

# The Mediating Role of Institutional Culture in Transformational Leadership and Organizational Performance in Faith-Based Higher Education in Kenya

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**Abstract:** *This study investigates the mediating role of institutional culture in the relationship between transformational leadership and organizational performance in private, faith - based higher learning institutions in Kenya. A quantitative research design utilizing self-administered questionnaires was employed, targeting leaders and staff across selected institutions. Data analysis involved regression and mediation testing. The findings provide insights into the dynamics of leadership, culture, and performance within faith - based higher education contexts in Kenya.*

**Keywords:** Transformational leadership, institutional culture, organizational performance, mediation, higher education, Kenya

## 1. Introduction

Private faith - based higher learning institutions play a significant role in Kenya's educational landscape, contributing to the intellectual and moral development of students while upholding religious values and principles. Leadership within these institutions, particularly transformational leadership, has been recognized as a crucial factor influencing organizational performance. Transformational leaders inspire and motivate followers, foster a shared vision, and promote a culture of innovation and excellence. However, the extent to which transformational leadership impacts organizational performance may be influenced by the institutional culture prevalent within these institutions.

Higher education is instrumental in fostering growth and reducing poverty. The sole role and responsibility of managers in higher learning institutions is to advance the organizational objectives. As a result, it is expected of them to develop original plans to improve organizational performance. One of the many ways that managers could use to improve performance in organizations is the transformational leadership style.

Research done by Al - Shammari (2021) found that higher learning institutions are a fundamental component in establishing communities and contribute to its development and progress. This is achievable by having supportive university leaders whose goal is to fulfil the university's vision, goals and strategic plans thereby achieving organizational success. Changing government legislation, accelerated student growth, stakeholder demand for quality, international developments, changes in leadership, revised

institutional strategy, and financial sustainability are all problems that universities around the world are confronting (Tsou, 2020). In higher learning institutions, transformational leaders have brought a beneficial effect in regard to performance by inspiring and motivating the staff they lead (Al - Hussein, 2018).

Gunawan (2020) researched on the impact that transformational leadership has on institutional culture and workplace motivation and whether this affects the school's performance and effectiveness. The research focused on high school teachers in government schools in Medan Indonesia. His study concluded that transformational leadership stood out as an effective leadership approach in enhancing development and change in an organization. It was noted that transformational leaders endeavor to make distinctive change and assume a greater responsibility in transforming the organization. Ahmed et al. (2020) study aimed at identifying if transformational leadership has any effect on the organizational performance of Iraqi universities. A sample of 387 academic staff was done from five Iraq universities. A self - administered questionnaire was used for the survey. The tools used to analyze the data, were the structural equation modelling (SEM) and regression. The study revealed that transformational leadership had a significant effect on organizational performance, hence, universities should give thought to transformational leadership as an important leadership quality when designing training programs and developing future recruitment policies.

### 1.1 Problem Statement

Despite the recognition of the importance of transformational leadership in private faith - based higher learning institutions,

there is limited understanding of how institutional culture mediates the relationship between leadership practices and organizational outcomes. Understanding this mediating effect is essential for enhancing leadership effectiveness and organizational performance in these institutions.

### 1.2 Purpose

The purpose of this study is to examine the mediating effect of institutional culture on the relationship between transformational leadership and organizational performance in private faith - based higher learning institutions in Kenya. By investigating this relationship, the study seeks to provide valuable insights into the mechanisms through which leadership practices influence organizational outcomes and contribute to the overall effectiveness of these institutions.

### 1.3 Objective

The primary objective of this study is to determine the mediating effect of institutional culture on the relationship between transformational leadership and organizational performance in private faith - based higher learning institutions in Kenya.

### 1.4 Significance

This study contributes to the existing literature on leadership and organizational performance in the context of private faith - based higher education. By elucidating the mediating role of institutional culture, the findings of this research can inform leadership development initiatives and organizational strategies aimed at enhancing performance and effectiveness in these institutions.

## 2. Literature Review

Culture and leadership are constantly in conversation. Leaders design structures for an organization's culture and development and fortification of rules and acceptable behaviour that occur within the culture's borders. What leaders pay attention to, how they respond to crises, the behaviour they model, and who they attract to their organizations all influence cultural norms. The leadership of an organization's culture teaches its followers the features and qualities of that culture (Bass, 1991). The interaction between institutional culture, transformational leadership, and organizational performance is a complex and dynamic process that shapes the functioning and success of higher education institutions. Culture, defined as the shared values, beliefs, and norms within an organization, is influenced and shaped by leadership practices, while also influencing leadership behaviors and organizational outcomes. This section explores the interplay between institutional culture, transformational leadership, and organizational performance, drawing on empirical research to provide insights into their relationship and impact on faith - based higher learning institutions in Kenya.

Muslih and Halliawan (2019) researched on how corporate governance and corporate culture impact performance of state owned enterprises in Indonesia. They used quantitative research methodology. The population in the study were

practitioners and academic staff. The research sample was chosen randomly. They collected data using an online questionnaire that was randomly distributed and had 94 respondents. Results revealed that corporate culture had a positive correlation to the performance of state owned enterprises in Indonesia, but governance had no correlation on the performance of the same enterprises, highlighting the critical role of culture in driving organizational success. This study underscores the importance of fostering a strong organizational culture conducive to performance and aligning governance structures with cultural values to optimize organizational effectiveness.

Institutional culture, defined as the shared values, beliefs, and norms within an organization, has a profound impact on organizational performance (Bamidele, 2022). A strong and positive organizational culture that emphasizes collaboration, innovation, and continuous improvement can enhance employee morale, engagement, and job satisfaction, leading to improved performance outcomes (Kašpárková et al., 2018). Research by Nneji and Asikhia (2021) found that organizations with strong cultural traits, such as adaptability and mission clarity, tend to outperform their peers in terms of financial performance and market competitiveness. The organizational culture found in educational institutions helps people to comprehend and create guidelines for behavior, expectations, standards, and patterns that will help them perform at a high level. In addition to increasing commitment and reinforcing organizational ideals, the organizational culture gives people a feeling of identity and acts as a control mechanism for modifying behavioral patterns (Kumar, 2018).

Many studies have been undertaken regarding the impact of institutional culture on a company's performance. Institutional culture holds fundamental importance to any business venture (Yu et al., 2018). In past studies such as Oyemomi et al. (2019) studied how institutional culture influences corporate performance, data collected from three hundred cases in the manufacturing industry, the research findings reveal the critical role of factors of operation and sharing business knowledge, leads to overall organizational success. Imran et al. (2021) reported mixed results in relation to the link between institutional culture and performance in Pakistan's banking sector where 250 bank managers were studied using questionnaires. They opined that there was a paucity of empirical studies on the relationship between institutional culture and organizational performance. Wu and Chen (2018) found out that leadership as a key component for organizational commitment. Accordingly, institutional culture was perceived to be instrumental in predicting organizational loyalty (Soomro & Shah, 2019; Pham et al., 2021). Transformational leaders assist the organization increase organizational performance by inspiring and motivating individuals to accomplish their jobs more than expected. They also have a favorable impact on the ability to adapt to change (Son et al., 2020).

Institutional culture plays a significant role in shaping organizational behavior, values, and norms. However, there is limited research exploring the relationship between institutional culture, transformational leadership, and organizational performance in the context of private faith - based universities in Kenya. Faith - based higher learning

institutions need to have a strong, mission - driven culture. Studies look at how leadership creates a culture that supports moral conduct, a sense of belonging, and scholarly pursuits that are consistent with the institution's religious belief.

While some studies have examined the role of organizational culture in other sectors, there is a lack of research focusing specifically on the unique cultural dynamics within faith - based institutions. Therefore, there is a need for empirical research to investigate how institutional culture interacts with transformational leadership practices to influence organizational performance in private faith - based universities. Various studies on institutional culture persistently support the concept that institutional culture is essential in achieving a great performance in an organization. Whereas various studies have been done to investigate if there's any relationship between institutional culture and performance, empirical evidence appears to be disparate and inconclusive. This research looks at the particular difficulties in balancing diversity and academic freedom within the faith - based higher learning institutions. This study sought to explore further the role of institutional culture, transformational leadership and organizational performance of faith based higher learning institutions in Kenya.

Transformational leadership, characterized by inspirational motivation, individualized consideration, intellectual stimulation, and idealized influence, has been widely recognized as a key driver of organizational performance (Bass, 1985). Leaders who exhibit transformational qualities have been shown to inspire commitment and motivation among followers, leading to improved performance outcomes (Avolio et al., 2009). In the context of higher education, transformational leadership has been associated with enhanced student engagement, faculty satisfaction, and institutional reputation (Leithwood & Jantzi, 1999).

Institutional culture refers to the shared values, beliefs, norms, and practices that shape the behavior and interactions of individuals within an organization (Schein, 1985). A strong institutional culture can serve as a source of competitive advantage, fostering cohesion, innovation, and organizational resilience (Cameron & Quinn, 2011). Within higher education institutions, institutional culture influences faculty - student relationships, academic rigor, and organizational adaptability (Tierney, 1988).

While transformational leadership and institutional culture have been studied extensively in isolation, limited research has examined the interplay between these two constructs and their combined impact on organizational performance. This study seeks to address this gap by investigating the mediating effect of institutional culture on the relationship between transformational leadership and organizational performance in private faith - based higher learning institutions in Kenya.

### 3. Methodology

This study employed a quantitative research design to investigate the mediating effect of institutional culture on the relationship between transformational leadership and organizational performance in private faith - based higher learning institutions in Kenya. Quantitative methods allow for

the rigorous analysis of relationships between variables and provide empirical evidence to support the study's objectives.

The participants in this study consist of leaders, faculty members, and staff from selected private faith - based higher learning institutions in Kenya. The sample size will be determined based on the principles of statistical power and representativeness to ensure the validity and generalizability of the findings.

Data was collected using self - administered questionnaires distributed electronically to participants. The questionnaire comprised validated scales to measure transformational leadership, institutional culture, and organizational performance. Demographic information such as age, gender, and tenure were also collected to control for potential confounding variables.

The survey instrument included the following scales:

- 1) Transformational Leadership: The Multifactor Leadership Questionnaire (MLQ - 5X) will be used to measure transformational leadership behaviors.
- 2) Institutional Culture: The Organizational Culture Assessment Instrument (OCAI) will be employed to assess the prevailing culture within the institutions.
- 3) Organizational Performance: A self - report scale will be developed to measure perceived organizational performance based on key performance indicators relevant to higher education institutions.

A stratified random sampling technique was employed to ensure adequate representation of different types of private faith - based higher learning institutions in Kenya. Stratification will be based on institution size, geographic location, and religious affiliation to capture diversity within the sample.

Quantitative data analysis involved regression analysis to examine the direct and mediating effects of transformational leadership and institutional culture on organizational performance. Mediation analysis was conducted using established techniques such as the bootstrapping method to assess the significance of the indirect effect.

### 4. Findings

The analysis performed involved a linear regression model to investigate the relationship between the predictor variable  $x_3$  (institutional culture) and the criterion variable  $Y$  (organizational performance). The analysis involved a two - model examination to understand the potential mediating effect of institutional culture on the relationship between the independent variables ( $X$ ) and the dependent variable ( $Y$ ).

**Table 1:** Mediating effect of institutional culture on the relationship between transformational leadership and organizational performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826 <sup>a</sup>	0.681	0.681	0.3551

**Table 2:** Analysis of Variance for the mediating effect of institutional culture on the relationship between transformational leadership and organizational performance

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	98.201	1	98.201	778.805	.000 <sup>b</sup>
	Residual	45.897	311	0.126		
	Total	144.098	312			

The first model yielded a remarkably strong association, with an R - squared value of .681, indicating that approximately 68.1% of the variance in Y could be accounted for by X3. The adjusted R - squared value also remained at .681, suggesting that the model is a good fit for the data. The ANOVA table

displayed a highly significant F - statistic ( $F = 778.805$ ,  $p < .001$ ), indicating the strength of the relationship. This implies that institutional culture (X3) significantly predicts organizational performance (Y).

The coefficients in the regression equation provide further insights. The constant (intercept) was estimated at 0.894 ( $t = 7.504$ ,  $p < .001$ ), meaning that when X3 (institutional culture) is zero, the predicted organizational performance is 0.894. The coefficient for X3 was 0.790 ( $t = 27.907$ ,  $p < .001$ ), indicating a robust and positive relationship between institutional culture and organizational performance. For each unit increase in X3, the predicted organizational performance increases by 0.790 units.

**Table 3:** Mediating effect of institutional culture on the relationship between transformational leadership and organizational performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.844	.712	.709	.3392	.712	222.882	4	361	.000
2	.890	.792	.788	.2896	.080	34.571	4	357	.000

From the two models analyzed the study came up with the following results:

In Model 1, which did not include institutional culture, a significant relationship was established between the independent variables and the dependent variable, with an R - squared value of 0.712, indicating that approximately 71.2% of the variance in Y could be explained. Model 2, which introduced institutional culture as a mediating variable, exhibited a marked improvement in the model fit. It resulted in an R - squared value of 0.792, demonstrating that approximately 79.2% of the variance in Y could be explained when institutional culture was considered. The F Change statistic was highly significant, signifying that Model 2 significantly improved upon Model 1. These findings suggest that institutional culture acts as a mediating factor in the relationship between the independent variables and organizational performance, providing a more nuanced understanding of how changes in institutional culture help explain the influence of the independent variables on organizational performance.

## 5. Conclusion

The investigation elucidated the pivotal role played by institutional culture in shaping organizational performance within private faith - based higher learning institutions in Kenya. The analysis unveiled a significant positive relationship between institutional culture and organizational performance, emphasizing the profound influence of organizational norms, values, and practices on institutional effectiveness. Institutions characterized by strong and supportive cultures, rooted in shared beliefs and mission - driven ethos, were found to exhibit higher levels of performance. This finding underscores the importance of fostering a positive and cohesive institutional culture that aligns with the values and objectives of faith - based educational institutions. By nurturing a culture of collaboration, innovation, and excellence, educational leaders can cultivate environments that promote organizational

success and student achievement while upholding the unique identity and mission of faith - based institutions.

A study by Keefe (2020) looks at institutional culture as a product of values alignment. Values alignment refers to the extent to which employees' beliefs and behaviors align with the organization's core values and principles. A strong institutional culture characterized by shared values fosters a sense of identity, belonging, and commitment among employees. The employees are the brand's representative when it comes to higher learning institutions. Through the years, it's the experiences of your leaders, alumni, faculty, staff, and students which carries the brand forward. Esteves et. al., (2018) argues that collaboration is a key driver of institutional culture, facilitating knowledge sharing, innovation, and problem - solving. A collaborative environment emphasizes teamwork, cooperation, and mutual support among employees across different levels and departments. Research done by Perez (2018), indicates that organizations that foster a collaborative culture exhibit higher levels of employee productivity, creativity, and overall performance.

The examination of the mediating effect of institutional culture on the relationship between transformational leadership and organizational performance in private faith - based higher learning institutions in Kenya yielded significant insights. The findings underscored the critical role of institutional culture as a mediator in enhancing the impact of transformational leadership on organizational performance. Specifically, institutional culture was found to serve as a pathway through which the leadership behaviors of inspiration, motivation, and empowerment exerted their influence on organizational outcomes. The study revealed that transformational leaders who effectively shape and nurture a positive institutional culture, characterized by shared values, mission - driven ethos, and a supportive climate, are more likely to achieve higher levels of organizational performance. This underscores the importance of aligning leadership practices with institutional values and fostering a culture that

reinforces the mission and goals of faith - based educational institutions.

It was revealed that institutional culture plays a crucial role in translating the impact of transformational leadership behaviors into organizational performance outcomes. The study found that transformational leadership positively influences organizational performance, consistent with existing literature. However, the mediation analysis demonstrated that institutional culture serves as a significant intermediary mechanism through which transformational leadership affects organizational performance. This suggests that the presence of a supportive, values - driven organizational culture amplifies the positive effects of transformational leadership on performance metrics. Institutions with strong cultures characterized by shared values, trust, and collaboration are better equipped to leverage the motivational and inspirational aspects of transformational leadership, leading to improved organizational performance.

Furthermore, the findings highlight the importance of nurturing and reinforcing positive institutional cultures within private faith - based higher learning institutions. Leaders should prioritize efforts to cultivate cultures that align with the values and mission of the institution, as this enhances the effectiveness of transformational leadership initiatives. By fostering an environment where employees feel empowered, valued, and motivated to contribute to organizational goals, leaders can harness the full potential of transformational leadership to drive performance improvements. The study underscores the interconnectedness of leadership, culture, and performance outcomes, emphasizing the need for strategic interventions that address cultural factors alongside leadership development initiatives. Ultimately, by understanding and leveraging the mediating role of institutional culture, educational leaders can cultivate environments conducive to growth, innovation, and excellence in private faith - based higher learning institutions in Kenya.

The findings highlight the complementary nature of transformational leadership, institutional culture, and organizational performance, emphasizing the need for educational leaders to recognize and leverage the mediating role of institutional culture. By understanding the mechanisms through which institutional culture mediates the relationship between leadership and performance, leaders can strategically cultivate and reinforce positive cultural attributes that amplify the impact of transformational leadership initiatives. Ultimately, this underscores the significance of holistic leadership approaches that integrate both transformational leadership behaviors and cultural development strategies to optimize organizational effectiveness and advance the mission of faith - based educational institutions in Kenya.

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