Journal of Strategic Management

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ISSN: 2616-8472

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 9||Issue 2 ||Page 134-157||August |2025|
Email: info@stratfordjournals.org ISSN: 2616-8472

Influence of Regulatory Frameworks on Leadership-Driven Performance Outcomes in Kenya's Domestic Aviation Sector

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***How to cite this article*: Kipngetich, O., Kithae, P., & Mwikya, J. (2025). Influence of regulatory frameworks on leadership-driven performance outcomes in Kenya's domestic aviation sector. *Journal of Strategic Management, 9*(2), 134–157. https://doi.org/10.53819/81018102t7065**

Abstract

The performance trajectory of Kenya's domestic aviation sector has been marked by persistent inefficiencies, financial instability, and strategic stagnation, despite the sector's critical role in national development and regional integration. This study examined how the regulatory framework moderates the relationship between innovative leadership practices and organisational performance among domestic commercial airlines in Kenya. Guided by Resource-Based View and Institutional Theory, the study conceptualized innovative leadership as comprising strategic visioning, employee empowerment, adaptability, and digital transformation initiatives, while the regulatory framework was analyzed as a moderating force shaping the leadership–performance linkage. A positivist philosophy and cross-sectional survey design were adopted, targeting 170 senior and middle-level managers across all 17 licensed domestic airlines in Kenya. Data were collected using structured questionnaires and analyzed through descriptive statistics, correlation, and hierarchical multiple regression models. The findings revealed that innovative leadership practices exert a strong positive influence on organisational performance ($r = 0.800$, $p < 0.01$), confirming that leadership capabilities function as strategic resources within the Kenyan aviation context. Additionally, the regulatory framework demonstrated a significant positive association with performance ($r = 0.702$, $p < 0.01$) and was found to significantly moderate the relationship between leadership practices and organisational outcomes ($\beta = 0.031$, $p = 0.027$). The regression model showed that incorporating the regulatory framework and its interaction with leadership practices enhanced explanatory power from 64% to 72.6%. These results suggest that while innovative leadership practices are instrumental in driving operational efficiency, financial sustainability, and customer satisfaction, their effectiveness is contingent upon an enabling regulatory environment. The study concludes that Kenya's aviation performance challenges are not solely attributable to internal leadership deficits or external regulatory rigidity, but to the interaction between these factors. Recommendations include the institutionalization of innovation-oriented leadership frameworks within airlines, regulatory reforms by the Kenya Civil Aviation Authority to foster an innovation-friendly policy environment, and strategic alignment between leadership initiatives and regulatory structures. The study contributes to aviation management literature by highlighting the conditional role of regulatory frameworks in shaping leadership effectiveness and organisational performance within a highly regulated sector in a developing economy.

Keywords: *Innovative leadership, regulatory frameworks, organisational performance, employee empowerment, airline competitiveness, operational efficiency*.

1.1 Background to the Study

The aviation industry has long been recognized as a complex, regulation-intensive, and innovation-sensitive sector. In mature markets such as the United States, airlines like American Airlines and Delta dominate with market shares of 17.5% and 17.3% respectively, underscoring a highly competitive environment where operational efficiency and customer satisfaction are imperative (Johnson & Lee, 2023). These major carriers operate within a robust legal and regulatory ecosystem enforced by agencies such as the Federal Aviation Administration (FAA), whose oversight has enabled not only heightened safety compliance but also improvements in on-time performance, with North American airlines recording punctuality rates upwards of 99% (Bureau of Transportation Statistics, 2024). Regulatory clarity and institutional support are thus inextricably tied to organisational performance, measured through financial outcomes, customer experience, and innovation adoption (Graham, 2023; FAA, 2023).

In Asia, airline performance is heavily mediated by national governance structures and liberalization trends, with countries such as China and Vietnam leveraging regulatory flexibility to expand regional connectivity and build aviation hubs of strategic importance (Zhang, 2024; Mai et al., 2024). In these contexts, innovative leadership—characterized by dynamic visioning, digital transformation, and empowerment-based management—has proven essential for adapting to volatile market conditions and technological disruption (Chen & Zhao, 2023; Cheng, 2024). Airlines like AirAsia have championed agile, innovation-oriented leadership models, enabling them to thrive in low-cost, high-demand environments through strategic use of mobile platforms and data analytics (Ong & Tan, 2023; Kumar & Singh, 2024).

In contrast, the African aviation market remains economically marginal, contributing under 3% to global passenger traffic (AFRAA, 2022). Kenya's domestic airlines, despite their strategic geographic positioning, continue to underperform relative to global benchmarks. Chronic underinvestment, suboptimal regulatory oversight, and fragmented leadership structures have contributed to persistent financial instability (IATA, 2013; Krishna Yadav, 2024). Case evidence from Fly540 and Jetlink illustrates how leadership voids, regulatory ambiguity, and macroeconomic shocks have combined to erode shareholder capital, hinder employee retention, and lead to insolvency (CAPA, 2012; ROK, 2012). Kenya Airways itself has had to navigate mounting deficits, partially attributable to the rigidities of public ownership and sluggish adaptation to competitive and technological trends (Kenya Airways, 2023).

In this context, the role of innovative leadership has gained prominence as a strategic lever for performance recovery and transformation. Innovative leadership encapsulates the integration of creativity, adaptive decision-making, and change facilitation—qualities essential for driving strategic renewal in fast-changing sectors (Horth & Buchner, 2014; Alharbi, 2021). It goes beyond transactional management to foster a culture of experimentation, continuous improvement, and digital integration (Şen & Eren, 2012; Anand & Saraswati, 2014). In the aviation context, such leadership is especially vital given the sector's exposure to fluctuating oil prices, geopolitical shocks, and stringent safety and security protocols (Isuru & Sithijani, 2022; Googins et al., 2009).

Leadership in aviation also involves navigating complex institutional environments where regulatory frameworks can either enable or constrain innovation. Kenya's aviation regulatory system, overseen by the Kenya Civil Aviation Authority (KCAA), has historically emphasized compliance over strategic facilitation (Government of Kenya, 2002; KCAA, 2022). While liberalization measures—such as the restructuring of air service licensing and the allowance of private-sector participation in infrastructure—have opened up the sector to more competition, they have not been consistently backed by innovation-enabling policies (Kimani, 2020; Okwach, 2014). Excessive taxation and regulatory fragmentation remain structural bottlenecks, reducing the price competitiveness of domestic airlines compared to international carriers and stifling performance-oriented reforms (Sterling Investment Bank, 2019).

Moreover, the intersection of regulatory frameworks and leadership efficacy becomes particularly evident in the implementation of digital transformation strategies. Globally, digital transformation in aviation—driven by AI, big data analytics, mobile technologies, and cloud platforms—has been key to improving cost-efficiency, safety monitoring, customer engagement, and route optimization (Westerman et al., 2014; Fitzgerald et al., 2013). Yet in Kenya, adoption remains uneven due to both leadership inertia and policy ambiguity. Digital capabilities such as passenger self-service systems, real-time baggage tracking, and predictive maintenance technologies are either nascent or underutilized, partly because leadership in many domestic carriers lacks the visionary orientation and change management capacity required to integrate these technologies at scale (Bresciani et al., 2021; Raja & Muthuswamy, 2022).

In addition, the regulatory apparatus often lags behind in updating compliance frameworks to accommodate technological advancements, creating misalignments between innovation intent and operational feasibility (Ngoepe & Saurombe, 2016; Doganis, 2005). This dynamic reinforces the need for strategic regulatory transformation, where agencies like the KCAA serve not only as oversight institutions but also as enablers of innovation ecosystems through incentivization, digital policy alignment, and capacity building (Brueckner & Pels, 2007; Cheng, 2024).

From a performance standpoint, Kenya's domestic airlines are caught in a triad of institutional inertia, leadership constraints, and strategic underinvestment. Performance, as conceptualized through financial returns, customer satisfaction, and operational efficiency, has remained unstable over the past two decades. Indicators such as return on equity, cost-to-income ratios, and load factors consistently lag behind those of regional and global peers (Oxford Economics, 2011; Kenya Civil Aviation Authority, 2021). While initiatives like Jambojet's low-cost model and Skyward Express's domestic route expansions have registered marginal gains, systemic transformation remains elusive without a coherent alignment of innovative leadership practices and supportive regulatory architecture (Jambojet, 2023; World Bank, 2020).

Kenya's aviation sector finds itself at a strategic inflection point. The sector's evolution will depend significantly on the capacity of airline leadership to embrace innovation—not merely in product offerings or customer service but in governance, technology integration, and strategic foresight. Simultaneously, regulatory authorities must move beyond compliance policing and adopt a facilitative stance that balances safety assurance with innovation stimulation. Only through this dual transformation—of leadership mindsets and institutional frameworks—can Kenya's domestic aviation industry realize improved organisational performance and sustainable competitiveness in the regional and global aviation market.

1.2 Statement of the Problem

Kenya's domestic aviation sector occupies a strategic position within the national development agenda, serving as a key facilitator of economic growth, regional integration, and international competitiveness, as envisaged under Vision 2030 (Kenya Vision 2030). Aviation not only supports tourism and commerce but also enhances national connectivity and access to global markets

(World Bank, 2019). Despite its foundational role in advancing socio-economic outcomes, the sector remains structurally constrained, exhibiting persistently weak organisational performance reflected in inconsistent profitability, declining customer satisfaction, operational inefficiencies, and strategic stagnation (IATA, 2023). These challenges have prevented Kenya's airlines from functioning as globally competitive enterprises capable of sustainable growth.

At the centre of this stagnation is an entrenched leadership paradigm that fails to harness the potential of innovation and strategic foresight. Existing leadership models in Kenya's domestic airlines remain largely transactional, emphasizing operational compliance over transformation. Leadership practices continue to focus on maintaining legacy processes rather than proactively integrating disruptive innovations that enhance organisational agility and operational effectiveness (Papazafiropoulos, 2013). In an industry where global peers are leveraging digital transformation and empowerment-based leadership to drive performance improvements, Kenya's airlines remain slow in adopting advanced technologies and modern leadership frameworks (Westerman et al., 2014; Fitzgerald et al., 2013). Consequently, a critical gap exists in understanding how the adoption of innovative leadership practices—characterized by creativity, adaptability, and digital orientation—can serve as a lever for transforming airline performance outcomes in the Kenyan context.

Compounding this leadership deficit is Kenya's complex and often restrictive regulatory environment. The aviation regulatory framework, administered by the Kenya Civil Aviation Authority (KCAA), has been criticized for emphasizing procedural compliance at the expense of strategic facilitation and market development (Kimani, 2020). Excessive taxation, regulatory fragmentation, and inconsistent liberalization policies continue to erode the competitiveness of domestic airlines vis-à-vis their international counterparts (Sterling Investment Bank, 2019; Okwach, 2014). Although deregulation has been pursued, its implementation remains partial, limiting the extent to which airlines can leverage operational freedoms to pursue efficiency and service innovation (Brueckner & Pels, 2007; Doganis, 2005). Consequently, the regulatory framework functions not as a catalyst for sector growth but as a structural constraint that exacerbates operational costs and limits strategic renewal.

Previous empirical studies have explored leadership and performance relationships in the aviation context but offer limited applicability to Kenya's domestic airline sector. Papazafiropoulos (2013) investigated leadership styles in U.S. airlines but focused primarily on CEO traits without integrating contextual regulatory dynamics or digital transformation variables. Similarly, Papasava and Njeru (2022) examined leadership influences on pilot commitment within a single Kenyan airline, using a narrow performance construct that excluded critical indicators such as profitability, operational efficiency, and customer satisfaction. Furthermore, Abwao and Kimencu (2023) evaluated transformational leadership within the Kenya Airports Authority, an entity distinct from domestic airlines in structure, operational objectives, and market orientation.

Chepkemboi and Paul (2019) investigated disruptive innovation strategies but confined their analysis to Kenya Airways, limiting generalizability across Kenya's diverse domestic airline landscape. Moreover, their focus on disruptive strategies did not explore the broader leadership practices necessary for sustained innovation adoption. Collectively, these prior studies exhibit conceptual, contextual, and methodological gaps, including restricted performance measurement constructs, narrow unit of analysis, and insufficient exploration of regulatory influences.

In response to these limitations, the current study addresses the critical question of how innovative leadership practices, within the enabling or constraining conditions of Kenya's regulatory framework, influence the organisational performance of domestic commercial airlines. By focusing explicitly on innovative leadership dimensions—such as strategic visioning, employee empowerment, digital transformation integration, and adaptive decision-making—this study advances beyond traditional leadership constructs. Additionally, by analysing the regulatory environment not merely as a backdrop but as an active moderator of leadership effectiveness, the study situates its inquiry within Kenya's institutional realities.

Therefore, this study fills a significant gap by systematically investigating the interaction between leadership innovation, regulatory frameworks, and organisational outcomes across multiple domestic airlines in Kenya. The study moves beyond descriptive assessments to offer an empirically grounded, context-specific analysis of how innovative leadership—supported or constrained by regulatory frameworks—can drive improved financial performance, operational efficiency, customer satisfaction, and safety outcomes in Kenya's domestic aviation sector.

1.3 Objective of the Study

The main objective of this study was to examine how the regulatory framework moderates the relationship between innovative leadership practices and organisational performance among domestic commercial airlines in Kenya.

1.4 Research Question

To what extent does the regulatory framework moderate the relationship between innovative leadership practices and organisational performance among domestic commercial airlines in Kenya?

1.5 Significance of the Study

This study is significant to domestic airline executives, industry regulators, policymakers, and scholars. For airline managers and practitioners, it offers evidence on how Kenya's regulatory framework shapes or constrains the effectiveness of innovative leadership strategies in enhancing organisational performance. Understanding this moderating influence will help airline leaders design innovation-driven leadership approaches that are compliant, responsive, and adaptable to regulatory expectations, thereby improving service quality, customer satisfaction, and operational efficiency.

For policymakers such as the Kenya Civil Aviation Authority (KCAA), Ministry of Transport, and related regulatory bodies, the study provides empirical insights into how current regulatory provisions influence airlines' ability to leverage innovative leadership for organisational advancement. This knowledge is critical for refining aviation policies to ensure they not only uphold safety and compliance standards but also support leadership innovation, digital adoption, and competitiveness across domestic airlines in Kenya. The findings can inform policy interventions aimed at reducing regulatory bottlenecks while safeguarding public interest.

For academia, the study fills a methodological and contextual gap by examining the moderating role of regulation within the leadership-performance relationship in Kenya's aviation sector—an area underexplored in existing literature. It enriches theoretical debates on leadership, regulatory governance, and organisational performance, providing a valuable reference point for scholars researching leadership effectiveness in highly regulated industries within emerging economies.

1.6 Scope of the Study

This study focused on assessing the moderating role of Kenya's regulatory framework on the relationship between innovative leadership practices and the organisational performance of domestic commercial airlines. It targeted all seventeen licensed domestic commercial airlines in Kenya, including Kenya Airways Plc, Jambojet Ltd, ALS Ltd, Airkenya Express, Fly540, East African Safari Air, Mombasa Air Safaris Ltd, Safarilink Aviation, 748 Air Services, Safe Air, Yellow Wings, Astral Aviation Ltd, African Express Airways, Freedom Airlines Express Ltd, Skyward Express Ltd, Jetways Airlines, and Renegade Air.

The research was geographically delimited to Kenya and concentrated exclusively on commercial passenger airlines, excluding cargo-only operators and charter service providers. Conceptually, the study examined innovative leadership practices (including strategic visioning, employee empowerment, digital adoption, and adaptability) as the independent variable, organisational performance (measured by financial health, operational efficiency, customer satisfaction, and service quality) as the dependent variable, and the regulatory framework as the moderating variable influencing this relationship. Methodologically, the study adopted a cross-sectional survey design, collecting quantitative data at a single point in time from top-level managers and strategic leaders across the selected airlines.

2.0 Literature Review

This section presents past empirical.

2.1 Empirical Literature Review

Empirical research increasingly affirms the intricate relationship between innovative leadership practices, regulatory frameworks, and organisational performance, especially within sectors characterized by operational complexity such as aviation. Riza et al. (2020) examined the interplay between innovative and creative leadership, organisational learning, and adaptive performance in Indonesia's pharmaceutical sector, finding that while innovative leadership indirectly enhanced adaptive performance through organisational learning, the direct impact was statistically insignificant. This suggests that leadership innovation, while foundational, often requires institutional or systemic reinforcements to translate into measurable performance gains. Their findings resonate with studies advocating that innovative leadership must operate within enabling structures to yield transformative outcomes.

In the context of leadership innovation within regulated environments, Trieu et al. (2023) provided robust evidence from Vietnamese SMEs that paradoxical leadership, digital transformation strategies, and IT competencies collectively shape organisational resilience and ambidexterity, both critical predictors of firm performance. Notably, the study highlighted the catalytic role of government-led digital transformation programs in amplifying the benefits of internal leadership practices. These findings imply that leadership innovation's effectiveness is moderated by external regulatory interventions, particularly digital governance frameworks, which either unlock or constrain organisational agility and competitive capacity.

Closer to the Kenyan context, Benson Mbui and Joseph Francis (2021) established that change management practices, including leadership adaptability and safety governance, significantly influenced the performance of domestic airlines. While their study underscored the centrality of leadership and organisational culture, they observed that the regulatory framework exerted a significant mediating role in the relationship between organisational safety protocols and corporate culture. However, its moderating effect on the leadership–performance link was statistically negligible. This finding is critical as it suggests that Kenya's current regulatory framework may not yet be optimally structured to enhance the impact of leadership-driven innovations on airline performance outcomes. It further highlights a potential regulatory rigidity that impairs leadership efficacy in dynamic operational domains such as aviation.

Muthoni, Cheluget, and Mwikya (2023), focusing on Kenya's microfinance sector, reaffirmed that the external environment, including regulatory structures, significantly moderates the relationship between transformational leadership and institutional performance. Their cross-sectional survey demonstrated that variations in external environmental factors accounted for over 53% of the variance in performance outcomes, confirming that regulatory and institutional ecosystems profoundly shape leadership effectiveness. While their sectoral focus differs, the parallels are instructive for Kenya's aviation sector, where stringent regulatory conditions similarly intersect with leadership practices to influence organisational outcomes.

Evidence shows that while innovative leadership can enhance adaptability and performance, its impact varies across contexts, with regulatory frameworks acting as key enablers or constraints. In Kenya's aviation sector, current regulations present both supportive and restrictive elements, highlighting the need for more facilitative policies. This calls for deeper examination of how regulatory environments mediate or moderate leadership effects on organisational outcomes in regulated industries.

2.2 Theoretical Literature Review

2.2.1 Resource-Based View (RBV) Theory

The Resource-Based View (RBV) of the firm, advanced by Barney (1991) and grounded in Penrose's earlier work (1959), emphasizes that firms achieve sustainable competitive advantage through the acquisition, development, and strategic deployment of valuable, rare, inimitable, and non-substitutable (VRIN) resources. In the aviation sector, innovative leadership practices can be conceptualized as such strategic resources, given their potential to influence organisational culture, foster creativity, and support adaptation to external changes (Kozlenkova et al., 2014). Within Kenya's domestic airline industry, innovative leadership enables firms to develop internal capabilities that are difficult for competitors to replicate, such as adaptive operational models, unique customer service strategies, and digital transformation initiatives. As Barney (1991) asserts, these capabilities not only enhance internal efficiencies but also position firms to achieve above-average returns in the long term.

RBV's relevance extends to understanding how innovative leadership practices catalyse digital transformation, viewed as a firm-level capability. As Bharadwaj (2000) contends, IT capabilities alone do not confer advantage unless integrated with human and relational resources, such as leadership vision and organizational culture. Innovative leaders in Kenyan airlines can leverage digital technologies not as isolated tools but as embedded resources within organizational routines and strategies, enhancing the potential for sustained performance improvements (Barney et al., 2001). Furthermore, the strategic alignment of leadership and technology with organizational processes, as emphasized by Wernerfelt (1984), fosters the development of tacit knowledge and learning capabilities, reinforcing long-term performance advantages within the dynamic aviation industry.

https://doi.org/10.53819/81018102t7065

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Email: info@stratfordjournals.org ISSN: 2616-8472

The RBV framework also illuminates why regulatory frameworks, while external, intersect strategically with internal resources. Regulations can compel firms to invest in compliance-oriented capabilities, yet innovative leadership can convert this necessity into a source of competitive differentiation by embedding compliance as part of operational excellence (Priem & Butler, 2001). Therefore, in this study, RBV supports the argument that innovative leadership practices act as a core internal resource enabling airlines to manage regulatory pressures more effectively and leverage digital transformation for competitive gain. This resource-based perspective positions leadership innovation not merely as a functional role but as a critical strategic asset shaping organisational performance across Kenyan domestic airlines.

2.2.2 Institutional Theory

Institutional Theory, as articulated by DiMaggio and Powell (1983), emphasizes that organizational structures and behaviors are shaped by external institutional pressures, including regulations, professional norms, and societal expectations. Within the aviation sector, regulatory frameworks represent coercive pressures compelling airlines to conform to safety standards, licensing requirements, and operational protocols (Meyer & Rowan, 1977). In Kenya's domestic airline industry, compliance with Kenya Civil Aviation Authority (KCAA) regulations and international standards like ICAO norms becomes essential for legitimacy and operational continuity (Scott, 2008). Institutional conformity thus shapes not only airlines' operational structures but also their strategic focus, constraining or facilitating organizational performance depending on how firms internalize and respond to these external mandates.

Crucially, Institutional Theory provides a lens to examine the moderating role of the regulatory framework. As per DiMaggio and Powell (1983), organizations respond to institutional pressures not merely through compliance but also via strategies like decoupling or innovation within constraints to sustain competitiveness. For domestic airlines in Kenya, the regulatory environment can either inhibit or enable performance, depending on whether firms passively comply or strategically engage with regulatory mandates. For instance, stringent safety regulations might escalate operational costs but simultaneously offer a platform for differentiation and market trust-building if airlines choose to exceed regulatory standards (Zucker, 1987). Consequently, the regulatory framework, conceptualized through Institutional Theory, functions as a moderator that influences the strength and direction of the relationship between innovative leadership practices and organizational performance.

Moreover, Institutional Theory's focus on legitimacy and isomorphism (DiMaggio & Powell, 1983) underscores why airlines within a regulated industry tend to adopt similar structural responses, yet leadership innovation offers potential for divergence and competitive distinction. Leaders who proactively interpret and integrate regulatory requirements within broader strategic goals—rather than viewing them as mere compliance—can reposition their airlines to achieve superior performance outcomes (Suchman, 1995). This study thus applies Institutional Theory to explain how Kenya's regulatory framework does not solely impose uniform constraints but also presents an enabling context in which innovative leadership practices can be leveraged for enhanced performance. In this framework, regulation shapes organisational pathways, but leadership innovation defines the trajectory.

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2.3 Conceptual Framework

The conceptual framework presented illustrates the hypothesized relationships between innovative leadership practices as the independent variable, organizational performance as the dependent variable, and the regulatory framework as the moderating variable. Innovative leadership practices, defined through dimensions such as strategic thinking and vision, employee empowerment and collaboration, learning and adaptability, and communication and transparency, are expected to directly influence organizational performance outcomes.

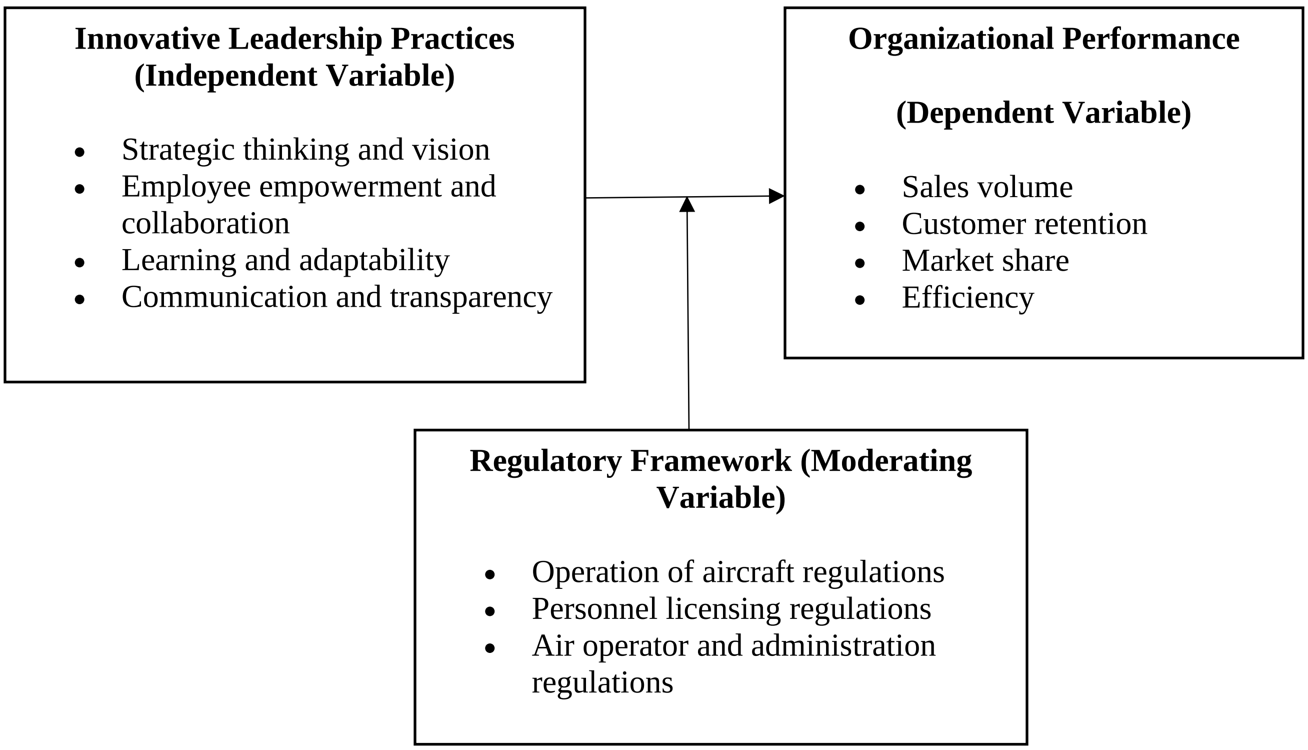

Figure 1: Conceptual Framework

These outcomes are operationalized as sales volume, customer retention, market share, and operational efficiency, representing both financial and non-financial performance measures. The framework suggests that by fostering a culture of strategic innovation and transparent communication, leaders can enhance organizational capabilities that drive better market positioning and operational results.

Regulatory framework is positioned as a moderating variable, recognizing its role in shaping or constraining the relationship between leadership practices and organizational outcomes. Key regulatory components include aircraft operation regulations, personnel licensing, and administrative oversight, which directly influence how innovative leadership initiatives are implemented within airlines. This framework acknowledges that even with innovative leadership in place, stringent regulatory requirements may either enable or limit the translation of leadership-driven initiatives into tangible performance improvements. Consequently, the framework reflects a moderated relationship where the strength and direction of leadership's impact on performance depend significantly on the regulatory environment, especially in a highly controlled sector like aviation

3.0 Research Methodology

This study adopted a positivist research philosophy to systematically investigate the moderating role of the regulatory framework on the relationship between innovative leadership practices and organizational performance among domestic commercial airlines in Kenya. Anchored on objectivity and quantification, the study used a cross-sectional survey design to collect quantitative data from a census of all 17 licensed domestic commercial airlines as registered by the Kenya Civil Aviation Authority (KCAA). The unit of analysis was the domestic commercial airline, while the unit of observation comprised 170 senior and middle-level managers from strategic roles such as Chief Executive Officers (CEOs), Chief Strategy & Innovation Officers (CSIOs), Chief Operations Officers (COOs), and departmental heads. Structured questionnaires using a five-point Likert scale were employed to gather data on innovative leadership practices, organizational performance, and regulatory frameworks. Responses were analyzed using descriptive and inferential statistics. The sample size for the study is as shown below;

Table 1: Sample Distribution

No.	Airline Name	Chief Executive Officer (CEO)	Chief Strategy Innovation Officer (CSIO)	Chief Operations Officer (COO)	Head of Department (HOD)	Total Respondents
1	Kenya Airways Plc,	1	1	1	7	10
2	Air Kenya Express	1	1	1	7	10
3	Fly540,	1	1	1	7	10
4	East African Safari Air,	1	1	1	7	10
5	Mombasa Air Safaris Ltd,	1	1	1	7	10
6	Safarilink Aviation	1	1	1	7	10
7	748 Air Services	1	1	1	7	10
8	SafeAir	1	1	1	7	10
9	Yellow Wings	1	1	1	7	10
10	Astral Aviation Ltd	1	1	1	7	10
11	African Express Airways	1	1	1	7	10

12	Freedom Airlines Express Ltd	1	1	1	7	10
13	Skyward Express Ltd	1	1	1	7	10
14	Jetways Airlines,	1	1	1	7	10
15	Renegade Air	1	1	1	7	10
16	Jambojet Ltd	1	1	1	7	10
17	ALS Ltd	1	1	1	7	10
	Totals	**17**	**17**	**17**	**119**	**170**

Source: Kenya Civil Aviation Authority (2023)

The study specifically examined the moderating effect of the regulatory framework in the relationship between innovative leadership practices (independent variable) and organizational performance (dependent variable). Data analysis employed hierarchical multiple regression modeling to assess moderation. Three models were estimated:

Model 1 assessed the direct effect of innovative leadership practices on organizational performance:

$Y = \beta_0 + \beta_1 ILP + e$……………………………………………………………………….(i)

Model 2 introduced the regulatory framework as an independent variable alongside innovative leadership practices:

$Y = \beta_0 + \beta_1 ILP + \beta_2 RF + e$…………………………………………………………..(ii)

Model 3 incorporated the interaction term between innovative leadership practices and the regulatory framework to test for moderation:

$Y = \beta_0 + \beta_1 ILP + \beta_2 RF + \beta_3 (ILP \times RF) + e$*……………………………………………(iii)*

4.0 Findings

4.1 Descriptive Analysis

4.1.1 Innovative Leadership Practices

The study sought to assess how innovative leadership practices influence the organisational performance of domestic commercial airlines in Kenya. Descriptive analysis was conducted across four key leadership dimensions: strategic visioning, employee empowerment, adaptability and learning orientation, and communication clarity. These elements are critical in the dynamic and highly competitive aviation sector, where effective leadership directly contributes to operational efficiency and market resilience (Kipchumba & Ombui, 2022). The findings are as shown in Table 2;

Table 2: Descriptive Statistics for Innovative Leadership Practices

Innovative Leadership Practices	Values
Mean	3.7855
Median	3.78

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Mode	3.82
Std. Deviation	0.23691
Skewness	0.137
Std. Error of Skewness	0.203
Kurtosis	-0.39
Std. Error of Kurtosis	0.403

The descriptive statistics revealed a mean score of 3.7855, with a median of 3.78 and mode of 3.82, indicating that most respondents moderately agreed that innovative leadership practices are present and applied within their respective airlines. This finding corroborates Afande's (2020) conclusions, which highlighted the growing institutionalization of strategic and participative leadership across successful carriers in Sub-Saharan Africa.

The standard deviation recorded at 0.23691 reflects a relatively low dispersion from the mean, signaling consensus among the surveyed airline managers regarding the implementation of innovative leadership approaches. This uniformity is likely driven by the regulatory homogenization enforced by the Kenya Civil Aviation Authority (KCAA) and the standardization of operational frameworks across the sector (World Bank, 2020). Additionally, the post-COVID-19 industry push towards digitization and service improvement could explain the convergent leadership practices, as airlines strive to adopt best practices that ensure sustainability (IATA, 2023). Such alignment across firms supports the assertion of the Resource-Based View (RBV), which posits that internally nurtured resources, such as leadership capabilities, can serve as key strategic assets for competitive advantage when uniformly applied within a regulated sector (Barney, 1991).

The skewness value of 0.137, which falls within the ±0.5 threshold, indicates a near-normal distribution of responses, suggesting balanced perceptions of innovative leadership across the sampled organizations. This normality enhances the credibility of subsequent parametric analyses, as it ensures statistical robustness (Saunders et al., 2014). The kurtosis value of -0.39, which is slightly platykurtic, further indicates a flatter distribution, pointing to relatively fewer extreme viewpoints among respondents. This could reflect a shared industry perspective shaped by common environmental constraints, such as regulatory requirements and market conditions, as proposed by Open Systems Theory (Scott, 2003). The uniformity may also reflect sector-wide leadership development initiatives like those spearheaded by the African Aviation Training Organisation (AATO), which promote standardized leadership training to foster consistent managerial competencies across African airlines.

From a theoretical lens, these findings reinforce both the Resource-Based View (RBV) and Open Systems Theory, which collectively argue that leadership capabilities, as valuable and inimitable resources, enable organizations to navigate external pressures and adapt to changing environments (Barney, 1991; Scott, 2003). Practically, the findings suggest that Kenyan domestic airlines embracing visionary, adaptive, and inclusive leadership practices are better positioned to respond to technological changes, regulatory shifts, and evolving customer preferences. This mirrors studies by Kipchumba and Ombui (2022), which underscore the importance of leadership adaptability and innovation for enhancing competitive advantage within Kenya's liberalized aviation market.

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In summary, the descriptive analysis confirms that innovative leadership practices are perceived as moderately embedded and consistently applied across Kenya’s domestic commercial airlines. The findings not only validate previous regional studies (Afande, 2020; Kipchumba & Ombui, 2022) but also highlight potential areas for leadership reinforcement, especially in fostering adaptability and communication clarity during crises—a critical capability in an increasingly digital and post-pandemic aviation environment (IATA, 2023). These descriptive insights provide a foundational benchmark for understanding the subsequent analysis on how digital transformation mediates and how regulatory frameworks moderate the leadership-performance relationship within Kenya’s domestic aviation industry.

4.1.2 Regulatory Framework

The regulatory framework emerged as a pivotal construct in this study, serving as a moderating variable that shapes how innovative leadership practices translate into organisational performance among domestic commercial airlines in Kenya. Descriptive statistics revealed a mean score of 4.0478, alongside a median of 4.0495 and a mode of 3.51, indicating a generally high level of respondent agreement regarding the prominence and influence of Kenya's aviation regulations. The summary is as shown in Table 3;

Table 3: Descriptive Statistics for Regulatory Framework

Regulatory Framework	
Mean	4.0478
Median	4.0495
Mode	3.51
Std. Deviation	0.16384
Skewness	-0.182
Std. Error of Skewness	0.203
Kurtosis	0.764
Std. Error of Kurtosis	0.403

This reflects the central role played by the Kenya Civil Aviation Authority (KCAA) in imposing uniform compliance standards across all licensed domestic airlines. These findings echo Okeyo and Ombaka’s (2020) conclusion that regulatory mechanisms in highly controlled industries such as aviation significantly steer organisational decision-making, innovation adoption, and operational sustainability.

The low standard deviation of 0.16384 further highlights minimal variability in perceptions, suggesting that most respondents uniformly recognize the rigid yet essential nature of regulatory controls within Kenya's aviation ecosystem. This observation is theoretically consistent with Institutional Theory (DiMaggio & Powell, 1983), which posits that firms operating in institutionalized environments tend to adopt homogenous practices to secure legitimacy and survive in the market. Regulatory oversight in aviation imposes strict operational and safety standards, which not only shape strategic trajectories but also enforce compliance-driven behaviors among firms, thereby standardizing operational routines irrespective of firm size or market share.

Skewness analysis revealed a marginally negative skew (-0.182), implying that while most respondents acknowledged the importance of regulatory frameworks, a minority perceived regulatory influence as less prominent—potentially reflecting individual airlines' varied experiences with compliance audits, resource allocation to regulatory matters, or cost of implementation. The kurtosis value of 0.764, indicative of a leptokurtic distribution, suggests that responses were tightly concentrated around the mean, with occasional outliers. This indicates that while a majority perceive the regulatory framework as a consistent influence, there remain isolated instances where firms experience either regulatory bottlenecks or disproportionate compliance costs, reaffirming the differential impact theorised in recent aviation studies (IATA, 2022).

Collectively, these findings underscore the dual role of Kenya's regulatory environment as both an enabler and constraint to performance outcomes in the domestic aviation sector. The regulatory framework acts as an essential external control that governs safety, operational licensing, and personnel standards, providing a structured environment for competitive parity and market stability. Nonetheless, its rigid application potentially curtails strategic flexibility in areas such as fleet upgrades and route diversification. These descriptive insights justify the framework's theorized moderating effect, as the ability of innovative leadership to drive organisational performance may be amplified or constrained depending on how effectively airlines navigate and leverage the regulatory landscape—a critical dynamic requiring empirical validation through moderation analysis.

4.2 Inferential Analysis

4.2.1 Correlation Analysis

The correlation analysis conducted in this study revealed that Innovative Leadership Practices (ILP) are strongly and positively correlated with Organisational Performance (OP) among domestic commercial airlines in Kenya, registering a Pearson correlation coefficient of 0.800 ($p < 0.01$), as shown in Table 4.

Table 4: Correlation Analysis

		Organizational Performance	Innovative Leadership Practices	Regulatory Framework
Organizational Performance	Pearson Correlation	1.000		
Innovative Leadership Practices	Pearson Correlation	.800**	1.000	

	Sig. (2-tailed)	0.000		
Regulatory Framework	Pearson Correlation	.702**	.601**	1.000
	Sig. (2-tailed)	0.000	0.000	

** Correlation is significant at the 0.01 level (2-tailed).

This strong association indicates that the adoption and implementation of leadership practices focused on strategic thinking, employee empowerment, adaptability, and transparent communication have a direct influence on enhancing organisational outcomes such as operational efficiency, market share growth, customer retention, and overall competitiveness. These results are consistent with the Resource-Based View (Barney, 1991), which underscores leadership competencies as critical, valuable, and inimitable resources that sustain competitive advantage. Similarly, Open Systems Theory (Katz & Kahn, 1978) supports the notion that leadership practices enable organizations to interpret environmental complexities and respond adaptively, especially within the heavily regulated and competitive aviation sector.

The positive relationship between ILP and OP confirms that leadership within Kenya's domestic aviation sector is not merely a functional necessity but a strategic asset that actively shapes organisational outcomes. Given the volatility of the aviation market and the stringent regulatory environment, leadership practices that foster innovation, strategic foresight, and operational adaptability significantly contribute to organisational resilience and growth. These findings are in line with empirical evidence from Mokhasi and Oduro (2021), who argued that innovative leadership in Sub-Saharan African airlines enhances both operational agility and service delivery capabilities, positioning firms for sustainable success. The current results therefore validate the conceptual positioning of innovative leadership as the primary independent variable influencing organisational performance in this study.

The correlation between Regulatory Framework (RF) and Organisational Performance (OP) also proved significant, showing a Pearson coefficient of 0.702 ($p < 0.01$). This result affirms that Kenya's aviation regulations—encompassing aircraft operations, licensing, and air operator certifications—substantially shape organisational outcomes. While regulations typically function as compliance enforcers, this study's findings reveal that they also facilitate organisational stability, operational safety, and standardization, all of which are critical for long-term performance. This supports the assumptions of Institutional Theory (DiMaggio & Powell, 1983), which posits that organizations operating within stringent institutional environments adopt structures and behaviour that align with regulatory expectations, thereby securing legitimacy and enhancing operational continuity. Within Kenya's aviation sector, the regulatory framework acts both as a control mechanism and an enabler of performance by providing a predictable environment for strategic planning and operational execution.

Interestingly, the significant correlation between ILP and RF ($r = 0.601$, $p < 0.01$) highlights the regulatory environment's role in shaping leadership practices. Leaders in Kenya's domestic airlines must continually adjust their strategies and operational priorities in response to evolving regulatory demands. This interrelationship suggests that regulatory considerations are not peripheral to leadership decision-making but are embedded within strategic leadership approaches. Regulatory frameworks, while rigid in their enforcement of safety and operational standards, indirectly influence how leaders pursue innovation, manage resources, and implement change. This finding reflects assertions by Ahn and Ahn (2022), who argued that in industries such as aviation, regulations function as both constraints and facilitators, pushing firms toward compliance while simultaneously providing frameworks that can enable innovation and performance optimization.

The dynamic relationship between RF and ILP also underscores the importance of regulatory frameworks as a moderating variable in this study. While innovative leadership practices independently drive organisational performance, the regulatory environment potentially strengthens or weakens this relationship by either enabling or constraining the extent to which leadership strategies translate into measurable performance outcomes. For instance, leadership initiatives aimed at technological innovation or market expansion must align with aviation safety standards and licensing regulations set by the Kenya Civil Aviation Authority (KCAA). Hence, the regulatory framework influences not only the operational activities of airlines but also the strategic choices made by their leadership teams. Taken together, these findings validate the conceptual framework's positioning of innovative leadership practices as a primary driver of performance and the regulatory framework as a critical contextual moderator within the Kenyan aviation sector. The significant and positive correlations across ILP, RF, and OP provide a solid empirical foundation for advancing to regression-based moderation analysis. Specifically, examining how the regulatory framework moderates the relationship between innovative leadership and organisational performance will yield deeper insights into whether stringent compliance environments amplify, suppress, or conditionally shape the leadership–performance linkage. This nuanced understanding is essential for both practitioners and policymakers seeking to balance regulatory enforcement with the promotion of innovative leadership and organisational competitiveness in Kenya's domestic airline industry.

4.2.2 Regression Analysis

The regression analysis presented effectively addresses the core objective of the study, which was to assess the moderating role of the regulatory framework in the relationship between innovative leadership practices and organisational performance among Kenya's domestic commercial airlines. The structured three-step hierarchical regression approach was appropriate and methodologically sound. The sequential addition of the regulatory framework and its interaction term (ILP × RF) allowed a systematic assessment of whether and how the external regulatory environment modifies the leadership-performance relationship. This approach aligns with scholarly best practices for moderation analysis in management research (Baron & Kenny, 1986; Hayes, 2013), affirming the rigor of the model.

The R^2 progression across the models demonstrates that while innovative leadership alone accounts for a substantial proportion of variance in performance (64%), incorporating the regulatory framework strengthens explanatory power to 71.6%.

Table 5: R^2 for Moderating Effect of Regulatory Framework

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Step 1	0.8	0.64	0.637	0.15187
Step 2	0.846	0.716	0.712	0.13518
Step 3	0.852	0.726	0.72	0.13328

The final model, inclusive of the interaction term, further improves the R^2 to 72.6%. Though the additional 1% increment in explanatory power upon introducing the interaction term appears modest, it is nonetheless statistically meaningful and consistent with literature emphasizing the

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subtle yet critical role of contextual moderators like regulatory systems (DiMaggio & Powell, 1983; Bamber et al., 2020). The regulatory framework clearly enhances—not diminishes—the strength of leadership's impact on airline performance, validating the theoretical proposition from Institutional Theory that external structures shape the efficacy of internal strategic resources.

The ANOVA results reinforce the robustness of the models, with all steps yielding statistically significant F-statistics ($p < 0.001$).

Table 6: ANOVA for Moderating Effect of Regulatory Framework

Model	Source	Sum of Squares	df	Mean Square	F	Sig.
Step 1	Regression	5.771	1	5.771	250.216	0.000
	Residual	3.252	141	0.023		
	Total	9.023	142			
Step 2	Regression	6.465	2	3.232	176.895	0.000
	Residual	2.558	140	0.018		
	Total	9.023	142			
Step 3	Regression	6.554	3	2.185	122.979	0.000
	Residual	2.469	139	0.018		
	Total	9.023	142			

Notably, the consistency of significance across models despite adding variables and interaction terms confirms that the inclusion of the regulatory framework and its interaction with ILP provides meaningful explanatory contributions without undermining model integrity. This finding underscores the dual importance of both internal leadership practices and external regulatory conditions in driving organisational outcomes, as theorized in Open Systems Theory (Katz & Kahn, 1978). The results affirm that Kenya's aviation regulatory structures do not merely constrain airline operations but play a constructive role in shaping performance outcomes, particularly when harmonized with progressive leadership strategies.

The regression coefficients from the three models provide a granular understanding of the direct, joint, and interactive effects.

Table 7: Coefficient of Regression for Moderating Effect of Regulatory Framework

Model		B	Std. Error	Beta	T	Sig.
Step 1	(Constant)	0.288	0.204		1.409	0.161
	ILP	0.851	0.054	0.8	15.818	0.000
Step 2	(Constant)	-1.033	0.281		-3.678	0.000
	ILP	0.629	0.06	0.591	10.505	0.000
	Regulatory Framework	0.534	0.087	0.347	6.162	0.000
Step 3	(Constant)	-1.013	0.277		-3.653	0.000

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Email: info@stratfordjournals.org ISSN: 2616-8472

ILP	0.524	0.076	0.492	6.93	0.000
Regulatory Framework	0.514	0.086	0.334	5.985	0.000
ILP × RF (Interaction)	0.031	0.014	0.146	2.239	0.027

The regression coefficients further elucidate the practical implications. The positive and significant coefficient of the interaction term ($\beta = 0.031$, $p = 0.027$) provides empirical confirmation that regulatory frameworks moderate the leadership-performance relationship. This moderation effect suggests that innovative leadership yields stronger performance benefits in contexts where regulatory oversight is clear, stable, and supportive of innovation. The finding echoes assertions by Ahn and Ahn (2022), who noted that regulatory environments can either amplify or hinder leadership effectiveness depending on their design and enforcement. The practical takeaway for Kenyan airlines and regulators is that fostering an enabling regulatory environment could magnify the impact of innovative leadership, enhancing industry-wide performance outcomes.

The regression analysis strongly supports the study's conceptual framing. It confirms that while innovative leadership is a primary driver of organisational performance, the regulatory framework functions as a significant moderating variable, enhancing or conditioning leadership's effectiveness. These findings not only contribute to empirical aviation management literature but also offer actionable insights for policymakers and industry leaders striving to optimize leadership strategies within Kenya's evolving regulatory landscape. The rejection of the null hypothesis (H_{03}) is thus both statistically and practically justified, advancing the understanding of how regulatory frameworks can be strategically leveraged to enhance leadership-driven performance in regulated sectors like aviation.

5.0 Discussion

The findings of this study offer a critical, evidence-based contribution to understanding how innovative leadership practices and regulatory frameworks interact to shape organisational performance within Kenya's domestic aviation sector. The results affirm the centrality of leadership innovation as a strategic asset, consistent with the Resource-Based View (Barney, 1991), wherein practices such as strategic visioning, employee empowerment, adaptability, and digital integration emerged as key determinants of operational success. The strong positive correlation ($r = 0.800$, $p < 0.01$) between innovative leadership practices and organisational performance confirms that leadership, when oriented towards innovation, functions as a valuable and rare resource capable of delivering sustained performance improvements, even in heavily regulated environments.

Equally significant is the role of Kenya's regulatory framework, which was found to operate not merely as a compliance structure but as a moderating force that conditions the extent to which innovative leadership practices translate into improved organisational outcomes. The regulatory framework exhibited a significant positive correlation with organisational performance ($r = 0.702$, $p < 0.01$), indicating that while regulations impose operational boundaries, they simultaneously provide a structured and predictable operating environment conducive to strategic planning and performance optimization. Importantly, hierarchical regression analysis revealed that the regulatory framework significantly moderates the leadership–performance relationship ($\beta = 0.031$, $p = 0.027$), a finding aligned with Institutional Theory (DiMaggio & Powell, 1983), which underscores the shaping influence of institutional structures on organisational behaviour and outcomes.

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These results challenge the conventional framing of regulations as purely restrictive mechanisms. Instead, the findings position Kenya's aviation regulatory environment as a potential enabler of strategic leadership, contingent on its alignment with organisational innovation objectives. This nuanced interplay between internal leadership capabilities and external institutional conditions underscores the relevance of Open Systems Theory (Katz & Kahn, 1978), highlighting the permeable boundaries between organizations and their environments. The study thus reinforces the argument that domestic airlines, to optimize performance, must not only cultivate innovative leadership internally but also strategically navigate and engage with the regulatory framework externally.

6.0 Conclusion

This study concludes that innovative leadership practices are a primary driver of organisational performance among domestic commercial airlines in Kenya, particularly when such practices are oriented towards strategic visioning, empowerment, adaptability, and digital integration. Nonetheless, the study establishes that the efficacy of these leadership practices is significantly moderated by Kenya's regulatory framework, which shapes the operational parameters within which leadership-driven initiatives are conceived, implemented, and sustained. The interaction between innovative leadership and the regulatory environment determines the extent to which airlines can achieve financial sustainability, operational efficiency, customer satisfaction, and service quality.

The study's findings validate the Resource-Based View's contention that internal capabilities, such as leadership competencies, function as strategic resources that generate competitive advantage. Simultaneously, the results affirm Institutional Theory's assertion that external institutional pressures, particularly regulatory structures, shape organisational behaviour and outcomes. In Kenya's aviation sector, the regulatory framework operates as both a constraint and an enabler. Its influence is not linear but conditional, amplifying or suppressing the impact of leadership practices based on the degree of alignment between regulatory provisions and strategic leadership objectives.

Ultimately, the study underscores that improving the performance of Kenya's domestic airlines requires a dual strategic focus. Internally, airline executives must entrench innovative leadership models that prioritize adaptability, empowerment, and technology adoption. Externally, regulatory authorities must evolve from a compliance-centric posture to a facilitative role that supports innovation while safeguarding operational standards. Only through this integrative approach can Kenya's domestic aviation sector realize its latent potential for sustainable competitiveness and operational excellence.

7.0 Recommendation

Airline leaders must institutionalize innovation-oriented leadership frameworks that transcend transactional management. This involves embedding strategic visioning, digital transformation initiatives, adaptive decision-making, and empowerment-focused practices into core organisational routines. Leadership development programs should prioritize skills that enhance change management, technological integration, and cross-functional collaboration. Furthermore, leadership teams must proactively engage regulatory developments as strategic considerations rather than compliance afterthoughts, fostering a culture where regulatory adherence coexists with innovation.

The Kenya Civil Aviation Authority (KCAA) and Ministry of Transport should reconfigure the regulatory framework from a predominantly compliance-focused model to a more innovation-enabling system. This includes streamlining licensing processes, reducing regulatory redundancies, and introducing incentives for airlines investing in digital transformation and operational innovation. Regular dialogue forums between regulators and airline leadership are recommended to ensure that regulations evolve in tandem with industry innovations, thus supporting rather than stifling strategic initiatives. The regulatory framework should be positioned as a strategic partner in sectoral development.

The government should prioritize policy interventions aimed at reducing excessive taxation and operational levies that erode domestic airlines' competitiveness. Aviation sector policies should be reviewed to incorporate explicit provisions supporting innovation adoption, digital infrastructure development, and leadership capacity building. Investments in sector-specific research and development (R&D), supported through public–private partnerships, can further position Kenya as a regional aviation hub.

Future research should explore longitudinal assessments of leadership practices within the dynamic regulatory landscape of Kenya's aviation sector to capture temporal shifts in leadership efficacy and regulatory impacts. Comparative studies across Sub-Saharan African markets could also reveal contextual differentiators influencing the leadership–performance nexus. Methodologically, mixed-methods approaches integrating qualitative insights from regulatory bodies and airline leaders could enrich the understanding of how policy frameworks condition organisational strategies in practice.

Aviation sector stakeholders should adopt a coordinated strategy that aligns leadership innovation with regulatory facilitation. Sector-level leadership forums, co-managed by industry associations and regulators, should be established to foster knowledge exchange, harmonize innovation efforts, and ensure regulatory frameworks are responsive to industry needs. A shared digital transformation roadmap, jointly developed by airlines and regulatory agencies, could accelerate the sector's modernization and performance recovery.

In conclusion, this study offers a strategic blueprint for transforming Kenya's domestic aviation sector through synergistic leadership innovation and regulatory facilitation. The sector's sustainable recovery and competitiveness hinge on a paradigm shift that reconceptualizes regulations as performance enablers and leadership innovation as a strategic resource for sectoral transformation.

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