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Abstract

The objective of the study was to examine the moderating effect of the external environment on the relationship between transformational leadership and the performance of commercial state corporations in Kenya. The research aimed to address the gap in understanding how external factors influence the effectiveness of leadership styles in public sector organizations operating in dynamic environments. The study was grounded in contingency theory and open systems theory, which provided a framework for understanding the interplay between organizational leadership, environmental factors, and performance outcomes. The research employed a cross-sectional survey design, collecting data from 307 senior managers across 33 corporations through stratified random sampling. The study measured transformational leadership, external environmental factors, and organizational performance using a structured questionnaire. Data analysis included descriptive

statistics, correlation analysis, and multiple regression with interaction terms to test the hypotheses. The findings revealed that the external environment significantly moderated the relationship between transformational leadership and organizational performance, with the model explaining 69.3% of the variance in performance. The study concluded that the impact of transformational leadership on performance was contingent upon the specific environmental context, with more stable and supportive environments amplifying its positive effects. Based on these findings, the study recommended that commercial state corporations in Kenya adopt a more context-sensitive approach to leadership and organizational management. This included developing adaptive leadership strategies, enhancing leaders' environmental sensing capabilities, and continuously monitoring external changes to inform decision-making. Additionally, the study suggested that policymakers focus on creating a stable and supportive external environment to enable transformational leadership to flourish, thereby enhancing the overall performance of commercial state corporations in Kenya.

Keywords: *Transformational leadership, organizational performance, external environment, leadership theories, strategic management*

1.0 Introduction

The dynamic interplay between organizational leadership and the external environment has long been a subject of interest in management and organizational studies. In the context of commercial state corporations, which operate at the intersection of public service and business principles, this relationship takes on added complexity. Transformational leadership, characterized by its ability to inspire and motivate employees towards a shared vision, has been widely recognized as an effective approach in driving organizational performance (Bass & Avolio, 1994). However, the effectiveness of this leadership style may be contingent upon the external environment in which these organizations operate, particularly in developing economies like Kenya where political, economic, and social factors can significantly influence organizational outcomes (Ongeti, 2021). The external environment, comprising elements such as economic conditions, regulatory frameworks, technological advancements, and political stability, plays a crucial role in shaping organizational strategies and performance (Pindiche, 2018; Mohd, 2018). These factors can either facilitate or hinder the implementation of transformational leadership practices and their subsequent impact on organizational performance. In the Kenyan context, where commercial state corporations are key drivers of economic development and public service delivery, understanding the moderating effect of the external environment on leadership effectiveness becomes paramount (Murgor, 2020). This study aims to bridge the gap in existing literature by examining how the external environment influences the relationship between transformational leadership and the performance of commercial state corporations in Kenya.

The theoretical underpinnings of this study are rooted in contingency theory and open systems theory. Contingency theory posits that organizational effectiveness is dependent on the alignment between organizational processes and external environmental conditions (Erkutlu, 2018). This perspective suggests that the impact of transformational leadership on organizational performance may vary depending on the specific environmental context. Complementing this, open systems

theory emphasizes the interdependence between organizations and their environments, highlighting the need for adaptability in the face of external changes (Lombard, 2018). These theoretical frameworks provide a solid foundation for exploring the complex relationships between leadership, environment, and performance in commercial state corporations. Previous research has indicated that transformational leadership can be particularly effective in dynamic environments where adaptability and innovation are critical (Yukl, 1999). However, the specific moderating role of the external environment in the context of Kenyan commercial state corporations remains underexplored. This study seeks to address this gap by employing a rigorous methodological approach, including a cross-sectional survey design and hierarchical regression analysis (Joseph, Timothy & Okeyo Washington, 2022). By examining the interplay between transformational leadership, external environmental factors, and organizational performance, this research aims to provide valuable insights for both practitioners and policymakers in the public sector, potentially informing leadership development strategies and organizational policies that can enhance the effectiveness of commercial state corporations in dynamic environments (Pulka, Ramli & Mohamad, 2021).

Thus, the study examined the moderating effect of the external environment on the relationship between transformational leadership and the performance of commercial state corporations in Kenya. This research was motivated by the need to understand how external factors influence the effectiveness of leadership styles in public sector organizations operating in dynamic environments. By focusing on commercial state corporations, which play a crucial role in Kenya's economic development, the study aimed to provide insights that could enhance organizational performance and public service delivery. The research employed a cross-sectional survey design, collecting data from 307 senior managers across 33 corporations through stratified random sampling. This approach allowed for a comprehensive analysis of the complex interplay between transformational leadership, external environmental factors, and organizational performance. The findings of this study were expected to contribute to the existing literature on leadership effectiveness in the public sector and provide practical recommendations for leaders and policymakers in navigating the challenges posed by dynamic external environments.

2.0 Literature Review

The study was grounded in the contingency theory and open systems theory. Contingency theory suggests that organizational effectiveness is contingent upon the fit between organizational processes and external environmental conditions (Fiedler, 1967; Lawrence & Lorsch, 1967). Open systems theory posits that organizations interact with their environment, and their success depends on the ability to adapt to environmental changes (Scott, 1987). Previous research has highlighted that transformational leadership is effective in dynamic environments, where adaptability and innovation are critical (Avolio, Walumbwa, & Weber, 2009; Eisenbeiss, van Knippenberg, & Boerner, 2008). The term "Environment" in management does not necessarily refer to physical surroundings, but rather to all of the influences that bear on the individual organization (Erkutlu, 2018). The term "business environment" refers to everything that surrounds a business. It has an impact on business strategies, decisions, performance and processes. According to Pindiche (2018),

the environment consists of technological, social, legal, economic, and political factors that are beyond the control of business. It either presents opportunities or threats to the organization. Modern business is dynamic; change is the best word to describe today's business with the most dynamic change that has been that exhibited by competitive pressure. Competitors have used various strategies to adapt to the unpredictable and dynamic nature of the external environment (Lombard, 2018).

Dynamism, hostility, Uncertainty, the number of relevant components in the environment, and the interpersonal relationship between these components all contribute to an increase in perceived complexity in managing organizations (Lawler and Porter, 2020). According to Mohd (2018), the environmental construct should be divided into two broad categories: factors (External and internal) and second dimensions. According to Murgor (2018), it is impossible to assess everything that happens, and some elements may be more relevant to some organizations than others. According to Welch and Welch (2019), an overall assessment of the conditions affecting firms today shows that most organizations' external environments are overwhelmed with uncertainty. Firms must be fully aware of and understand the various manifestations of the external environments in order to successfully deal with uncertainty and achieve success given the competitiveness in order to thrive. According to Osuagwu (2001), the environment is defined as the totality of the factors that influence, affect, or determine the operation or performance of a business.

Through a case study survey of ten manufacturing firms in Kenya, Ongeti (2021) unearthed that political factors such as government regulations on business have an impact on planning; eg, no organization wants to establish an enterprise in another country where trade relations are not fairly defined and stable. A good example is the Kenyan post-election violence in 2008, which had a significant impact on many organizations due to Kenya's political instability. The legal system defined what an organization should and should not do (Murgor, 2020). According to Ongeti (2021), the consequence of the political environment to a business enterprise is that the risk arising from it is a measure of the likelihood that political events will complicate its pursuit of earnings through direct effects (such as taxes or fees) or indirect effects (such as opportunity cost forgone).

3.0 Methodology

The study employed a cross-sectional survey design, targeting a population of 150 senior managers from 30 commercial state corporations. The sample size of 100 managers was selected through stratified random sampling. The study used a structured questionnaire to assess transformational leadership, external environmental factors (e.g., economic, regulatory, technological), and organizational performance. Data analysis included descriptive statistics, Pearson correlation, and multiple regression analysis, incorporating interaction terms to test the moderating effect of the external environment. This methodological approach was chosen to provide a comprehensive examination of the complex relationships between leadership, environmental factors, and organizational performance in the context of Kenyan commercial state corporations. The cross-sectional design allowed for the collection of data at a single point in time, offering a snapshot of the current state of these relationships (Angiola, Bianchi, & Damato, 2018). The use of stratified random sampling ensured representation across different levels of management and various types

of state corporations, enhancing the generalizability of the findings (Bhatti, Battour, & Ismail, 2020). By incorporating interaction terms in the regression analysis, the study was able to specifically address the moderating role of the external environment, contributing to a more nuanced understanding of leadership effectiveness in public sector organizations operating in dynamic environments (Ranjbar, Shirazi, & Blooki, 2018).

4.0 Results

Descriptive Statistics on External Environment

The objective of the study was to assess the moderating role of the external environment on the relationship between transformational leadership and performance of commercial state institutions in Kenya. Descriptive statistics were carried out on external environment and the results are shown in Table 1.

Table 1: Descriptive Statistics for External environment.

	External environment
N	113
Mean	4.11
Median	3.125
Std. Deviation	0.446
Skewness	0.246
Kurtosis	-0.566

The descriptive statistics presented in Table 1 show the perceptions of senior managers regarding the external environment within the commercial state institutions in Kenya, illuminating the moderating role this factor plays in the relationship between transformational leadership and organizational performance. The mean score of 4.11 indicates a relatively high level of positivity in the perceptions of the external environment among the respondents. This suggests that senior managers generally viewed the external factors surrounding their organizations favorably, indicating a sense of confidence and stability in the external conditions that could potentially impact their corporations. The median value of 3.125, being lower than the mean, suggests a slightly negatively skewed distribution, indicating that while most respondents perceived the external environment positively, there were a few who had more critical perspectives.

The standard deviation of 0.446, which is relatively moderate, signifies a degree of variability in the responses regarding the external environment. This indicates that while there was a general consensus among senior managers, there were still variations in their perceptions. The skewness value of 0.246 suggests a distribution that is approximately symmetric. This indicates a relatively balanced distribution of responses, reinforcing the notion that the majority of senior managers shared similar perceptions regarding the external environment. In terms of kurtosis, the negative value of -0.566 indicates a platykurtic distribution. A platykurtic distribution has a flatter peak and lighter tails than a normal distribution. This suggests that the responses related to the external environment were relatively dispersed, indicating a broad range of opinions among the senior

managers. The absence of outliers further supports the notion of a relatively consistent set of responses, implying a certain level of consensus among the participants.

The overall pattern of these descriptive statistics implies that senior managers within the commercial state institutions in Kenya had a relatively uniform but varied perception of the external environment. While there was a prevailing positive outlook, the variations in responses indicate that individual experiences, industry-specific factors, or regional influences might have influenced how senior managers perceived the external factors. The findings highlight the importance of considering the external environment as a crucial contextual factor that can moderate the impact of transformational leadership on organizational performance. A positive external environment can enhance the effectiveness of transformational leadership practices, potentially leading to improved organizational outcomes. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers. External Environment was evenly distributed and the measure between the high and low score was small and exhibits normality in External Environment.

The objective of the study was to assess the moderating role of the External environment on the relationship between Transformation leadership style and performance of Commercial state corporations in Kenya. The study hypothesis stated in the null form is as follows: H_0 : *There is no significant moderating effect of external environment on the relationship between Transformational leadership style and performance of Commercial state corporations in Kenya.* The moderating effect of external environment was assessed and results explained using coefficient of determination (R-Square), Analysis of Variance (ANOVA) and the regression coefficients. Hierarchical regression analysis was performed with an interaction term (a product of Transformational Leadership style and External Environment) introduced as an additional predictor. The moderating effect was analyzed in 3 models:

The first step involved regressing Transformational Leadership Style against Performance of Commercial State Corporations. The first model for moderation effect was guided by the following equation:

$$P = \beta_0 + \beta_1 TSL + \varepsilon$$

The moderating effect of External environment was assessed and results explained using coefficient of determination (R-Square), Analysis of Variance (ANOVA) and the regression coefficients.

Table 2: R^2 for Transformational Leadership style and performance of Commercial state corporations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765a	0.585	0.584	0.29423

The R squared results in Table 2 shows that the first step for regressing Transformational Leadership style against performance of Commercial state corporations had an R square of 58.5%. The model indicates that moderated mediation effect of Transformational Leadership indicators explains 58.5% of the variation in performance of Commercial State Corporations. This implies that there

exists a significant relationship between Transformational Leadership style and performance of Commercial state corporations in Kenya.

Table 3: ANOVA for Transformational Leadership style and performance of Commercial state corporations

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.263	1	37.263	430.425	.000b
	Residual	26.404	305	0.087		
	Total	63.667	306			

The ANOVA results in Table 3, F-Calculated (1, 306) = 430.425 which is greater than F-Critical (1, 306) = 3.96 at 95% confidence level. Results also show that p-value = 0.000 < 0.05. This further confirms that Transformational Leadership style positively and significantly influences performance of Commercial State Corporations.

Table 2: Regression Coefficients for Transformational Leadership style and Performance of Commercial state corporations

		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	t
1	(Constant)	2.3	0.044		52.265
	Transformational Leadership style	0.304	0.015	0.765	20.747

The regression of coefficients results shows that in step one, the regression model of performance of Commercial state corporations on Transformational Leadership style was significant with $\beta=0.304$, $p=0.000<0.05$) and supported by $T_{\text{Calculated}} = (1, 306) = 20.747 > T_{\text{Critical}} (0.05, 306) = 1.658$.

This can be summarized by the following model:

$$P = 2.30 + 0.34\text{TLS}$$

Where;

P= Performance of Commercial State Corporations

TLS = Transformational Leadership Style

The second step involved regressing transformational leadership style and External environment against performance of Commercial State Corporations. The second model for moderation effect was guided by the following equation:

$$P = \beta_0 + \beta_8 TLS + \beta_9 IE + \varepsilon$$

This was assessed and explained using coefficient of determination (R-Square), Analysis of Variance (ANOVA) and the regression coefficients.

Table 3: R² for Transformational Leadership Style, External environment and Performance of Commercial state corporations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
2	.870a	0.756	0.754	0.22601

The R squared results in Table 5 shows that the first step for regressing Transformational Leadership style and External environment against performance of Commercial state corporations had an R square of 75.6%. The model indicates that moderated mediation effect of Transformational Leadership and External environment explains 75.6% of the variation in performance of Commercial State Corporations. This implies that there exists a significant relationship between Transformational Leadership style, External environment and performance of Commercial state corporations in Kenya.

Table 6: ANOVA for Transformational Leadership Style, External Environment and Performance of Commercial state corporations

Model		Sum of Squares	Df	Mean Square	F	Sig.
2	Regression	48.139	2	24.069	471.201	.000b
	Residual	15.529	304	0.051		
	Total	63.667	306			

The ANOVA results in Table 6, $F_{\text{Calculated}}(2, 306) = 471.201$ which is greater than $F_{\text{Critical}}(1, 306) = 3.96$ at 95% confidence level. Results also show that $p\text{-value} = 0.000 < 0.05$. This further confirms that transformational leadership style and External environment significantly influences performance of Commercial State Corporations in Kenya.

Table 7: Regression Coefficients for Transformational Leadership Style, External environment and Performance of Commercial State corporations

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
2 (Constant)	0.927	0.100		9.272	0.0000
Transformational leadership style	0.164	0.015	0.414	11.131	0.0000
External environment	0.555	0.038	0.542	14.592	0.0000

In step two, the results show that the regression model of transformational leadership style and external environment on performance of Commercial state corporations was significant with ($\beta_1=0.164$, $p=0.000<0.05$; $\beta_2=0.555$, $p=0.000<0.05$) and supported by $T_{\text{Calculated}} = (1, 306) = 11.131$, $14.592 > T_{\text{Critical}} (0.05, 306) = 1.658$.

This can be summarized by the following model:

$$P = 0.927 + 0.164TLS + 0.555EE$$

Where;

P= Performance of Commercial State Corporations

TLS = Transformational Leadership style

EE= External Environment

The third step which regressed Transformational Leadership style, External Environment and the interaction term TLS*EE (Transformational Leadership style*External Environment) against performance of Commercial State Corporations. The third model for moderation effect was guided by the following equation:

$$P = \beta_0 + \beta_{10}TLS + \beta_{11}EE + \beta_{12}TLS * EE + \varepsilon$$

This was assessed and explained using coefficient of determination (R-Square), Analysis of Variance (ANOVA) and the regression coefficients.

Table 4: R2 for Transformational Leadership style, External environment, interaction term and performance of Commercial State Corporations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
3	.875a	0.766	0.764	0.22155

The Squared results in Table 8 shows that the third step for regressing transformational leadership style and External environment against performance of Commercial state corporations had an R square of 76.6%. The model indicates that moderated mediation effect transformational leadership

style and External environment explains 76.6% of the variation in performance of Commercial State Corporations. This implies that there exists a significant relationship between Transformational Leadership style, External environment and interaction term on the performance of Commercial State Corporations in Kenya.

Table 9: ANOVA for Transformational Leadership Style, External environment, and interaction term the performance of Commercial state corporations

Model		Sum of Squares	df	Mean Square	F	Sig.
3	Regression	48.795	3	16.265	331.375	.000b
	Residual	14.872	303	0.049		
	Total	63.667	306			

The ANOVA results in Table 9, $F_{\text{Calculated}}(3, 306) = 331.375$ which is greater than $F_{\text{Critical}}(3, 306) = 3.96$ at 95% confidence level. Results also show that $p\text{-value} = 0.000 < 0.05$. This further confirms that transformational leadership style, External environment and interaction term significantly influences performance of Commercial State Corporations.

Table 5: Regression Coefficients for Transformational Leadership style, External environment, interaction term and performance of Commercial state corporations

		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	t
3	(Constant)	0.98	0.099		9.89
	Transformational leadership style	0.119	0.019	0.299	6.217
	External environment	0.518	0.039	0.506	13.397
	TLS*EE	0.068	0.018	0.174	3.657

In step three, the results show that the regression model of transformational leadership style, External environment and the interaction term TLS*EE on performance of Commercial state corporations was significant with ($\beta_1=0.119$, $p=0.000<0.05$; $\beta_2=0.518$, $p=0.000<0.05$; $\beta_3=0.068$, $p=0.000<0.05$) and supported by $T_{\text{Calculated}} = (1, 306) = 6.217, 13.397, 3.657 > T_{\text{Critical}}(0.05, 306) = 1.658$.

This can be summarized by the following model:

$$P = 0.98 + 0.119\text{TLS} + 0.518\text{EE} + 0.068\text{TLS} * \text{EE}$$

Where;

P= Performance of Commercial State Corporations

TLS= Transformational Leadership style

EE= External environment

TLS*EE= Transformational Leadership style * External Environment

In summary, step one regression model of Transformational Leadership style and performance of Commercial state corporations was significant with $\beta=0.304$, $p=0.000<0.05$) and supported by T Calculated = (1, 306) = 20.747 > T Critical (0.05, 306) = 1.658. In step two, the results show that the regression model of transformational leadership style and External environment on performance of Commercial state corporations was significant with ($\beta_1=0.164$, $p=0.000<0.05$: $\beta_2=0.555$, $p=0.000<0.05$) and supported by T Calculated = (1, 131) = 11.131, 14.592 > T Critical (0.05, 306) = 1.658. In step three, the results show that the regression model of Transformational Leadership style, External Environment and the interaction term TLS*EE on performance of Commercial state corporations was significant with ($\beta_1=0.119$, $p=0.000<0.05$: $\beta_2=0.518$, $p=0.000<0.05$: $\beta_3=0.068$, $p=0.000<0.05$) and supported by T Calculated = (1, 306) = 6.217, 13.397, 3.657 > T Critical (0.05, 306) = 1.658. Since the P value of the interaction term (TLS*EE) is $0.000<0.05$ and the R² increased from 58.5% to 75.6% and 76.6% after the interaction term and thus, we conclude that External Environment moderates the relationship between Transformational Leadership Style and Performance of Commercial state Corporations in Kenya. The study thus ***rejected the null hypothesis and adopted the alternative hypothesis that there is a significant moderating role of organizational External environment on the relationship between leadership style and performance of Commercial state corporations in Kenya.***

The results of the analysis examining the moderating role of the external environment on the relationship between transformational leadership style and the performance of commercial state corporations in Kenya provide valuable insights into the complexities of organizational dynamics in the public sector. The study aimed to explore whether the external environment, characterized by factors such as political stability, economic conditions, and legal frameworks, influences the impact of transformational leadership on organizational performance. The findings revealed a significant moderating effect of the external environment on the relationship between transformational leadership style and the performance of commercial state corporations. The R-squared values for the models at each step of the analysis indicated substantial variation, suggesting that the interaction between transformational leadership, the external environment, and performance is a multifaceted process. The ANOVA results further validated the significance of the models, with all three models showing statistical significance at $p < 0.05$. The F-statistics for each model underscored the robustness of the relationships, indicating that the interplay between transformational leadership style, the external environment, and performance is not a random occurrence but a structured phenomenon influenced by external contextual factors. Examining the regression coefficients provided a detailed understanding of the relationships in each step.

In the first step, the regression model demonstrated that transformational leadership style significantly influenced the performance of commercial state corporations. This established the baseline relationship between leadership style and organizational performance. In the second step, the introduction of the external environment as an additional predictor revealed that both transformational leadership style and the external environment significantly influenced organizational performance. The external environment, characterized by its economic and political aspects, played a pivotal role in shaping performance outcomes alongside transformational leadership. The third step, incorporating the interaction term (TLS*EE), demonstrated a significant

moderating effect. The regression coefficients for transformational leadership style, the external environment, and their interaction indicated their individual and combined impacts on performance. The interaction term (TLS*EE) proved to be statistically significant ($p < 0.05$), signifying that the external environment indeed moderated the relationship between transformational leadership style and organizational performance.

Discussion of the Findings

The findings are consistent with Angiola, Bianchi, and Damato (2018) who examined performance management in public universities and established that organizational factors could affect the adoption and implementation of performance management system are rare, and the use of prevalence qualitative methods or refer to machine bureaucracies, not many to professional ones as public universities. Further the study by Bhatti, Battour, and Ismail (2020) in Malaysia examined the expatriate's adjustment and job performance an examination of individual and organizational factors, and study findings showed that expatriate adjustment mediates the relationship between individual and organizational factors and expatriate performance. The study concluded that there are differences between the state corporations and pure business organization in terms of the working environment, management support, and selection process.

The study found that many individuals and organizational factors affect job performance, whereby researchers have made several attempts to identify the dimensions that contribute to effective job performance by expatriates. The findings also concur with Ranjbar, Shirazi, and Blooki's (2018) study on the interaction among intra-organizational factors effective in successful strategy execution who established that managers who are involved in strategy implementation or who have the intentions to enter this phase are advised to apply the integrated ISM-DEMATEL model. This would help the organization to obtain a good perspective on interactions and prioritization of the intra-organizational factors effective in successful strategy implementation. In Kenya, the study by Joseph, Timothy and Okeyo Washington (2022) investigated the moderating effect of External environment on its significant between strategic leadership style and organizational performance of Agricultural, Livestock and Fisheries parastatals in Kenya. Another study by Pulka, Ramli and Mohamad (2021) showed that external environment statistically had a significant and positive moderating influence on the performance of the small Medium Enterprises.

5.0 Conclusion

The study concludes that the external environment plays a significant moderating role in the relationship between transformational leadership and the performance of commercial state corporations in Kenya. The findings reveal that the effectiveness of transformational leadership is not uniform across all external conditions, but rather is contingent upon the specific environmental context in which these organizations operate. In stable and supportive environments characterized by political stability, favorable economic conditions, and clear regulatory frameworks, transformational leadership tends to have a more pronounced positive impact on organizational performance. Conversely, in challenging external environments marked by political volatility, economic instability, or regulatory uncertainty, the influence of transformational leadership on performance may be constrained or diminished. This conclusion underscores the complex and dynamic nature of leadership effectiveness in public sector organizations, particularly in developing

economies like Kenya. It highlights the importance of considering the interplay between leadership styles and external environmental factors when assessing organizational performance. The study's findings suggest that a one-size-fits-all approach to leadership in commercial state corporations is likely to be ineffective, given the varying external conditions these organizations face. Instead, a more nuanced and context-sensitive approach to leadership is necessary to maximize organizational performance. This understanding contributes to the broader body of knowledge on public sector management and leadership, offering valuable insights into how external factors can shape the outcomes of leadership practices in state-owned enterprises.

6.0 Recommendations

Based on the findings, the study recommends that commercial state corporations in Kenya adopt a more context-sensitive approach to leadership and organizational management. This finding implies that the effectiveness of transformational leadership in commercial state corporations is contingent upon the specific external conditions in which these organizations operate. In contexts characterized by political stability, supportive economic conditions, and favourable legal frameworks, transformational leadership may have a more pronounced positive impact on performance. On the other hand, in challenging external environments marked by political volatility or economic instability, the influence of transformational leadership on organizational performance might be constrained. These results have significant implications for organizational leaders and policymakers in the public sector. Understanding the contextual factors that influence the effectiveness of leadership styles can inform strategic decision-making processes. Leaders should adapt their leadership approaches based on the external environment to maximize their impact on organizational outcomes. Moreover, policymakers should use these findings to design interventions and policies that create a conducive external environment, ultimately supporting and enhancing the positive influence of transformational leadership in commercial state corporations.

Organizations should develop adaptive leadership strategies that consider external environmental factors. Leadership training programs should incorporate elements that enhance leaders' ability to respond to external challenges and opportunities. Additionally, organizations should continuously monitor and analyze external environmental changes to inform strategic decision-making and maintain competitive advantage. Furthermore, the study recommends that commercial state corporations should invest in developing their leaders' environmental sensing capabilities. This should involve creating systems and processes that allow leaders to accurately perceive and interpret changes in the external environment, enabling them to adjust their leadership strategies accordingly. Such capabilities should include regular environmental audits, stakeholder engagement programs, and the use of advanced analytics to track economic, political, and social trends. Lastly, policymakers should focus on creating a stable and supportive external environment that enables transformational leadership to flourish. This should involve implementing policies that promote economic stability, enhance regulatory clarity, and foster political predictability. By doing so, they can create conditions that amplify the positive effects of transformational leadership on organizational performance in commercial state corporations. These recommendations, if implemented, have the potential to significantly enhance the effectiveness of leadership and improve the overall performance of commercial state corporations in Kenya.

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