks, primarily on job satisfaction (Chalise & Paudel, 2023; Kabiru & Bula, 2020; Makambe & Moeng, 2020; Reta & W/Gebriel, 2022). Senior et al. (2020) discussed findings that depicted transformational leadership as the only leadership style that can independently make a significant difference in performance at all levels. Chalise and Paudel perceived transactional leadership as the most influential leadership style for improving job satisfaction. Makambe and Moeng concluded that although transactional leadership significantly impacted employee performance, the influence of transformational leadership was insignificant. Reta and W/Gebriel, whose focus was on the impact of leadership styles on the organizational performance of private commercial banks, documented that transformational leadership was superior to transactional leadership, even though they both showed significant positive effects. Kabiru and Bula stated that transactional leadership was more effective than other approaches in improving employee performance.

From a transactional leadership perspective, strategic misalignment reflects a breakdown in the clear structures, rewards, and directives needed to align team efforts. The absence of consistent guidance and reinforcement from leaders undermines motivation and the coordinated execution of strategic initiatives, causing demotivation among team members, which in turn impedes the execution of these initiatives (Yegzaw & Imiru, 2024). Ateş et al. (2020) argued that while multiple studies recognize the virtues of visionary leaders, there is more focus on top managers. Ateş et al. said, “It is an

important omission for strategy process research that no study focused on the visionary leadership of managers beyond the C-suite because the leadership of these middle managers bridges C-level strategy formulation and team-level strategy implementation” (p. 638). Even though middle managers are critical players in strategy implementation, their role in advancing company vision is often downplayed (Ateş et al., 2020; Erol & Altinok, 2022). According to Tipurić (2022a), all organizational members can influence culture differently, underscoring the need to recognize both individual and collective efforts in driving constructive change, regardless of their authority levels. The relationship between visionary thinking at various organizational levels and overall performance is vague.

Transactional leadership dimensions, such as clear goal setting and contingent rewards (Senior et al., 2020), can significantly influence the performance of regional tier-1 banks by helping managers align strategic objectives with operational execution. Although bank executives predict that digital solutions will shape the future of banking, many African consumers still prefer physical banks, which they can visit as an optional alternative to digital banking (Githaiga, 2021; PwC, 2019; The Economist Group, 2022). PwC (2019) affirmed a slight increase in East African GDP since 2016, while Mulama (2023) projected mid-term economic growth in the region (5.1% in 2023 and 5.8 % in 2024) primarily due to strategic service delivery. Recognizing and addressing such market realities requires transactional leadership practices that link performance targets to measurable outcomes through effective planning and stakeholder engagement. Through accountability mechanisms and targeted incentives, transactional leadership can sustain and enhance the organizational performance of tier-1 banks in East Africa.

Although several studies have explored the direct effect of transactional leadership on performance and reported high statistical significance (Chalise & Paudel, 2023; Kabiru & Bula, 2020; Makambe & Moeng, 2020; Reta & W/Gebriel, 2022), there is still room for further research to test moderators and control confounders. Kubai, Gachunga, and Odhiambo (2022) examined the impact of transactional leadership on organizational performance, specifically in Kenyan private universities. The study adopted a cross-sectional design and analyzed quantitative data using both descriptive and inferential methods. Kubai et al. found that transactional leadership had a significant and positive influence on the performance of private universities in Kenya; however, perceived supervision support had an insignificant moderating effect on the relationship. Nonetheless, transactional leadership enhances the performance of private universities in Kenya (Kubai et al., 2022). While moderators, like perceived supervision support in Kubai et al.'s study, do not impact that transactional leadership-performance relationship, others, like job satisfaction do. For a more detailed understanding of the relationship, future studies should investigate the organizational contexts surrounding transactional practices by analyzing various covariates.

2.3.4 Moderating Influence of Organizational Culture on the Strategic Leadership-Performance Relationship

The synergy between strategic leadership and organizational culture is a critical determinant of organizational performance. These leadership structures are culturally constructed and molded by social contexts (İlic, 2023; Roth, 2022; Senior et al., 2020). Therefore, to a significant extent, organizational culture can directly impact organizational performance across all industries. A cross-sectional quantitative study by Iskamto (2023) targeting government employees confirmed the significant positive effect of organizational culture on employee performance. Iskamto attributed 26.6% of

performance improvement to organizational culture, and the remaining 73.4% to other factors not investigated in the study. Kim and Jung (2022) also stressed the need for corporate leaders to build strong cultural values that target employee strengths to set their organization apart from competitors.

Organizational culture influences how firms translate their competitive endeavors into tangible achievements. Studies have shown a significant positive influence of leadership dimensions on employees' innovative behaviors, emphasizing the moderating roles of organizational culture in this relationship (Khan & Ismail et al., 2020; Rizal et al., 2020). The effectiveness of each strategic leadership style is contingent upon alignment with the prevailing organizational culture (Khan & Ismail et al., 2020). The moderating influence of organizational culture makes it challenging to identify the effectiveness of any strategic leadership style on organizational performance outcomes without accounting for covariates.

Market concentration strategy shapes the survival and success of tier-1 commercial banks within the context of national and regional cultural values that influence organizational priorities and stakeholder expectations. Most tier-1 banks are considered “too big to fail” (TBTF) primarily due to their size, complexity, and importance to society (Buch, 2020; Ma & Nguyen, 2021). In many East African societies and globally, top-tier financial institutions are culturally embedded entities whose perceived stability holds significant social and political implications. Focusing on the impact of income diversification on the relationship between human capital and bank performance in East Africa, Githaiga (2021) highlighted the importance of strategic decision-making in enhancing financial outcomes.

Nyangu et al. (2022) assessed bank concentration, competition, and financial stability in Kenya, Tanzania, Uganda, Rwanda, and Burundi. “Concentrated banks” are often TBTF. Nyangu et al. revealed that concentrated banks in East Africa enjoy greater profit efficiency, despite considerable cost inefficiencies, due to the TBTF notion. Nyangu et al. and Githaiga explore not only a regional but also a local culture that has already been set in motion by market forces. Although concepts like concentrated banks and TBTF appear external, they shape internal dynamics as members draw on these perceptions to reinforce cultural values. Also, a strategic leadership approach attuned to national identity and cultural expectations determines whether a tier-1 bank is perceived and operates as a concentrated institution deemed TBTF. A transformational leader may struggle to implement their vision because the organizational culture emphasizes stability and tradition over innovation (Ilic, 2023). Similarly, fostering transactional initiatives may be nearly impossible if supervisors and junior staffers prefer reward-based transactional leadership over teamwork and collaboration.

All junior stakeholders collectively shape organizational behavior and culture, whether or not they are engaged by top leadership. Yet, the influence of social context on the emergence of leadership structures is often neglected in the current literature (Roth, 2022), highlighting a significant knowledge gap. Culture is a fundamental dimension of social context (Roth, 2022; Senior et al., 2020). Roth posited that “much more often than assumed so far, the wrong people become and remain leaders” (p. 539). The fact that an organization has leaders and is running its operations does not mean that it cannot do better or that there is no problem. There must always be room for improvement; this is the blueprint for gaining a competitive advantage. Strategic leaders must understand the moderating influence of the organizational culture to optimize the impact of their strategic leadership on performance.

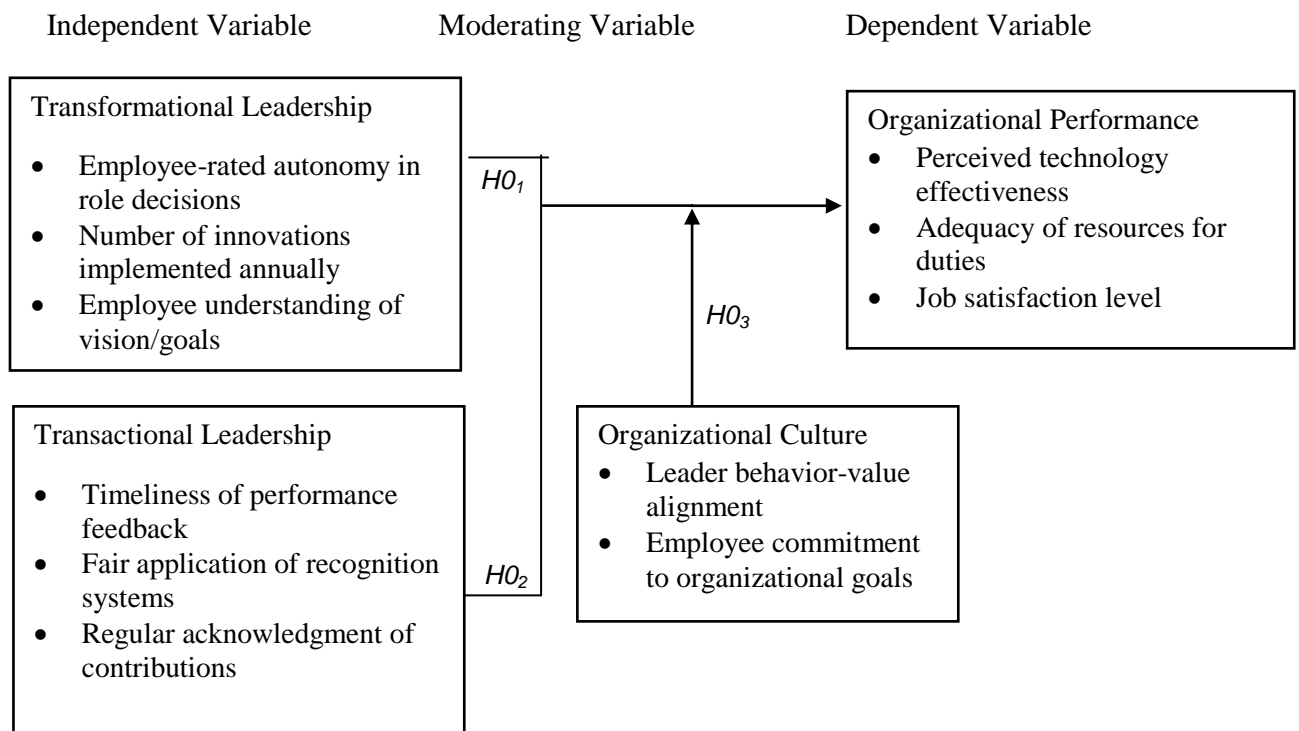
2.4 Conceptual Framework

This study's independent variable is strategic leadership, which has two predictor variables: transformational leadership and transactional leadership. Transformational leadership measures are employee-rated autonomy in role decisions, the number of innovations implemented annually, and employee understanding of vision or goals. The transactional leadership scales are timeliness of performance feedback, fair application of recognition systems, and regular acknowledgment of contributions. The conceptual framework (see Figure 1) presents organizational performance as the dependent variable, measured based on perceived technology effectiveness, adequacy of resources for duties, and job satisfaction level.

The moderating variable is organizational culture, grounded on the assumption that transformational and transactional leadership approaches construct an organizational culture that values and promotes innovation, collaboration, adaptability, and customer-centricity (Ilic, 2023; Khan & Ismail et al., 2020). The constructed organizational culture, in turn, moderates the relationship between strategic leadership and organizational performance, ultimately influencing how commercial banks translate their competitive efforts into tangible results.

Figure 1

Conceptual Framework



Source: Authour (2025)

2.5 Research Gaps

The literature exhibits a gap in overlapping leadership qualities. Existing studies often treat transformational and transactional leadership as mutually exclusive (İlic, 2023; Tipurić, 2022a), yet in practice, leaders frequently combine traits from both. For example, a leader can use transactional methods to create a stable foundation that enhances the impact of inspirational, transformational leadership by establishing clear expectations. Analyzing strategic leadership dimensions in isolation makes it challenging to determine the most effective management approach (İlic, 2023; Kasuni et al., 2022). There is insufficient empirical evidence in Kenyan tier-1 commercial banks on how this overlap influences organizational performance. The current study aims to bridge the gap by examining strategic leadership from a holistic perspective.

The literature review reveals a gap in the middle management visionary role, extending to planning and strategy execution. While top leadership's vision is well-documented (Erol & Altinok, 2022), there is limited understanding of how visionary perspectives from middle managers contribute to strategy implementation and performance outcomes in tier-1 banks. Inadequate research on the visionary role of middle managers underestimates contributions by middle managers toward organizational vision (Ateş et al., 2020). This “vision gap” is critical in hierarchical banking structures, where mid-level leaders translate strategy but lack agency in shaping culture. Much research focuses on strategic planning, but performance inconsistencies suggest that execution (David et al., 2025; Kibet & Anyieni, 2024) is underexplored. This study incorporates the perspectives of leaders from all management levels – top, middle, and lower – based on the premise that all managers significantly influence the organization's vision.

The social context within leadership frameworks remains an under-researched area. Roth (2022) contended that the impact of social context on the development of leadership frameworks is overlooked in existing literature. Leaders should understand how Kenya's socio-cultural fabric, including communal values and post-colonial hierarchies, collectively mediates leadership effectiveness at the organizational level. The dominance of Western theories, which inform practices in many African firms (Senior et al., 2020), fails to capture the unique Kenyan stakeholder dynamics that affect strategy-culture alignment (Roth, 2022). The current study addresses the underlying knowledge gaps and investigates the key stakeholders most significantly affected by the leadership problem in the organizational context.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter Three outlines the methods used to collect and analyze data, addressing the research problem. This chapter entailed the research design, specified the location and population of the study, and covered the sampling procedure that helped to obtain the appropriate sample size. Other components include instrumentation, data collection and analysis procedures, and ethical considerations.

3.2 Research Design

This study employed a cross-sectional design using quantitative research methods. The design includes a structured survey that draws general conclusions about a specific population by extrapolating findings from a small sample size (Johnson & Christensen, 2020). A cross-sectional design was employed to obtain statistical insights from a representative population sample collected between October and November 2024. According to Siedlecki (2020), a cross-sectional survey is well-suited for identifying characteristics and opinions within a specific target population, informing reliable generalizations. The cross-sectional design was instrumental in determining how the primary data collected aligns with inferences drawn from empirical evidence using quantitative techniques, such as descriptive and inferential analyses.

3.3 Location of the Study

The study's geographical scope was Nakuru County, Kenya. It focused on tier-1 commercial banks in Nakuru County. Tier-1 commercial banks in the county have a strategic advantage over most urban areas in Kenya, as Nakuru links three major cities, Nairobi, Kisumu, and Eldoret. Nakuru City is Kenya's fourth-largest city and hosts all nine of the largest banks in Kenya. These banks collectively dominate 75% of the

country's commercial banking sector, as their combined capital grew to KSh 1.11 trillion by the end of 2023 from KSh 496 billion (Nyanzwa, 2024). The banks are ABSA, Equity Bank, KCB, CFC Stanbic Bank, Co-op Bank, NCBA, Standard Chartered Bank, I&M, and DTB. This study location is suitable as it represents the dynamics of commercial banking in Kenya. Given the substantial size and influence of Nakuru's top-tier commercial banks, analyzing their strategic leadership approaches could provide valuable insights into the broader challenges of adaptive leadership.

3.4 Population of the Study

The target population consisted of 256 executive, tactical, and operational managers from the nine top-tier commercial banks in Nakuru County. The study's target population was finite based on the branches of each bank in Nakuru County, which is the unit of analysis. Among the nine tier-1 commercial banks in Nakuru County, there are a total of 34 branches, each with a varying number of branches and managers. This information was obtained from a review of all tier-1 bank branches in the county.

The study targeted managers in all organizational departments because top leaders drive the companies through vision and purpose, while middle managers link top leaders to subordinates (Ateş et al., 2020; Erol & Altinok, 2022). Top leaders (county or regional managers) handle strategic affairs like organizational goals, policies, and strategies. In contrast, middle managers (branch managers) handle tactical affairs like implementing strategic plans, setting objectives, and allocating resources. On the other hand, supervisors oversee day-to-day operations, ensure task completion, and serve as team leaders, guiding junior staff members. Supervisors and junior staff ensure operational efficiency and effectiveness.

The three specific categories of the target population were executive leaders (representing county or regional bank managers), tactical leaders (representing branch managers and other top branch officials), and operational leaders (representing supervisors). Each bank in Nakuru County has about one county or regional manager and a deputy. Each branch has about two tactical leaders (branch managers, directors, and department heads) and about five operational leaders (operations manager, IT support specialist, and credit officer) (see Appendix IV). As shown in Table 1, the target population consisted of executive leaders, tactical leaders, and operational leaders in tier-1 commercial banks in Nakuru County, comprising approximately 256 individuals.

Table 1

Target Population

Category	Target Population
Executive leaders	18
Tactical leaders	68
Operational leaders	170
Total	256

3.5 Sampling Procedure and Sample Size

3.5.1 Sampling Procedure

A sample is a group of individuals who participate in a study, and sampling involves choosing this group to accurately represent the larger population of interest (Rapport et al., 2018). The study applied simple random sampling to select a subset of potential respondents. This method ensures that every employee has an equal opportunity to be chosen for the survey (Siedlecki, 2020). The sampling technique involved four key steps before conducting the study.

First, the population was identified as strategic leaders, tactical leaders, and operational leaders of the nine tier-1 banks in Nakuru County. Secondly, the sampling frame was

considered based on a list of all employees within each bank's defined categories (strategic leaders, tactical leaders, and operational leaders) as indicated in Table 1. During recruitment, only potential respondents from tier-1 commercial banks were included. The finding that informed this inclusion criterion is that tier-1 commercial banks in Kenya form about 75% of Kenya's commercial banking sector (Nyanzwa, 2024). Analyzing these banks would reveal significant insight into strategic leadership in line with this study's focus. Other tiers were excluded to maintain the study's relevance, as each tier may exhibit unique challenges that are not the focus of this research. Thirdly, the sample size was determined from the target population through a simple random sampling without replacement (SRSWOR) formula. Fourthly, the random number generator (SRSWOR formula) was used to select individuals from the sampling frame in Table 1. Each individual had an equal chance of being selected, ensuring the sample represented the broader population.

3.5.2 Sample Size

The SRSWOR formula generated a suitable sample size for 256 potential respondents. Chaudhuri and Dutta's (2018) SRSWOR was instrumental in calculating the sample size from the finite population. For SRSWOR from a finite population, a commonly used formula to calculate the sample size is:

$$n = \frac{N \times Z^2 \times p \times (1-p)}{E^2 \times (N-1) + Z^2 \times p \times (1-p)}$$

Where:

- n = sample size
- N = population size (256 in Nakuru County's tier-1 banks)
- Z = Z-score corresponding to confidence level (for 95% confidence level, $Z \approx 1.96$)

- p = estimated proportion of the population with a particular characteristic (fraction of the population mean in this context)
- E = margin of error (desired precision)

Assuming a 95% confidence level, $Z \approx 1.96$. The same values for a fraction of the population mean ($p=0.5$) and the margin of error ($E=0.05$) were used. Besides the 95% confidence level, another assumption of the margin of error is the sampling strategy. Using these parameters, the calculated sample size was approximately $n = 154$. In order to have proportional representation throughout the leadership categories, the sample was stratified according to the means distribution in the population. The sample was allocated to each category in proportion to the entire population, as given in Table 2.

Table 2

Sample Size

Category	Target Population	Sample Size
Strategic leaders	18	11
Tactical leaders	68	41
Operational leaders	170	102
Total	256	154

3.6 Instrumentation

3.6.1 Instrument Development

A closed-ended questionnaire was the primary data collection instrument. The questionnaire was designed by determining the appropriate measures and indicators of the indirect, direct, and moderating variables defined in the study's conceptual framework (see Figure 1). Items in the questionnaire were developed to measure dimensions in each of the four constructs defined in the conceptual framework: transformational leadership, transactional leadership, organizational culture, and

organizational performance. Each item was phrased as a closed-ended statement on a 5-point Likert scale. For example, the timeliness of performance feedback – a dimension of transactional leadership – was measured using the item “I receive timely and relevant feedback when my performance does not meet expectations.” The link between constructs, their contents, and the questionnaire items was reviewed for clarity and relevance before data collection.

3.6.2 Validity of the Instrument

Instrument validity is the extent to which a concept is measured (Saunders, Lewis, & Thornhill, 2023). The questionnaire in Appendix II measures the intended concepts (constructs) in this study; namely, transformational leadership, transactional leadership, organizational culture, and organizational performance. Each construct was operationalized into measurable dimensions as shown in the conceptual framework (see Figure 2.1), ensuring construct validity. For example, transactional leadership was defined by the timeliness of performance feedback, the fair application of recognition systems, and regular acknowledgment of contributions.

Content validity ensures that the questionnaire adequately covers the contents of each construct (Saunders et al., 2023). The study achieved content validity by aligning the questionnaire dimensions with definitions from relevant literature to establish their meaning, relevance, and suitability in addressing the objectives. For instance, the contents of organizational performance are perceived as technology effectiveness, adequacy of resources for duties, and job satisfaction level. Ullah et al. (2021) established job satisfaction as a valid performance measure, while Kiplagat et al. (2019) presented technology effectiveness as a performance indicator, making these dimensions relevant in assessing organizational performance.

3.6.3 Reliability of the Instrument

Instrument reliability refers to the consistency of measurement results (Saunders et al., 2023). Reliability was assessed using two methods: test-retest and internal consistency reliability. Pilot testing was instrumental in reliability testing, as it helps identify potential issues in the questionnaire, such as technical difficulties that reduce the response rate (Morgado, Meireles, Neves, Amaral, & Ferreira, 2018). Responses from the pilot study (pre-test) were compared with those from full-scale implementation (retest) to evaluate the questionnaire's stability over time.

Cronbach's alpha ($\alpha \geq 0.70$ threshold) was instrumental in testing internal consistency reliability – the homogeneity of items within the questionnaire – ensuring that the instrument consistently measures the intended variables (see Appendix II). The test produced a good alpha value ($\alpha = 0.8$). Based on the pilot study findings, the Cronbach alpha values for transformational leadership, transactional leadership, and organizational performance were greater than the threshold ($\alpha \geq 0.70$). Table 3 confirms the reliability of the study.

Table 3

Reliability Assessment for the Cronbach Alpha

Element of Variable	Alpha Value
Transformational leadership	0.792
Transactional leadership	0.784
Organizational performance	0.813
Overall Cronbach scale	0.796

3.7 Pilot Study

The pilot was essential in assessing the research's feasibility, especially regarding data collection. Four tier-1 commercial bank branches in Nakuru County were selected for the

reconnaissance phase – two located within Nakuru City and two outside the city. Although the pilot was conducted in Nakuru County, these four branches were excluded from the full-scale implementation. However, the target population for the mini-survey was the same as that for the main survey, specifically strategic leaders, tactical leaders, and operational leaders. Kunselman (2024) suggested that the pilot sample should be 10% of the study’s target population. In line with this recommendation, 26 respondents were included in the pilot phase, as illustrated in Table 4. The target population was intended to reflect the outcomes of the final study.

Table 4
Pilot Study Sample Size

Category	Target Population	Pilot Sample Size
Strategic leaders	18	2
Tactical leaders	68	7
Operational leaders	170	17
Total	256	26

3.8 Data Collection Procedure

Google Forms was used to create the data collection instrument by replicating the closed-ended questionnaire in Appendix II. It generated an active link to enable an online survey. Managers and supervisors were formally notified about the survey through a letter from the researcher. Besides university and branch manager or supervisor approvals, no additional authorizations were required. The branch managers and supervisors distributed the survey link to potential respondents via email, WhatsApp groups, and other preferred digital mediums.

Data collection began once each respondent had reviewed and consented to the informed consent form, which was digitally administered with the online survey link. Respondents who agreed to take part received a confirmation message before starting the survey. Respondents were required to answer all questions in the questionnaire. Only feedback from respondents who answered all the questions was recorded, ensuring the consistency and reliability of the collected data. Data collection for the main study commenced two weeks after the completion and reporting of the pilot study and lasted approximately four weeks. The collected data was downloaded and saved securely in CSV (Comma Separated Values) format for analysis.

3.9 Data Analysis

3.9.1 Data Preparation

The primary data collected from respondents were downloaded from the survey software, saved in CSV format, and analyzed using SPSS (Version 25). Item responses (1–5 Likert) were checked for completeness. Scale scores for each construct were computed as the mean of its constituent items. For example, transformational leadership was determined using the mean of transformational items. The analysis employed descriptive and inferential statistical techniques to address the research objectives and test the hypotheses.

3.9.2 Descriptive Analysis

Descriptive statistics (mean, standard deviation, and percentages) were used to summarize the characteristics of the following study variables: transformational leadership, transactional leadership, organizational culture, and organizational performance. This statistical approach enables the comparison and evaluation of variables at significance levels, allowing meaningful conclusions about the study population to be drawn (Siedlecki, 2020). Descriptive statistics also focused on outliers.

Outliers were identified and managed using scatter plots to prevent skewed results and ensure analytical validity.

3.9.3 Inferential Analysis

Inferential statistics included bivariate and regression analysis, including hypothesis testing for $H0_1$, $H0_2$, and $H0_3$. Inferential statistics enables the comparison and evaluation of variables at significance levels (Siedlecki, 2020). Pairwise associations among study variables were examined with the Pearson correlation coefficient (r), and significance was tested at $p < 0.05$. All significance tests (hypothesis testing) were conducted at the 0.05 level (two-tailed). The regression analyses across Objectives 1, 2, and 3 involved the following standardized form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

- Y = Organizational Performance
- X_1 = Transformational Leadership
- X_2 = Transactional Leadership
- X_3 = Organizational Culture (or interaction term in moderation models)
- β_0 = intercept
- $\beta_1, \beta_2, \beta_3$ = standardized regression coefficients
- ε = error term

Three regression models were created in line with the research objectives. The first regression model (Model 1) tested the relationship between transformational leadership and organizational performance, as specified by Objective 1, taking the form:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where:

- Y = Organizational Performance
- X_1 = Transformational Leadership
- β_0 = intercept
- β_1 = unstandardized coefficient for Transformational Leadership
- ε = error term

The second regression model (Model 2) tested the relationship between transactional leadership and organizational performance, as specified by Objective 2, taking the form:

$$Y = \beta_0 + \beta_1 X_2 + \varepsilon$$

Where:

- Y = Organizational Performance
- X_2 = Transactional Leadership
- β_0 = intercept
- β_1 = unstandardized coefficient for Transactional Leadership
- ε = error term

Before proceeding to the moderation analysis, collinearity diagnostics were generated for the predictors in Model 1 and Model 2. Particularly, the multicollinearity test assesses the degree of multicollinearity among predictor variables. According to Siedlecki(2020), multicollinearity can affect the reliability of inferential conclusions. Variance Inflation Factor (VIF) value was examined, with a threshold of ($VIF < 5$), indicating that multicollinearity was not a concern for the reported models.

The third model (Model 3) examined whether organizational culture moderates the relationship between strategic leadership (composite of transformational and transactional leadership) and organizational performance. ANOVA was considered for

its ability to compare means across multiple groups or categories. Model 3 was tested, as specified by Objective 3, using hierarchical multiple regression in two steps:

- Model 3a – Main effects only:

$$Y = \beta_0 + \beta_1 X_3 + \beta_2 Z + \varepsilon$$

- Model 3b – Interaction term added:

$$Y = \beta_0 + \beta_1 X_3 + \beta_2 Z + \beta_3 (X_3 Z) + \varepsilon$$

Where:

- Y = Organizational Performance
- X_3 = Strategic Leadership (composite score)
- Z = Organizational Culture
- $X_3 Z$ = interaction term (Strategic Leadership \times Organizational Culture)
- β_0 = intercept
- β_1 = unstandardized coefficient for Strategic Leadership
- β_2 = unstandardized coefficient for Organizational Culture
- ε = error term

3.9.4 Data Presentation

After the analysis, quantitative data were presented through a mix of textual, tabular, graphical, statistical, and visual formats. Tables represented present numerical data, statistical results, and variable comparisons. Graphs and charts were used to represent the relationships and patterns in the data visually. Statistical outputs from ANOVA and regression models were tabulated, including coefficients, p -values, and F -change statistic.

3.10 Ethical Considerations

Ethical considerations guide research practices to ensure the well-being and protection of respondents. Privacy and confidentiality of respondent data were paramount because the study involved human subjects (Johnson & Christensen, 2020). Before recruitment, the researcher provided respondents with a digital consent form outlining the study's purpose, procedures, and rights (see Appendix III), ensuring they understood their voluntary participation. Respondents could withdraw from the study at any time without consequence. Their privacy was safeguarded through anonymity. During data collection, respondents were required to answer all questions in the questionnaire, only recording feedback from those who completed the survey. A guide was provided on the online survey platform to ensure adherence to completeness and integrity. The researcher had no physical contact with the respondents and did not collect or record personally identifiable information such as names or phone numbers, ruling out potential risks.

Data was securely downloaded and saved in CSV format for analysis. Google Forms' secure online platform ensured robust data protection during the data collection process. The data was extracted and stored in a private computer protected with an alphanumeric password. Besides the researcher, only authorized personnel from Kabarak University could access the data if needed. Research findings were reported honestly and accurately, adhering to the ethical guidelines outlined by the Kabarak University Research Ethics Committee (KUREC) and the National Commission for Science, Technology, and Innovation (NACOSTI). After the study is published, the raw data stored in the researcher's computer and on the data collection platform will be permanently deleted. Respondents are free to request the final study's results.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND DISCUSSION

4.1 Introduction

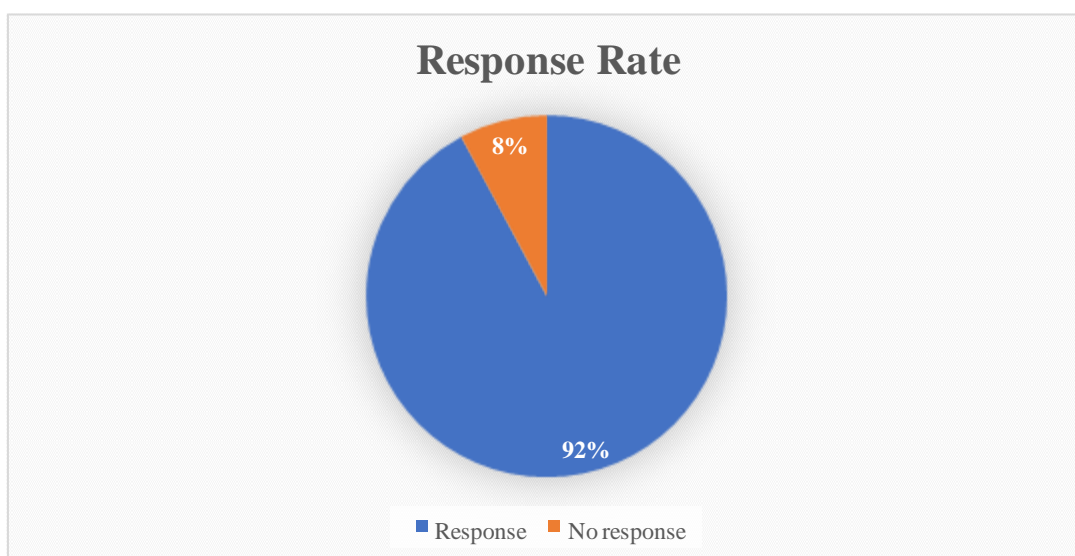
Chapter Four describes the key outcomes of the study about the influence of strategic leadership on the organizational performance of tier-1 commercial banks in Nakuru County, with organizational culture as the moderating variable. The study aligned its findings with previous research to enhance understanding, draw conclusions, and provide recommendations.

4.2 Response Rate

This study had a sample size of 154 strategic, tactical, and operational leaders from 34 branches of tier-1 commercial banks in Nakuru County, of which 142 completed the questionnaire via an online survey link. A response rate of 92.2% was obtained (see Figure 2), which is satisfactory, as it aligns with Kurgat and Guyo's (2019) finding that when 60% of people respond, it is good for analysis and reporting.

Figure 2

Response Rate

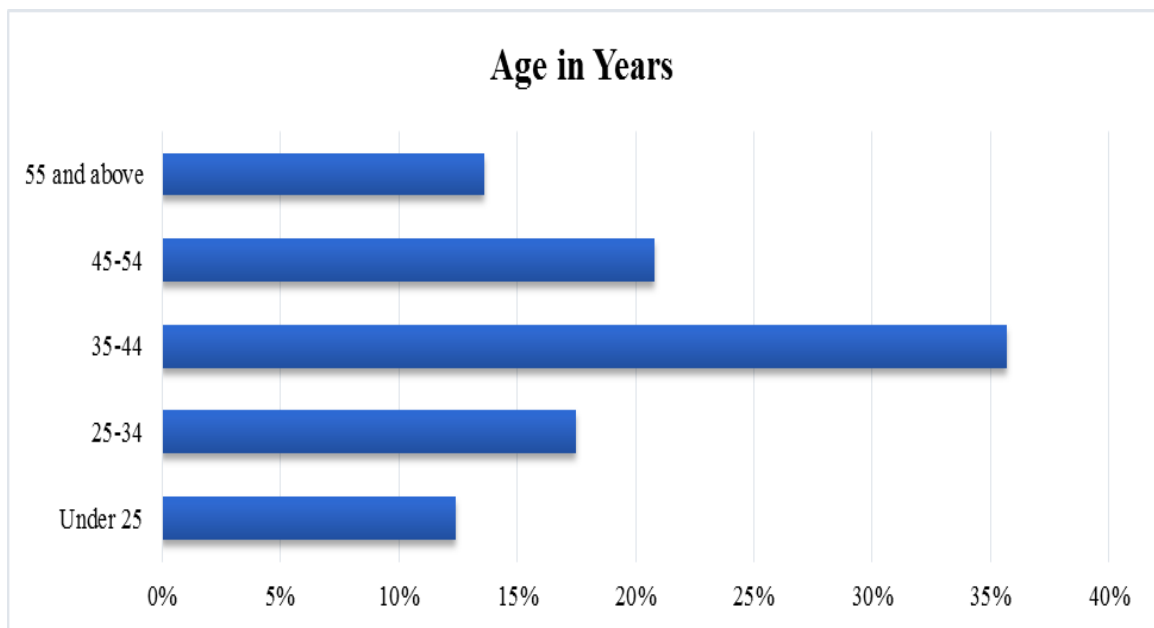


4.3 Demographic Profile

This study primarily targeted top managers, middle managers, supervisors, and junior staffers of tier-1 commercial banks in Nakuru County. This section details the characteristics of the respondents, based on different groupings categorized in terms of age, gender, level of education, work experience, and the current position/title in the organization. The majority of employees in top-tier banks in the county are aged 35-44 (35.70%), with the least age category being under 25 years (12.40%), as shown in Figure 3. Of the 142 respondents, 55 were female, making males the majority at 61.0%. These results indicate that tier-1 banks observe gender diversity.

Figure 3

Age of Respondents (n = 142)

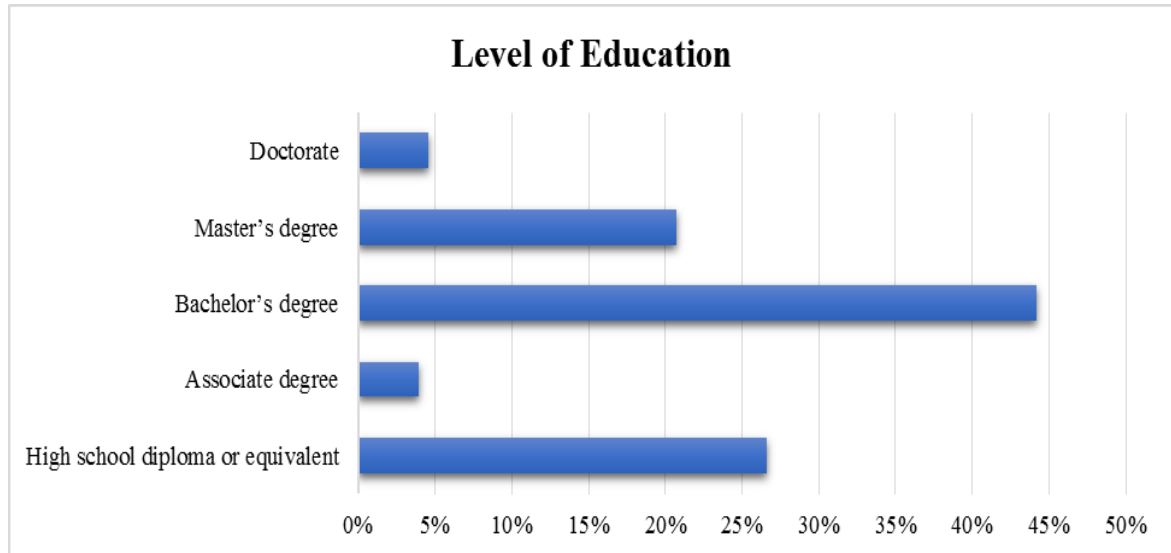


Most respondents hold a bachelor's degree (44.2%), followed by a high school diploma or equivalent (26.6%). A considerable number of bank personnel have completed their postgraduate studies, as results show 4.6% doctorate and 20.7% masters graduates (see Figure 3). The results suggest that tier-1 commercial banks in Nakuru County employ well-educated staff, indicating a thorough employee recruitment and vetting process that

yields a competent workforce. Having enough skilled workers helps service delivery work better.

Figure 4

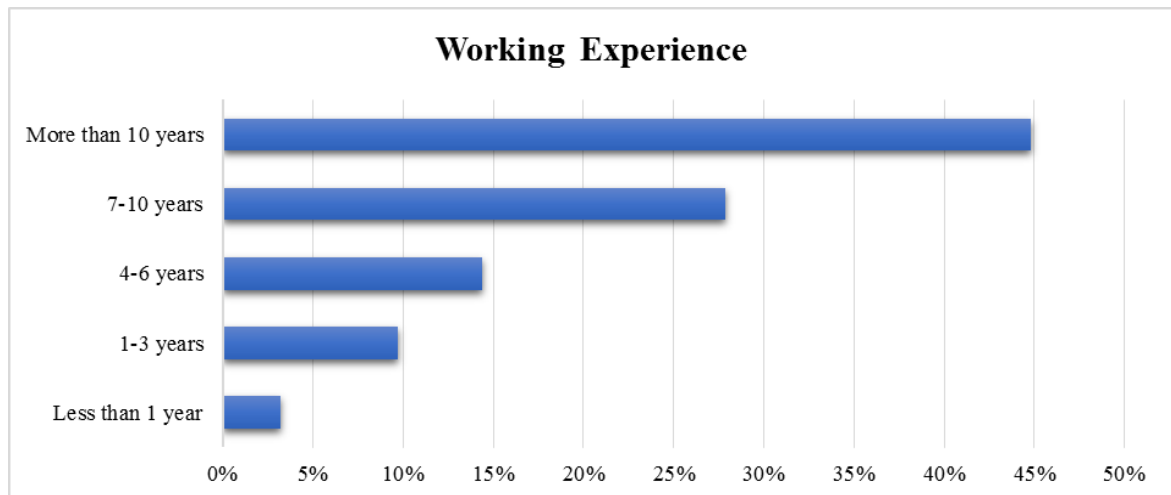
Level of Education (n = 142)



The majority of the employees in tier-1 banks in Nakuru County had more than 10 years of experience (44.8%), compared to those with less than 1 year of work experience (3.2%). The high level of experience shown in Figure 4 below complements the high level of education illustrated in Figure 5 which together implies a competent workforce.

Figure 5

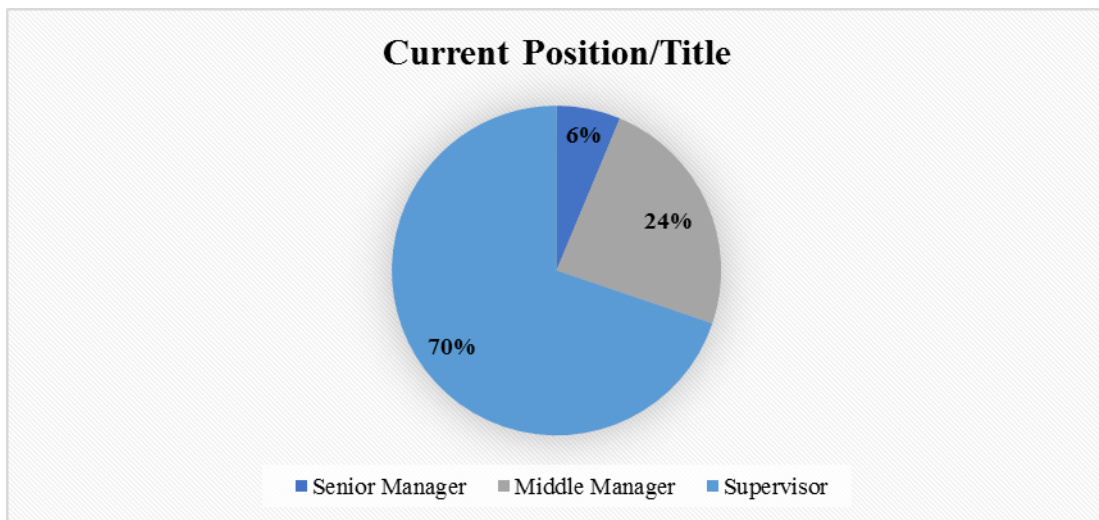
Experience (n = 142)



The pie chart in Figure 5 shows the distribution of organizational members in the country's tier-1 banks. Senior management position was 6.3% of the respondents, middle managers were 23.9%, and supervisors were the majority at 69.8%. This result indicates that the distribution of positions in tier-1 commercial banks was in order.

Figure 6

Employment Position (n = 142)



4.4 Descriptive Analysis

This section presents and analyzes the descriptive results, focusing on four constructs: transformational leadership, transactional leadership, organizational culture, and organizational performance. The results of each construct are reported using a table that lists individual items (Q6, Q7, etc.) with mean and standard deviation (SD). Each table shows the overall mean (average of the means for all items in that construct) and overall SD (average of the standard deviations). Results align with Objectives 1, 2, and 3 of the study.

4.4.1 Descriptive Analysis for Transformational Leadership

The results in Table 5 partly address the first objective of the study: to determine the influence of transformational leadership on the organizational performance of tier-1 commercial banks in Nakuru County. The overall mean (3.68) suggests that employees

moderately agree that transformational leadership behaviors are present in their organization. The results also indicate overall moderate variability (SD = 1.01), meaning respondent perceptions are somewhat diverse.

Table 5

Responses on Transformational Leadership (n = 142)

Item	Mean	SD
Q6. I have sufficient autonomy in making decisions relevant to my role without excessive reliance on higher management.	3.69	1.19
Q7. The organizational environment is conducive to proposing and implementing new products or services.	3.42	1.03
Q8. I know the organization's vision and goals, which positively impact my engagement and commitment.	3.92	0.82
Overall Mean and SD	3.68	1.01

Transformational leadership results align with Muriithi and Louw's (2017) finding that the accessibility of banking services significantly impacts the performance of Kenyan banks. Access to banking services is grounded in the availability of physical infrastructure, such as multiple bank branches, agents, and ATMs, as well as digital infrastructure like mobile banking (Muriithi and Louw, 2017). Table 5 depicts a high agreement with the statement "Q8. I know the organization's vision and goals, which positively impact my engagement and commitment" (Mean = 3.92); this shows alignment with literature highlighting the role of vision clarity in stakeholder driving engagement (Alsayyed et al., 2020; Ilic, 2023). However, lower scores on the item "Q7. The organizational environment is conducive to proposing and implementing new products or services" (Mean = 3.42) imply that while vision is communicated, leaders

may be falling back in promoting an innovative culture within the banking institutions. Strategically, corporate leaders should foster intellectual stimulation and autonomy to enhance innovation and adapt to changing consumer demands and preferences.

4.4.2 Descriptive Analysis for Transactional Leadership

The results in Table 6 partly address the second objective: to assess the influence of transactional leadership on the organizational performance of tier-1 commercial banks in Nakuru County. With an overall mean of 3.94, transactional leadership is slightly more pronounced than transformational leadership in the top-tier setting of commercial banks, and a low overall standard deviation ($SD = 0.96$) that shows consistency in responses.

Table 6

Responses on Transactional Leadership (n = 142)

Item	Mean	SD
Q9. I receive timely and relevant feedback when my performance does not meet expectations.	4.08	0.89
Q10. Recognition and rewards for achievements are applied fairly and contribute to sustained motivation.	4.23	0.84
Q11. My contributions are acknowledged and recognized by my colleagues and management regularly.	3.51	1.15
Overall Mean and SD	3.94	0.96

Previous studies have reported instances where transactional leadership is the most influential leadership style for improving job satisfaction (Chalise & Paudel, 2023). Makambe and Moeng (2020) found that transactional leadership significantly impacted employee performance, while the influence of transformational leadership was insignificant. The literature presents varying outcomes depending on the strategies

leaders apply. In Table 6, the item “Q10. Recognition and rewards for achievements are applied fairly and contribute to sustained motivation” has the highest mean (4.23); this aligns with Kabiru and Bula’s (2020) findings that contingent rewards motivate employees. The majority of tier-1 commercial bank employees in Nakuru County concurred that transactional leadership is essential for organizational performance. However, the lower score for the statement “Q11. My contributions are acknowledged and recognized by my colleagues and management regularly” (Mean = 3.51) may indicate a gap in day-to-day relational reinforcement. Reinforcing both formal (rewards) and informal (acknowledgment) recognition can strengthen job satisfaction by boosting employee morale.

4.4.3 Descriptive Analysis on Organizational Culture

The results in Table 7 align with Objective 3: to evaluate the moderating influence of organizational culture on the relationship between strategic leadership and the organizational performance of tier-1 commercial banks in Nakuru County. The majority of respondents had diverse views, as depicted by the overall mean (3.615), which reflects moderate agreement that the culture aligns with stated values. Variability is moderate (SD = 1.08), suggesting that some staff experience stronger cultural alignment than others.

Table 7

Responses on Organizational Culture (n = 142)

Item	Mean	SD
Q12. Leaders in my organization demonstrate behaviors that are aligned with the organization’s stated values.	3.42	1.09
Q13. My colleagues and I share a strong sense of commitment to the organization’s values and goals.	3.81	1.07
Overall Mean and SD	3.615	1.08

While the outcomes in Table 7 may indicate diverse cultural perspectives, it is also likely that the performance of the sampled organizations is impacted by cultural misalignment. The results hint at the possibility of organizational culture failing to moderate the relationship between strategic leadership and organizational performance significantly. Studies by Iskanto (2023) and Kim and Jung (2022) affirmed that strong value alignment boosts performance. Relatively, Table 7 presents relatively modest scores (Mean = 3.615), implying the need for more consistent cultural integration. Strategic, tactical, and operational leaders should collaborate to ensure that cultural values are operationalized in everyday practices, thereby enhancing stakeholder cohesion.

4.4.4 Descriptive Analysis on Organization Performance

Results for the organizational performance construct involved a moderate overall mean (3.05). The small spread in scores (SD = 1.03) means perceptions are consistently moderate across respondents. This construct has the lowest mean compared to transformational leadership, transactional leadership, and organizational culture, indicating relatively neutral perceptions about organizational performance factors such as resource allocation and technology integration.

Table 8

Responses on Organization Performance (n = 142)

Item	Mean	SD
Q14. The technology provided by my organization supports my work and contributes to overall productivity.	3.14	1.02
Q15. The resources are sufficient to enable me to perform my duties effectively.	3.08	1.01
Q16. I feel that my contributions to the organization are valued and appreciated.	2.94	1.06
Overall Mean and SD	3.05	1.03

The low scores for the item “Q16. I feel that my contributions to the organization are valued and appreciated” (Mean = 2.94) imply relatively low appreciation of digital solutions in regular business practices across Nakuru County’s top-tier banks. Literature on strategic leadership (Hakizimana et al., 2023; Muriithi & Louw, 2017) emphasizes that adequate resources and recognition are critical for performance. Banks should prioritize addressing infrastructure and resource sufficiency to enable higher productivity and perceived value among employees.

4.5 Correlation Analysis

The matrix in Table 9 presents Pearson correlation coefficients (r) for the relationships between: 1) transformational leadership (TFL) and organizational performance (OP), 2) transactional leadership (TSL) and organizational performance (OP), and 3) transformational and transactional leadership (TFL and TSL).

Table 9

Correlation Matrix

Variable		OP	TFL	TSL
OP	Pearson Correlation	1		
	Sig.(2-tailed)			
TFL	Pearson Correlation	0.562	1	
	Sig.(2-tailed)	0.001		
TSL	Pearson Correlation	0.454	0.442	1
	Sig.(2-tailed)	<0.001	0.001	
N		142	142	142

According to the correlation matrix in Table 9, there is a strong positive correlation ($r=0.562, p=0.001$) between TFL and OP, indicating that higher transformational leadership is significantly associated with improved performance. On the other hand, the

TSL-OP link exhibits a moderate positive correlation ($r=0.454, p<0.001$), suggesting that transactional leadership also enhances performance, though less robustly when compared to transformational leadership. Results also depict the coexistence of leadership styles by showing the positive correlation ($r=0.442, p=0.001$) between TFL and TSL.

The strong positive correlation ($r= 0.562, p=0.001$) between TFL and OP aligns with Khan et al.'s (2020) report that transformational leadership drives intrinsic motivation, improving work performance in service sectors. The TFL-OP link aligns with the Kenyan commercial banking context, which mirrors the dynamics whereby visionary leadership, characterized by digital transformation initiatives, boosts performance (Kiplagat et al., 2019; Hakizimana et al., 2023). The notable TSL-OP relationship ($r=0.454, p<0.001$) can be explained through Kabiru and Bula's (2020) study, which established that transactional leadership's "reward-consequence" framework elevates employee performance in Kenyan banks. Chalise and Paudel (2023) also noted that transactional leaders enhance job satisfaction through recognition.

Given the positive correlation ($r=0.442, p=0.001$) between TFL and TSL, it is reasonable to conclude that leadership styles often coexist and may complement each other in practice. For example, Tipurić (2022a) argued that leaders blend transformational and transactional traits to adapt to dynamic environments. The strong TFL-TSL correlation addresses the gap in overlapping leadership qualities, whereby transformational and transactional leadership have sometimes been presented as mutually exclusive (Ilic, 2023; Tipurić, 2022a). This correlation aligns with the context of Nakuru's tier-1 commercial, which utilizes transformational strategies for digital growth while employing transactional tactics for daily operations (Koech et al., 2023). Strategic leadership integrates various leadership dimensions to strike a balance between innovation.

4.6 Regression Analysis

Regression analysis was conducted to examine the relationships among the four constructs: transformational leadership, transactional leadership, organizational culture, and organizational performance. The analyses were based on simple linear regression and hierarchical multiple regression models, which were aligned with the study objectives, enabling hypothesis testing. The focus was on $H0_1$, $H0_2$, and $H0_3$. Since VIF was < 5 , multicollinearity was not a concern.

4.6.1 Transformational Leadership

4.6.1.1 Influence of Transformational Leadership on Organizational Performance

In response to Objective 1, the study applied a simple linear regression model (Model 1), as defined in the methodology:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

The outputs for Model 1 are presented in Tables 10, 11, and 12. Table 10 shows a moderate model fit ($R^2 = 0.334$) since 33.4% of the variations in organizational performance in tier-1 commercial banks in Nakuru County are attributable to transformational leadership, with the remaining percentage being attributed to other factors not accounted for by the model. The adjusted R^2 (0.324) confirms robustness after accounting for sample size and predictors.

Table 10

Model Fit Summary for Model 1

Model	R	R Square	Adj. R Square	S.E
	0.578 ^a	0.334	0.324	0.3406

a. Predictors: (Constant), Transformational leadership

b. Dependent Variable: Organizational performance

The ANOVA results in Table 10 imply that Model 1 is statistically significant ($F = 21.293$, $p = 0.001 < 0.05$). Coefficients are not equal to zero. The regression mean square (5.813) is much larger than the residual mean square (0.273). This strong predictive power indicates that transformational leadership is a good predictor of organizational performance.

Table 11

ANOVA^a Results for Model 1

	Sum of Squares	df	Mean Square	F	Sig.
Regression	17.438	3	5.813	21.293	0.001
Residual	37.642	138	0.273		
Total	55.080	141			

a. Predictors: (Constant), Transformational leadership

b. Dependent Variable: Organizational performance

4.6.1.2 Hypothesis Testing: $H0_1$

To address Objective 1, the study hypothesized that transformational leadership has no statistically significant influence on the organizational performance of tier-1 commercial banks in Nakuru County, which was tested using Model 1. Table 10 shows that transformational leadership has a positive, significant effect on performance ($\beta = 0.246$, $p = 0.016 < 0.05$). A 1-unit increase in transformational leadership predicts a 0.246-unit increase in organizational performance. So, we reject $H0_1$ because transformational leadership significantly influences organizational performance ($p < 0.05$). Since 3.364 is the intercept (constant term) and 0.246 is the slope coefficient for transformational leadership, the derived model is:

$$OP = 3.364 + 0.246 \times (TFL)$$

Table 12*Regression Coefficients^a for Model 1*

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	S.E	Beta		
Constant	3.364	0.427		5.542	0.042
Transformational leadership	0.246	0.021	0.232	6.750	0.016

4.6.1.3 Thematic Discussion on Transformational Leadership

The positive coefficient ($\beta = 0.246$) in Table 12 supports Alsayed et al. (2020), who found that transformational leaders drive performance through intellectual stimulation. The moderate model fit ($R^2 = 0.334$) reflects findings by Saher and Ayub (2020), who argued that transformational strategies alone cannot capture all performance drivers, including the digital infrastructure gaps in Nakuru that Hakizimana et al. (2023) mentioned. Nakuru County's stop-tier banks thrive on visionary leadership despite operational gaps in innovation (Q7 Mean = 3.42). Leaders should consider non-financial factors, such as stakeholder preferences and varying cultural dimensions within the workplace (Githaiga, 2021). Model 1's strategic implication can be linked to the assumption that when leaders invest in transformational leadership initiatives and act on other factors influencing their unique business context, they can achieve tangible returns.

4.6.2 Transactional Leadership

4.6.2.1 Influence of Transactional Leadership on Organizational Performance

The study addressed Objective 2 using the simple linear regression model (Model 2) defined in the methodology:

$$Y = \beta_0 + \beta_1 X_2 + \varepsilon$$

Tables 13,14 and 15 illustrate Model 2 outputs. The model fit in Table 13 ($R^2 = 0.403$) shows that transactional leadership explains 40.3% of performance variance, which is higher than transformational leadership's 33.4%. The adjusted R^2 (0.394) confirms robustness after accounting for sample size and predictors. The remaining 59.7% was attributed to the error term and other extraneous variables not covered by the study.

Table 13

Model Fit Summary for Model 2

Model	R	R Square	Adj. R Square	S.E
	0.635	0.430	0.394	0.3302

a. Predictors:(Constant), Transactional leadership

b. Dependent Variable: Organizational performance

According to Table 14, Model 2 is significant ($F = 21.306, p = 0.001 < 0.05$), validating its predictive utility. The ANOVA results show that the F statistic confirms the model's ability to predict the effect of transactional leadership on organizational performance, as the residual mean square (0.284) is significantly smaller than the regression mean square (6.051).

Table 14

ANOVA^a Results for Model 2

	Sum of Squares	df	Mean Square	F	Sig.
Regression	18.153	3	6.051	21.306	0.001
Residual	39.259	138	0.284		
Total	57.412	141			

a. Predictors: (Constant), Transactional leadership

b. Dependent Variable: Organizational performance

4.6.2.2 Hypothesis Testing: $H0_2$

Given Objective 2, the study hypothesized that transactional leadership has no statistically significant influence on the organizational performance of tier-1 commercial banks in Nakuru County. Mode 13 was used to test $H0_2$, and the results are illustrated in Table 15 below. The regression coefficients for transactional leadership ($\beta = 0.321$, $p = 0.033$) depict its stronger positive effect than transformational leadership's coefficients in Table 15 ($\beta = 0.246$, $p = 0.016$). A 1-unit increase in transactional leadership predicts a 0.321-unit rise in performance. So, we reject $H0_2$ due to the strong positive statistically significant relationship between transactional leadership and organizational performance ($\beta = 0.321$, $p = 0.033 < 0.05$). With 3.413 as the intercept (constant term) and 0.321 as the slope coefficient for transactional leadership, the following regression equation was derived:

$$OP = 3.413 + 0.321 \times (TSL)$$

Table 15

Regression Coefficients^a for Model 2

	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	S. E	Beta		
Constant	3.413	0.456		5.313	0.046
Retained Profit	0.321	0.242	0.313	3.012	0.033

a. Predictors: (Constant), Transactional leadership

b. Dependent Variable: Organizational performance

4.6.2.3 Thematic Discussion on Transactional Versus Transformational Leadership

Although the evidence supporting the strength and influence of transformational leadership is more prevalent in the literature (Alsayed et al., 202; Saher & Ayub, 2020;

Hakizimana et al., 2023), transactional leadership has a stronger positive influence on the performance of tier-1 commercial banks in Nakuru County (TFL: $\beta = 0.321 >$ TSL: $\beta = 0.246$). The stronger effect reveals the banks' reliance on reward systems. This outcome can be validated by Kabiru and Bula (2020), who posited that reward-based systems in Kenyan banks, including Nakuru, boost employee output. Kabiru and Bula specified that Kenyan top-tier banks can thrive by exhibiting transparent and dependable performance management systems. However, low acknowledgment scores (Q11 Mean = 3.51) indicate relational gaps.

Transactional leadership's stronger predictive power ($R^2 = 0.403$, compared to transformational leadership's $R^2 = 0.334$) implies that structured reward systems and clear performance targets can drive operational efficiency in Nakuru County's tier-1 banks, particularly for mitigating non-performing loans and stabilizing service delivery. Yet, transformational leadership still holds a superior statistical significance ($p = 0.016$) than transactional leadership ($p = 0.033$) in the Nakuru context. These results sharply challenge Makambe and Moeng (2020), who investigated the impact of strategic leadership on employee performance, focusing on Botswana's commercial banks, and concluded that transactional leadership significantly impacted performance, while transformational leadership had no statistically significant influence.

4.6.3 Organizational Culture

4.6.3.1 Moderating Influence of Organizational Culture on the Relationship between Strategic Leadership and Organizational Performance

To address Objective 3, a regression analysis was performed to test the moderating influence of organizational culture. The moderating effect was analyzed based on hierarchical multiple regression (Model 3), presented as Model 3a and Model 3b, as defined in the methodology:

- Model 3a – Main effects only:

$$Y = \beta_0 + \beta_1 X_3 + \beta_2 Z + \varepsilon$$

- Model 3b – Interaction term added:

$$Y = \beta_0 + \beta_1 X_3 + \beta_2 Z + \beta_3 (X_3 Z) + \varepsilon$$

Table 16 shows the model fit summary for both Model 3a and Model 3b. Model 3a (main effects) explains 56.6% of performance variance ($R^2 = 0.566$). This is a notable increase from Model 1 (33.4%) and Model 2 (40.3%). Based on the R-squared values, the moderator explains 16.3% of the additional variance in performance when Model 3a is compared to Model 2. The inclusion of the interaction term in Model 3b reduced the model fit compared to Model 3a ($\Delta R^2 = -0.094$). The absolute decline of 9.4 percentage points suggests that the interaction term (Strategic Leadership \times Organizational Culture) did not enhance, but instead slightly reduced the model's ability to predict performance.

Table 16

Model Fit Summary for Model 3

Model	R	R ²	Adj. R ²	S. E
Model 3a	0.752	0.566	0.559	0.342
Model 3b	0.687	0.472	0.464	0.335

a. Predictors: (Constant), Organizational culture, Strategic leadership

b. Dependent Variable: Organizational performance

Table 17 shows that both Models 3a and 3b are statistically significant ($p = 0.001 < 0.05$), with organizational culture as a predictor ($F = 17.331$).

Table 17*ANOVA^a Results for Model 3*

Model		Sum of Squares	df	Mean Square	F	Sig.
Model 3a	Regression	15.545	3	5.848	17.331	0.001
	Residual	41.238	138	0.299		
	Total	56.783	141			
Model 3b	Regression	17.241	3	5.747	19.682	0.001
	Residual	40.329	138	0.292		
	Total	57.570	141			

a. Predictors: (Constant), Organizational culture, Strategic leadership

b. Dependent Variable: Organizational performance

4.6.3.2 Hypothesis Testing: $H0_3$

In line with Objective 3, the study hypothesized that organizational culture has no statistically significant moderating influence on the relationship between strategic leadership and the organizational performance of tier-1 commercial banks in Nakuru County. Models 3a and 3b were instrumental in testing this hypothesis. In Table 17, Model 3a's strategic leadership is statistically significant ($\beta = 0.321$, $t = 3.012$, $p = 0.033$). For a 1-unit increase in strategic leadership, the organizational performance is predicted to vary by 0.321, given that the organizational culture is held constant. Without the interaction term, the beta coefficient for organizational culture as a predictor variable is significant ($\beta = 0.224$, $t = 2.043$, $p = 0.036$). Therefore, organizational culture has a direct positive effect on organizational performance.

Adding the interaction term (Strategic Leadership \times Organizational Culture) to Model 3a resulted in a non-significant effect ($\beta = 0.054$, $p = 0.462$). With Model 3b as the final phase of the hierarchical multiple regression, we do not reject $H0_3$, which states that organizational culture does not moderate the strategic leadership-performance relationship in tier-1 commercial banks in Nakuru County.

Table 18*Regression Coefficients^a for Model 3*

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	S. E	Beta		
Model 3a	Constant	3.413	0.456		5.313	0.046
	Strategic Leadership	0.321	0.242	0.313	3.012	0.033
	Organizational Culture	0.224	0.214	0.124	2.043	0.036
Model 3b	Constant	3.596	0.337		3.252	0.032
	Strategic Leadership	0.428	0.247	0.131	2.074	0.039
	Organizational Culture	0.253	0.236	0.173	2.015	0.038
	Strategic Leadership × Organizational Culture	0.054	0.083	0.063	0.335	0.462

a. Predictors: (Constant), Organizational culture, Strategic leadership

b. Predictors: (Constant), Organizational culture, Strategic leadership, Strategic leadership × Organizational Culture

c. c. Dependent Variable: Organizational performance

In Model 3b, 3.596 is the intercept, while 0.428 is the slope coefficient for strategic leadership (SL), 0.253 is the slope coefficient for organizational culture (OC), and 0.054 is the slope coefficient for the product of SL and OC. SL is composite (TFL + TSL). The derived regression equation is:

$$OP = 3.596 + 0.428 \times (SL) + 0.253 \times (OC) + 0.054 \times (SL \times OC)$$

4.6.3.3 Thematic Discussion on the Moderating Influence of Organizational Culture

The outcomes of Model 3b ($\beta = 0.054$, $p = 0.462 > 0.05$) may explain the underlying performance inconsistencies that emerge from inadequate strategy execution. Low autonomy scores (Q6 Mean = 3.69) and non-significant moderation suggest that middle managers lack agency in shaping the cultural perspectives of Nakuru's tier-1 commercial

banks. This rationale confirms Ateş et al.'s (2020) “vision gap” in hierarchical banks. An alternative reasoning aligns with Khan and Ismail's (2020) statement that as leaders adopt different strategic approaches, the effectiveness of these styles is contingent upon alignment with the prevailing organizational culture. While adding the interaction term (SL × OC) may seem to contradict Khan and Ismail's findings, organizational culture still has a direct positive effect on organizational performance ($\beta = 0.253, p = 0.038$) despite failing to moderate the SL-OP relationship (interaction: $\beta = 0.054, p = 0.462$). The results in Table 4.8c imply that organizational culture operates independently as a predictor, rather than being a contextual enhancer of leadership impact. Iskanto (2023) and Kim and Jung (2022) affirmed that a strong culture directly boosts performance.

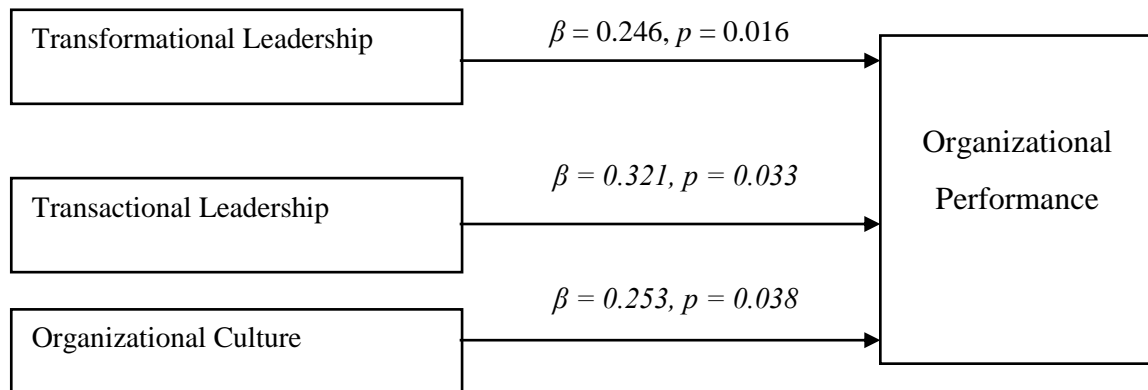
4.6.4 Summary of Regression Analysis

4.6.4.1 Final Model

This study confirms three significant direct predictors of organizational performance: namely, transformational leadership ($\beta = 0.246, p = 0.016$), transactional leadership ($\beta = 0.321, p = 0.033$), and organizational culture ($\beta = 0.253, p = 0.038$). The determination that organizational culture does not moderate the strategic leadership-performance relationship (interaction $\beta = 0.054, p = 0.462$) echoes Tipurić's (2022a) view that corporate culture is socially constructed by all tiers, not just company executives. That way, it is clear why organizational culture directly drives performance without interacting with strategic leadership dimensions. The final model derived from the regression results is:

Figure 7

Final Model Derived from Regression Results



4.6.4.2 Summary of Hypothesis Tests

Table 19 summarizes the results for three hypothesis tests. The first two null hypotheses (H_{01} , H_{02}) were rejected, confirming that transformational leadership and transactional leadership significantly influence organizational performance. The one testing the moderating influence of organizational culture (H_{03}) was not rejected.

Table 19

Summary of Hypothesis Test Results (Threshold: $p < 0.05$)

Hypothesis	P-value	Empirical Results
H_{01} : Transformational leadership has no statistically significant influence on the organizational performance of tier-1 commercial banks in Nakuru County.	$p = 0.001$	Positive and significant (Reject H_{01})
H_{02} : Transactional leadership has no statistically significant influence on the organizational performance of tier-1 commercial banks in Nakuru County.	$p = 0.001$	Positive and significant (Reject H_{02})
H_{03} : Organizational culture has no statistically significant moderating influence on the relationship between strategic leadership and the organizational performance of tier-1 commercial banks in Nakuru County.	$p = 0.462$	Positive and not significant (Do not reject H_{03})

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

Chapter Five presents the summary of findings, conclusion, and recommendations, along with suggestions for future research. Conclusions are based on the study's specific objectives and the three hypotheses tested: namely, $H0_1$, $H0_2$, and $H0_3$.

5.2 Summary of the Findings

This study sought to investigate the influence of strategic leadership on organizational performance. The study yielded four key findings addressing its specific objectives. Firstly, it demonstrated a significant positive influence of transformational leadership on performance ($\beta = 0.246$, $p = 0.016$), addressing Objective 1. $H0_1$ was rejected by concluding that transformational leadership statistically and significantly influences the organizational performance of tier-1 commercial banks in Nakuru County. Transformational leadership produced an overall mean of 3.68, implying that employees moderately agree that transformational behaviors are present in their organization. Although the strongest impact of transformational leadership was evident through vision clarity (Q8 Mean = 3.92), innovation culture scored lowest (Q7 Mean = 3.42).

Secondly, $H0_2$ was rejected. The study concluded that transactional leadership has a statistically significant influence on the organizational performance of tier-1 commercial banks in Nakuru County. The second critical finding addresses both Objectives 1 and 2: transactional leadership's influence on organizational performance ($\beta = 0.321$, $p = 0.033$) was stronger than the transformational style ($\beta = 0.246$, $p = 0.016$). Also, transactional leadership had a higher overall mean of 3.94 and more consistent responses. Descriptive results showed highly effective reward systems (Q10 Mean = 4.23), yet day-to-day recognition seemed weak (Q11 Mean = 3.51).

Thirdly, organizational culture directly enhanced organizational performance ($\beta = 0.253$, $p = 0.038$). This finding addressed Objective 3 by presenting culture as a direct predictor of performance rather than a mere moderator. Yet, the organizational culture's overall mean (3.615) reflected moderate agreement that the culture aligns with stated values. Since the interaction term itself was not statistically significant ($\beta = 0.054$, $p = 0.462 > 0.05$), H_{03} was not rejected. The study established that organizational culture has no statistically significant moderating influence on the relationship between strategic leadership and the organizational performance of tier-1 commercial banks in Nakuru County.

Fourthly, the study established coexisting leadership styles. Even though correlation does not always translate to causation, the positive correlation ($r = 0.442$, $p = 0.001$) between transformational and transactional leadership dimensions hinted that leadership styles often coexist and may complement each other. These findings indicate that leaders employ hybrid strategies in practice.

5.3 Conclusions

Transformational leadership has proven to be significant and necessary, but it is insufficient alone. While it drives the performance of top-tier commercial banks in Nakuru through vision alignment, its influence is likely constrained by inadequate middle-management autonomy and weak implementation measures for innovation. Secondly, transactional leadership is the dominant performance driver in Nakuru County's banking context. Its prevalence can be attributed to clear reward-performance contingencies that enable leaders to negotiate performance improvement measures, creating a win-win scenario for key stakeholders. Also, the commercial banks likely enjoy operational stability in hierarchical settings. However, relational recognition remains underdeveloped. Finally, organizational culture operates as an independent

performance accelerator – it does not moderate the leadership-performance relationship. Therefore, the study reveals that culture is shaped collectively by all organizational tiers – top, middle, and lower management. Leadership effectiveness depends on pre-existing cultural values, necessitating the inclusion of cultural perspectives in corporate settings.

5.4 Recommendations

5.4.1 Policy Recommendations

Corporate leaders should enhance existing policies through leadership development. Particularly, commercial banks should adopt transformational leadership strategies alongside transactional leadership strategies, as they are not mutually exclusive. A change management team should implement a hybrid leadership training program that focuses on various leadership dimensions to address the gap in overlapping leadership qualities. While improving current policies, the team should prepare for potential resistance to change by addressing stakeholders' concerns and fears. Another considerable policy area to be executed alongside leadership development is performance management. Policy formulators should work closely with the change management team in revising reward systems to include peer recognition protocols. The study's low acknowledgment scores raise the need for this policy enhancement.

Change leaders should formulate new management policies by analyzing organizational culture as a direct accelerator of performance, rather than merely a moderator. A cultural integration framework would be a fundamental leadership policy in the banking sector. The policy should be grounded in quarterly cross-tier culture audits to ensure alignment between values and operations. That way, strategic leaders can create a sense of belonging among all corporate members. This new policy is achievable through quarterly forums where junior staff or shareholders co-evaluate leadership effectiveness. The cultural integration framework can be implemented in conjunction with the middle

management innovation charter, which enables the allocation of a specified percentage of work time for mid-level leaders to pilot improvement ideas.

5.4.2 Recommendations for Further Research

Future studies should investigate the efficacy of hybrid leadership in addressing gaps, such as the coexistence of strategic leadership styles and performance trade-offs. The efficacy of this hybrid approach would be based on quantifying the balance between transformational and transactional leadership in local banks, while assessing performance trade-offs.

Since this study applied a cross-sectional research design, further research should explore culture-driven performance in commercial banking. Also, an exploratory study on the influence of culture on organizational performance can expose the lived experiences of bank stakeholders. Future studies can gain new knowledge by seeking to validate the non-moderating role of culture through qualitative grounded theory.

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APPENDICES

Appendix I: Cover Letter

Joseph Maeri

Nakuru, Kenya.

maerijoseph@gmail.com

Dear Respondent,

My name is Joseph Maeri, and I am a student pursuing a Master's degree in Business Administration at Kabarak University. As part of the requirements for my degree, I am conducting a research study titled ***“Influence of Strategic Leadership on the Organizational Performance of Tier-1 Commercial Banks in Nakuru County: Moderating Role of Organizational Culture.”***

I invite you to participate in this study by completing the attached questionnaire. Your valuable insights and experiences will significantly contribute to our research objectives. We appreciate your time and consideration.

Your participation in this study is entirely voluntary and can be withdrawn at any time without penalty. All information provided will be treated confidentially and used solely for research purposes. To protect your privacy, please do not include any personal details in your responses.

Thank you for considering this request. Your participation will significantly enhance our understanding of the impact of strategic leadership on organizational performance in the commercial banking industry.

Sincerely,

Joseph Maeri

Appendix II: Questionnaire

Study Title: Influence of Strategic Leadership on the Organizational Performance of Tier-1 Commercial Banks in Nakuru County: Moderating Role of Organizational Culture

Instructions: Please complete the following questionnaire appropriately.

Confidentiality: Your answers will be kept completely private. No specific individuals will be mentioned in the research report. Your participation in this survey indicates your consent. Please provide answers to all questions below.

Section I: Demographic Questions

No.	Question	Select one Option Per Question
1.	What is your age?	<input type="radio"/> Under 25 years <input type="radio"/> 25-34 years <input type="radio"/> 35-44 years <input type="radio"/> 45-54 years <input type="radio"/> 55 and above
2.	What is your gender?	<input type="radio"/> Male <input type="radio"/> Female <input type="radio"/> Prefer not to say
3.	What is your highest level of education?	<input type="radio"/> High school diploma or equivalent <input type="radio"/> Associate degree <input type="radio"/> Bachelor's degree <input type="radio"/> Master's degree <input type="radio"/> Doctorate
4.	How many years of working experience do you have?	<input type="radio"/> Less than 1 year <input type="radio"/> 1-3 years <input type="radio"/> 4-6 years <input type="radio"/> 7-10 years <input type="radio"/> More than 10 years
5.	What is your current position/title?	<input type="radio"/> Senior Manager <input type="radio"/> Middle Manager <input type="radio"/> Supervisor <input type="radio"/> Junior Staff <input type="radio"/> Entry-Level Employee

Section II: Transformational Leadership and Organizational Performance

Instruction: Please indicate the extent to which you agree or disagree with the following statements, using the scale below (1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree):

No.	Statement	1	2	3	4	5
6.	I have sufficient autonomy in making decisions relevant to my role without excessive reliance on higher management.					
7.	The organizational environment is conducive to proposing and implementing new products or services.					
8.	I know the organization's vision and goals, which positively impact my engagement and commitment.					

Section III: Transactional Leadership and Organizational Performance

Instruction: Please indicate the extent to which you agree or disagree with the following statements, using the scale below (1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree):

No.	Statement	1	2	3	4	5
9.	I receive timely and relevant feedback when my performance does not meet expectations.					
10.	Recognition and rewards for achievements are applied fairly and contribute to sustained motivation.					
11.	My contributions are acknowledged and recognized by my colleagues and management regularly.					

Section IV: Moderating Role of Organizational Culture

Instruction: Please indicate the extent to which you agree or disagree with the following statements, using the scale below (1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree):

No.	Statement	1	2	3	4	5
12.	Leaders in my organization demonstrate behaviors that are aligned with the organization's stated values.					
13.	My colleagues and I share a strong sense of commitment to the organization's values and goals.					

Section V: Organizational Performance

Instruction: Please indicate the extent to which you agree or disagree with the following statements, using the scale below (1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree):

No.	Statement	1	2	3	4	5
14.	The technology provided by my organization supports my work and contributes to overall productivity.					
15.	The resources are sufficient to enable me to perform my duties effectively.					
16.	I feel that my contributions to the organization are valued and appreciated.					

Appendix III: Adult Informed Consent Form

Study Title: Influence of Strategic Leadership on the Organizational Performance of Tier-1 Commercial Banks in Nakuru County: Moderating Role of Organizational Culture

PI: Joseph Maeri

Affiliated Institution: Kabarak University

Co-investigator(s): None

Introduction

You are invited to participate in this research study being undertaken by the above-listed investigators. This form will help you gather information about the study so that you can voluntarily decide whether you want to participate or not. You are encouraged to ask any questions regarding the research process, as well as any benefits or risks that you may accrue by participating. After you have been adequately informed about the study, you will be requested to either agree or decline to participate. Upon agreeing to participate in the study, you will be further requested to affirm that by appending your signature/thumbprint on this form. Accepting or declining to participate in this study does not in any way waive the following rights, which you're entitled to:

- Voluntary participation in the study;
- Withdrawing from the study at any time without the obligation of having to explain; and
- Access to services that you're entitled to

A copy of this form will be provided to you for your own records

Should I continue YES/NO _____

This study has been reviewed and approved by **Kabarak University Research Ethics Committee (KUREC)**

What is the Purpose of the Study?

The main reasons for conducting this study are to achieve the following objectives:

1. *To investigate the influence of transformational leadership on the organizational performance of tier-1 commercial banks in Nakuru County.*

2. *To assess the influence of transactional leadership on the organizational performance of tier-1 commercial banks in Nakuru County.*
3. *To assess the moderating influence of organizational culture on the relationship between strategic leadership (transformational and transactional) and the organizational performance of tier-1 commercial banks in Nakuru County.*

Who can Take Part in the Study?

Bank executive leaders, tactical leaders, and operational leaders in tier-1 commercial banks in Nakuru County

In Case You Agree to Participate in the Study, What Will Happen?

This is what is going to happen once you have agreed to participate in the study:

The study does not pose any form of harm

Privacy & Confidentiality

Your data will be kept private and confidential through anonymity.

What Benefits Are You Going to Accrue by Participating in the Study?

By participating in this study, you will:

Help address the problem

Not be compensated for your participation

What Will Cost You to Participate in the Study?

Time

**Will Any Expenditure that You Incur by participating in the Study be refunded?
Or will you be paid for participating in the Study?**

There will be no expenditure.

What Alternative Options Are Available to Me?

Your participation is completely voluntary.

Statement of Consent

I have comprehensively read the consent form, and the information has been comprehensively read to me by the researcher. I have understood what the study is about, and all the questions and concerns that I had have been addressed in a clear and concise manner. The study benefits and foreseeable risks have been explained to me. I totally understand that my decision to participate in this study is voluntary, and I have the right to withdraw at any point during the study.

I freely consent to participate in this study

Signing this form does not in any way imply that I have given up the rights I am entitled to as a respondent.

I agree to participate in this research YES_____NO_____

I agree to provide my contact details for follow-up YES_____NO_____

Respondent's Name_____

Respondent's Signature/Thumbprint_____Date_____

Appendix IV: Respondent Population

The following table shows the distribution of the targeted levels within the county, focusing on leadership structure and role distribution in banks:

Category	Represented Role	Number per Bank
Executive Leaders	County or Regional Bank Managers, Deputy	1 County/Regional Manager, 1 Deputy
Tactical Leaders	Branch Managers, Directors, Department Heads	2 per branch
Operational Leaders	Operations Managers, IT Support Specialists, Credit Officers	5 per branch

Appendix V: KUREC Clearance Letter



KABARAK UNIVERSITY RESEARCH ETHICS COMMITTEE

Private Bag - 20157
KABARAK, KENYA
Email: kurec@kabarak.ac.ke

Tel: 254-51-343234/5
Fax: 254-051-343529
www.kabarak.ac.ke

OUR REF: KABU01/KUREC/001/03/10/24

Date: 11th Oct, 2024

Joseph Karamu Maeri
Reg No.:GMB/NE/3151/09/22
Kabarak University,

Dear Joseph,

RE: INFLUENCE OF STRATEGIC LEADERSHIP ON THE ORGANIZATIONAL PERFORMANCE OF TIER-1 COMMERCIAL BANKS IN NAKURU COUNTY.

This is to inform you that **KUREC** has reviewed and approved your above research proposal. Your application approval number is **KUREC-031024**. The approval period is **11/10/2024 – 11/10/2025**.

This approval is subject to compliance with the following requirements:

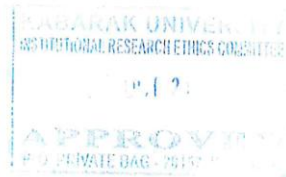
- i. All researchers shall obtain an introduction letter to NACOSTI from the relevant head of institutions (Institute of postgraduate, School dean or Directorate of research)
- ii. The researcher shall further obtain a RESEARCH PERMIT from NACOSTI before commencement of data collection & submit a copy of the permit to **KUREC**.
- iii. Only approved documents including (informed consents, study instruments, MTA Material Transfer Agreement) will be used
- iv. All changes including (amendments, deviations, and violations) are submitted for review and approval by **KUREC**.
- v. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **KUREC** within 72 hours of notification;
- vi. Any changes, anticipated or otherwise that may increase the risk(s) or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to **KUREC** within 72 hours;
- vii. Clearance for export of biological specimens must be obtained from relevant institutions and submit a copy of the permit to **KUREC**;
- viii. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal and;
- ix. Submission of an executive summary report within 90 days upon completion of the study to **KUREC**

Sincerely,

Prof. Jackson Kitetu Ph.D.

KUREC-Chairman

Cc Vice Chancellor
DVC-Academic & Research
Registrar-Academic & Research
Director-Research Innovation & Outreach
Institute of Post Graduate Studies



As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord.
(1 Peter 3:15)



Kabarak University is ISO 9001:2015 Certified

Appendix VII: Evidence of Conference Participation



KABARAK UNIVERSITY

Certificate of Participation

Awarded to

JOSEPH MAERI

For successfully participating in the 15th Annual Kabarak University International Research Conference held on 1st-2nd July 2025 and presented a paper entitled *“Influence of Transformational Leadership on the Organizational Performance of Tier-1 Commercial Banks in Nakuru Count”*

Conference Theme

Sustainable Business Models In The Era Of Artificial Intelligence For Youth Empowerment

Prof. Patrick Kibati
Dean, School of Business &
Economics

Dr. Phillip Nyawere
Director - Research, Innovation
and Outreach

Kabarak University Moral Code

As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord.

(1 Peter 3:15)



Kabarak University is ISO 9001:2015 Certified

Appendix VIII: List of Publication

ISSN:(O) 2320-5407, ISSN(P) 3107-4928

Int. J. Adv. Res. 13(08), August-2025, 794-800



Journal Homepage: - www.journalijar.com

INTERNATIONAL JOURNAL OF ADVANCED RESEARCH (IJAR)

Article DOI: 10.21474/IJAR01/21566

DOI URL: <http://dx.doi.org/10.21474/IJAR01/21566>



RESEARCH ARTICLE

INFLUENCE OF TRANSFORMATIONAL LEADERSHIP ON THE ORGANIZATIONAL PERFORMANCE OF TIER-1 COMMERCIAL BANKS IN NAKURU COUNTY

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Manuscript Info

Manuscript History
Received: 11 June 2025
Final Accepted: 13 July 2025
Published: August 2025

Key words:-
Transformational leadership, tier-1 commercial banks, organizational culture, organizational performance

Abstract

In a competitive market significantly influenced by rapid digital transformation, commercial banks must harness leadership approaches that foster innovation, collaboration, and adaptability. Strategic leadership, particularly transformational leadership, is critical for navigating the underlying complexities. This study investigated the influence of transformational leadership on the organizational performance of tier-1 commercial banks in Nakuru County, Kenya. Anchored in Complexity Leadership Theory (CLT), the research employed a quantitative approach based on cross-sectional survey design. Data was collected from 142 managers across 34 branches of tier-1 banks using a structured questionnaire. Correlation results showed a strong positive correlation between transformational leadership and organizational performance ($r=0.562, p < .001$). Regression analysis revealed that transformational leadership accounts for 33.4% of the variance in organizational performance ($F(3, 138) = 21.293, \beta = 0.246, p < .05$), highlighting its significant positive impact. Visionary leadership, intellectual stimulation, and employee empowerment stood out as influential performance drivers. Therefore, tier-1 banks should consider institutionalizing transformational practices, like promoting autonomy, aligning stakeholders with company vision, and enhancing innovative agendas.

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Introduction:-

In a competitive market significantly influenced by rapid digital transformation, commercial banks must adopt leadership approaches that foster innovation, collaboration, and adaptability. Transformational leaders inspire followers to prioritize company interests, actively achieve organizational goals, and improve their skills (Korkeila et al., 2012; Yas et al., 2023). Intellectual stimulation and personalized concern foster a shared purpose and align individual ambitions with organizational objectives. The proliferation of pervasive computing has influenced global banking, easing accessibility and seamless integration of banking services into customers' daily lives (Feyen et al.,

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