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**Role of Transformational Leadership in the Relationship between Top Management Support
and Performance of Public Organizations: A Look at State Corporations in Kenya**

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Abstract

Purpose: The aim of the study was to examine the role of transformational leadership in the relationship between top management support and performance of public organizations looking at state corporations in Kenya.

Methodology: The study adopted descriptive research design. The study targeted 221 state corporations in Kenya. 143 corporations were sampled. Respondents were Chief Executive Officers and Senior Managers, who are responsible for strategy and planning. The study utilized the use of self-administered structured questionnaires to collect primary data. Statistical Package for Social Sciences (SPSS) version 25 was used in data analysis.

Findings: Pearson Correlation results indicate that top management support was positively and significantly related to performance of state corporations (.315, $p < 0.000$). Results further exposed that top management support was found to affect performance ($\beta = .065$, $p < .05$). This suggests that, while top management support is important, its direct influence on performance is modest and may be affected by other variables. Introducing transformational leadership as a moderating variable reduced the F-statistic, indicating that transformational leadership affects the strength of these relationships. However, despite the reductions, the relationships remain statistically significant ($p < .05$) in all cases. Based on the study, transformational leadership moderates the relationship between top management support and firm performance. Despite reduced F-statistic, this relationships remain significant.

Unique Contribution to Theory, Practice and Policy:

The study recommends development of transformational leadership through Investment in leadership skill development to maximize strategy implementation effectiveness, integration of transformational leadership in strategy by embedding transformational leadership in strategy formulation and implementation for enhanced outcomes, aligning strategy with transformational leadership by customizing processes to fit transformational leadership. Next is to implement a training program that focuses on transformational leadership and strategy integration and establish a metrics and monitoring system that regularly assess the impact of leadership on strategy. These steps will improve firm performance through effective strategy implementation.

Keywords: Transformational Leadership, Top Management Support, Performance, Public Organizations, State Corporations

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INTRODUCTION

This study explores the moderating role of transformational leadership on the relationship between top leadership support and firm performance among state corporations in Kenya. Bashiru, (2023) argues that in today's competitive business environment, leadership plays a critical role in driving organizational success, with top leadership support often seen as a key factor influencing firm performance. However, the effectiveness of this support may depend on the leadership style practiced. This study focuses on transformational leadership, a style known for its ability to inspire, motivate, and foster innovation, to determine whether it enhances the impact of top leadership support on firm performance (Andriani, Kesumawati, & Kristiawan, 2018). By examining the interplay between these variables, the study provides insights into how transformational leadership style can be optimized to improve organizational outcomes.

In recent years, leadership has emerged as a critical factor in determining organizational success, especially in dynamic and competitive markets. Shao, Li, Luo, & Benitez, (2024) argue that top leadership support, which encompasses providing resources, guidance, and strategic direction, is widely acknowledged as a key driver of firm performance. According to Fareed, Su, Abbas Naqvi, Batool, & Aslam, M. (2023), the style of leadership employed may significantly influence how this support translates into tangible results.

Sun, and Henderson, (2017) posits that transformational leadership, which is characterized by its ability to inspire, motivate, and encourage innovation, has gained prominence as an effective approach for driving positive organizational change. Leaders who adopt transformational practices not only focus on achieving immediate business objectives but also prioritize the personal and professional growth of their employees, fostering a culture of engagement and creativity (Para-González, Jiménez-Jiménez, & Martínez-Lorente, 2018).

Researchers and practitioners like Muthimi, and Kilika, (2018) have reported that given the growing importance of leadership in enhancing firm performance, this study investigates the role of transformational leadership as a moderating factor in the relationship between top leadership support and firm performance. The study aims to provide insights into how transformational leadership can maximize the effectiveness of leadership support, leading to improved organizational outcomes.

Research Problem

Thynne, (1998) recognizes that for many years, all over the world, state corporations have been tapped as vital instruments of national development. Their ability to provide essential services, promote economic growth, create jobs, regulate key industries, and implement government policy underscores their importance in shaping a more equitable, prosperous, and stable society (Butler, 2018). In Kenya, for example, many government programs in health, education, infrastructure, education, among others, are implemented through them and a huge part of the national budget is allocated to them. Over 3 decades ago, Froomkin, (1995) observed that the success of a governments is closely linked to successful running of State Corporations. In Kenya though, reports indicate massive losses and failure of State Corporations to offer intended services and regular appeals for bailouts to the exchequer among others (Mutai, 2018).

The Kenya Institute for Public Policy Research (2018) apportioned the declining trend of performance of state corporations to poor leadership and external interference by the executive. The said research KIPPRA report called the need to accelerate reforms, privatize and divest

State corporations urgently to check the losses and resource bleeding. Five years earlier, Gakure, Muriu, and Orwa, (2013), had observed that the government had made some progress in parastatals' reform. The reforms comprised requiring state corporations to utilize strategic management and promoting transformational leadership as ways of securing their performance (Wang'ombe, Kivoi, Laibuni, Musili, & Ngugi, 2019). Strategic management is a journey with strategy implementation as one of important milestones.

According to Vigfússon, Jóhannsdóttir, and Ólafsson, (2021), top management support is indispensable for successful strategy implementation. Without their involvement, even the best-formulated strategies may struggle to be executed effectively. Their leadership ensures that the necessary resources, commitment, and organizational alignment are in place, while also managing change, facilitating decision-making, and fostering a supportive culture. Reza, (2019) identifies these elements as closely aligned with the principles of transformational leadership. The *Mwongozo* code of conduct, the government's public management blue print, emphasizes transformational leadership at all levels. Though many studies have been carried out to establish the effect of top management support on the performance of state corporations (García-Sánchez, García-Morales, & Bolívar-Ramos, 2017; Chatterjee, Chaudhuri, & Vrontis, 2022), there is little literature on the moderating effect of transformational leadership on that relationship. That's the gap that this study proposes to fill.

Research Objectives and Hypotheses

The objectives were:

1. Determine how top management support affects performance of State Corporations in Kenya.
2. Determine the moderating effect of transformational leadership style on the relationship between top management support and performance of State Corporations in Kenya.

The research hypothesis was:

H01: Top management support does not affect performance of State Corporations in Kenya.

H02: Transformational leadership style does not moderate the relationship between top management support and performance of state corporations in Kenya.

Theoretical Framework

This section looks at the theoretical backing of the variables under study.

Need for Achievement Theory

This theory was promoted by McClelland (1961) as well as Atkinson and Juola (1974). The need for achievement theory gives reasoned explanation as to why some people or corporations are more prone to achieve success than others. The theory is rooted in the motivational drive to achieve success (Dewayani, Udin, & Djastuti, 2020).

Need for Achievement Theory complements top management support in strategy implementation by aligning individual motivation with organizational goals. Top management fosters an environment that encourages achievement, while high-achievement individuals drive the successful execution of the strategy through their desire to excel and achieve measurable outcomes. This theory supports the dependent variable firm performance as well as the independent variable top management support.

Transformational Leadership Theory

One of the main proponents of transformational leadership was James V. Downton in 1973. He was the first to coin the term- transformational leadership. This was later added to by James Burns in 1978. A few years later, Bass (1990) added even more to the concept. This is known as "Bass's Transformational Leadership Theory". Bass added ways to measure and rank the success of transformational leadership as well as the idea of leaders expressing authentic and focused energy to inspire the other team members to become more like them.

Transformational leadership depicts four attributes to varying degrees. First, is that they are charismatic. This implies that they are highly liked role models. Secondly, they are inspirational, optimistic about goal attainment no matter the changes in the environment. Thirdly, they are intellectually stimulating (encourage critical thinking and problem solving), and considerate (Bass, Avolio, & Atwater, 1996). It's expected that transformational leaders are able to inspire their organizations to achieve their strategic goals even in challenging times. This theory supports the moderating variable transformational leadership style.

Conceptual Model

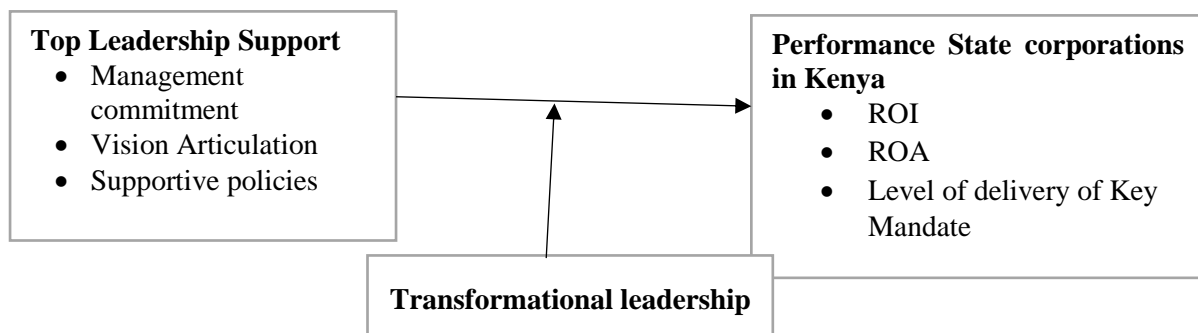


Figure 1: Conceptual Framework

Source: Authors

METHODOLOGY

This study utilized cross-sectional survey aimed at collecting data at a particular time rather than over a period of time. According to Mugenda and Mugenda (2003), cross-sectional survey is appropriate where the overall objective is to establish whether significant associations among variables exist at some point in time. This study sought to determine the moderating effect of transformational leadership style on the relationship between strategy communication and organization performance State Corporations in Kenya.

The target population was 221 State Corporations in Kenya. These are State Corporations as detailed in the performance contracting report for 2020/2021. Using the Guilford and Frucher (1973) formulae, 143 state corporations were sampled. Stratified random sampling was then used to select study elements among the different categories of state corporations. Stratified random sampling is a method of sampling that involves the division of a population into smaller groups known as strata, (Kasomo, 2017). In this study, state corporations from different categories formed strata and stratified random was used to select sample size from each stratum. To calculate the sample size, Guilford and Frucher (1973) formula was used.

Stratified random sampling was employed to select a sample of 143 State Corporations from a population of 221 State Corporations in Kenya representing 64.4%. The eight functional categories of state corporation as categorized by state corporation advisory committee were treated as strata after which simple random sampling was carried out in proportion to the number of State Corporations in each stratum.

The study collected primary data from the sampled State Corporations in Kenya using semi-structured self-administered questionnaires using the drop and pick method. Statistical Package for Social Sciences (SPSS) version 25 was used in data analysis. The inferential results were used to test the hypothesized relationships. Content analysis was used to analyze data from the open-ended questions which was used to triangulate the statistical findings. Multiple linear regression models were employed to establish the influence among variables. Pearson correlation was applied to establish the strength of the linear relationships between each of the independent variables and the dependent variables. The study used the below regression models for analysis.

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

Where;

Y = performance of state corporations in Kenya, B_0 is the Y intercept, X_1 = top management support and ε is the error term.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_1 Z + \varepsilon$$

Where; Y = performance of state corporations in Kenya, B_0 is the Y intercept, X_1 = Strategy communication process, $X_1 Z$ is the is moderated top management support and ε is the error term.

FINDINGS

The response rate was 97.8%. Of the 143 questionnaires distributed to the target respondents, 139 were returned.

Reliability

The reliability results revealed that all the dimensions in the constructs had exceeded the recommended threshold value of 0.7 Cronbach's alpha reliability coefficient indicating very good internal consistency and forms basis for further analysis. The results were, top management support .948 Transformative Leadership.951 and Firm Performance .844.

Validity

The factor analysis results for the construct strategy communication revealed that all the 9 all items had factor loadings greater than the threshold value of 0.60. It was therefore concluded that top management support can be measured by 10 items and could be used in subsequent analysis. For transformative leadership style, it revealed that the 6 items had loadings greater than threshold value of 0.60. It was therefore concluded that aligning transformational leadership can be measured by 6 items and will be used in subsequent analysis, while lastly for firm performance, it revealed that the all the 7 items had loadings greater than threshold value of 0.60. It was therefore concluded that organizational performance be measured by 7 items and could be used in subsequent analysis.

The other diagnostic tests revealed that the data was normally distributed, variables were not correlated and met the homoscedacity test.

Regression Analysis

Multiple regression was adopted in the study to determine the relationship between top leadership support, moderating variable-transformational leadership style and the dependent variable-performance of State Corporation in Kenya.

$F(1,317) = 15.067$, $p\text{-value} < 0.000$, implying that top management support is a valid predictor in the model. The Coefficient of determination R^2 of 0.093 showed that 9.3% of performance State Corporation in Kenya can be explained by top management support. The remaining percentage of performance State Corporation in Kenya can be explained by other factors not included in the model. The R of 0.315 shows there is a moderate positive correlation between extent of top management support and Performance State Corporation in Kenya.

From hypothesis 1 (one) of the study, H_{01} : Top management support does not have significant influence on Performance state corporation in Kenya, and based on the findings, the study revealed that there was positive significant relationship between top management support and Performance state corporation in Kenya.

The results were fitted in the Model $Y = \beta_0 + \beta_1 X_1 + e$

The study therefore rejected the null hypothesis; H_{01} : top management support and Performance state corporation in Kenya. and concluded that indeed top management support (X_1) significantly influenced Performance state corporation in Kenya. (Y).

The Model equation therefore became.

$$Y = 2.156 + 0.280 X_1$$

Where;

Y is Performance State Corporation in Kenya

X_1 is top management support

The beta coefficient value for top management support (0.280) meant that for every one (1) unit increase in the dimension of top management support in state corporations in Kenya, it leads to 0.280 increase in performance of state corporations in Kenya, all other factors held constant. Agreeing to this research finding are Cameron and Quinn (2020) concluding that organizations with supportive top management teams exhibit higher levels of employee engagement, satisfaction, and productivity, leading to better overall performance.

Moderation Effect of Transformational Leadership

Results indicate that the regression model of top management support and Performance state corporation in Kenya was significant with $F(4,134) = 6.129$, $p\text{-value} < 0.000$, implying that top management support was a valid predictor in the model. The Coefficient of determination R^2 of 0.155 showed that 15.5% of Performance state corporation in Kenya can be explained by top management support. The remaining percentage of Performance state corporation in Kenya can be explained by other factors not included in the model. The R of 0.393 showed there is a positive correlation between extent top management support and performance state corporation in Kenya.

From the second hypothesis of the study, H₀₁: top management support has no significant influence on Performance state corporation in Kenya, and based on the findings, the study revealed that there was positive significant relationship between top management support and Performance state corporation in Kenya.

The results were fitted in the Model $Y = \beta_0 + \beta_1 X_1 + e$

The study therefore rejected the null hypothesis H₀₁: top management support has no significant influence on Performance state corporation in Kenya and concluded that top management support significantly influenced Performance state corporation in Kenya (Y).

The Model equation therefore became $Y = 1.620 + 0.065 X_1$

Where;

Y represents Performance state corporation in Kenya

X₁ represents top management support.

The beta coefficient value for of top management support, Strategic communication process, aligning organization culture, Strategy monitoring and control process, (0.065) meant that for every one (1) unit increase in the dimension of top management support, in state corporation in Kenya leads to 0.065, increase in Performance state corporation in Kenya. This further confirms effective strategy implementation factors were taken jointly significantly influence Performance state corporation in Kenya positively. This therefore implies that the top management support has a positive influence on Performance state corporation in Kenya and hence the study rejected the null hypothesis H₀₁: joint effective strategy implementation factors have no significant influence on Performance state corporation in Kenya.

The research findings are in harmony with the research outcomes by Cameron and Quinn (2020) that organizations with a strong alignment between their culture and strategic objectives tend to perform better. Similarly, Barney and Hesterly (2019) highlighted the critical role of strategic management practices, including top management support and effective communication, in driving organizational success.

Moderation Test

The second part of the study focused on testing the hypothesis, H₀₂: transformational leadership style does not influence the relationship between Top management support and Performance State Corporation in Kenya.

The results were fitted in the three models below

Model 1: $Y = \beta_0 + \beta_1 X_1 + e$

Model 2: $Y = \beta_0 + \beta_1 X_1 + \beta MM + e$

Where;

Y represents Performance State Corporation in Kenya,

X₁ represents Top management support

M represents transformational leadership style

From analysis, the results indicate that the two regression models were all significant with F values of 15.067 and 11.56 respectively, all with p-values < 0.001. The Coefficient of determination R² for the first model was 0.099, which was significant, showing that 9.9% of

Performance State Corporation in Kenya can be explained by Top management support alone. In Model 2, upon introduction of transformational leadership style, the coefficient of determination R^2 changed from 0.099 to 0.046, which was significant. This showed that 4.6% of Performance State Corporation in Kenya can be explained by both Top management support and transformational leadership style. The remaining 95.4% of Performance State Corporation in Kenya is explained by other factors not included in the model. The R values of the two models (0.315 and 0.381) showed moderate positive correlation for both models.

The F change for Top management support (X_1) was statistically significant ($F = 15.067$, $P < 0.000$), which implied that Top management support statistically influenced Performance state corporation in Kenya. Upon introduction of moderating variable (Transformational leadership style), the F -Change increased, and which was statistically significant ($F = 7.355$, $p < 0.008$). The null hypothesis H_{06a} : Transformational leadership style does not influence the relationship between Top management support and Performance State Corporation in Kenya was therefore rejected and thus concluded that indeed transformational leadership styles moderated the relationship between Top management support and Performance State Corporation in Kenya

The fitted models therefore became;

$$Y = 2.156 + 0.28X_1$$

$$Y = 1.896 + 0.085X_1 + 0.274M$$

The research findings were in consensus with findings by Zhang, Liu, and Wang, (2020) that transformational leadership enhances the effectiveness of top management support in facilitating organizational change initiatives, leading to improved performance outcomes in Chinese corporations. Additionally, research by Shao, Li, Luo, and Benitez, (2024) supports the idea that transformational leadership plays a crucial role in moderating the relationship between top management support and performance in various industries.

Test of Hypotheses

The study tested two hypotheses as indicated below'

1. **H₀₁**: Top management support has no significant influence on Performance state corporation in Kenya.
2. **H₀₂**: Transformational leadership style has no influence the relationship between top management support and Performance state corporation in Kenya.

Summarized Hypotheses Tested

From the analyses conducted, various decisions regarding the hypotheses were taken as indicated in table below.

Table 1: Summarized Hypotheses Tested

Hypothesis		Decision taken
H₀₁	Top management support has no significant influence on Performance state corporation in Kenya	Reject
H₀₂	Transformational leadership style has no influence the relationship between top management support and Performance state corporation in Kenya.	Reject

Conclusion

The study had sought to establish the role of top management support on the performance of state corporations in Kenya. The research findings indicated that there was a positive significant relationship between of top management support on the performance of state corporations in Kenya. Test of the model witnessed that an increase on top management support raised performance of state corporations in Kenya.

The study found that transformational leadership style moderated the relationship between top management support and the performance of state corporations in Kenya. Transformational leadership style was significant in the model of top management support and performance of state corporations in Kenya, an indication that it moderated the relationship.

This therefore means that state corporations should have defined and clear strategy communication process and channels for offering communication to all the stakeholders. State corporations should Evaluate Leaders on Transformational Traits. This can be by Incorporating transformational leadership behaviors as part of leadership performance reviews, ensuring that leaders are assessed not only on strategic outcomes but also on their ability to inspire and motivate teams. State Corporations should implement leadership development programs that focus on fostering transformational leadership skills among top executives and middle managers. Training should focus on emotional intelligence, inspiring vision, innovation, and individualized support for team members.

Areas for Further Research

The researcher recommends that future studies be on other leadership styles and their impact on firm performance across different industries. Continuous learning and leadership improvement should be a strategic priority.

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