

The Moderating Role of Corporate Governance in the Relationship between Transformational Leadership and Organizational Resilience in Kenya's Construction Sector

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ABSTRACT

Organizational resilience is important in construction, where firms face project complexity, regulatory demands, resource constraints and operational disruption. This study examined whether corporate governance moderates the relationship between transformational leadership and organizational resilience among NCA Category 1 construction firms in Nairobi City County, Kenya. Guided by Dynamic Capabilities Theory and Agency Theory, the study adopted a positivist, quantitative cross-sectional survey design. From 177 sampled firms, 142 questionnaires were returned and 139 valid responses analysed, giving a usable response rate of 78.5%. Data were analysed using descriptive statistics, Pearson correlation and hierarchical moderated regression. The interaction between transformational leadership and corporate governance was positive and statistically significant ($B = .513$, $\beta = .212$, $p = .002$). Its inclusion increased the model's explained variance from 49.0% to 52.5% ($\Delta R^2 = .034$). The findings indicate that corporate governance strengthens the positive relationship between transformational leadership and organizational resilience. The study advances a governed-adaptation perspective in which leadership supports organizational adaptation and governance shapes the conditions under which adaptive action is exercised. Because the study is cross-sectional, the findings are interpreted as statistical relationships rather than causal effects.

KEYWORDS

Transformational leadership, Organizational resilience, corporate governance, construction sector, moderation, Kenya

I. INTRODUCTION

Construction firms operate in environments characterized by project complexity, resource constraints, regulatory requirements, multiple stakeholders and exposure to operational disruption. Such conditions require firms not only to maintain performance but also to anticipate threats, respond to disruption and adapt while sustaining or restoring critical functions. Organizational resilience is therefore an important organizational capability in the construction sector. Resilience is especially relevant to construction because disruption in one part of a project or supply network can affect schedules, costs, quality, contractual obligations and stakeholder confidence.

Leadership can contribute to resilience by helping organizational members interpret change, mobilize responses, challenge established routines and maintain commitment under uncertainty. Transformational leadership is associated with articulating direction, motivating followers, stimulating new thinking and supporting individual development. Evidence from Kenya also indicates a positive relationship between transformational leadership and organizational resilience among small and medium-sized enterprises. Research on construction projects similarly emphasizes the relationship between employee resilience and organizational resilience (Wang & Wang, 2024). These findings support examining leadership as a potential contributor to organizational adaptive capacity.

However, leadership operates within institutional and organizational arrangements that influence how decisions are made, monitored and implemented. Corporate governance encompasses structures and practices for oversight, accountability, compliance, stakeholder engagement and responsible decision-making (OECD, 2023). In construction, where firms manage substantial financial commitments, contractual relationships, regulatory obligations and stakeholder expectations, governance may shape whether leadership initiatives are appropriately evaluated, resourced and sustained. Research on infrastructure and construction governance has considered the relationship between governance arrangements, resource coordination and resilience.

Leadership and governance may therefore be complementary rather than independent organizational influences. Transformational leadership may encourage adaptation, mobilize employees and support new responses, while corporate governance provides oversight and accountability within which these responses are developed and implemented. Yet evidence on whether governance changes the strength of the relationship between transformational leadership and organizational resilience remains limited, particularly among NCA Category 1 construction firms in Nairobi City County. Examining corporate governance as a moderator addresses this gap by testing whether the leadership–resilience relationship varies with the governance context.

The study's objective was to examine the moderating role of corporate governance in the relationship between transformational leadership and organizational resilience among NCA Category 1 construction firms in Nairobi City County, Kenya. The hypothesis was: H₁: Corporate governance significantly and positively moderates the relationship between transformational leadership and organizational resilience.

II. LITERATURE REVIEW

A. Theoretical foundation

Dynamic Capabilities Theory provides the primary explanation for the relationship between transformational leadership and organizational resilience. Teece, Pisano and Shuen (1997) describe dynamic capabilities as firms' ability to integrate, build and reconfigure internal and external competencies in changing environments. Teece (2007) further emphasizes sensing developments, seizing opportunities and reconfiguring resources. Transformational leadership may support these processes by helping organizational members interpret change, mobilize collective responses, challenge established routines and develop capabilities for adaptation. From this perspective, leadership is relevant to resilience because it may help firms recognize emerging conditions and organize responses.

Agency Theory provides a basis for understanding the potential role of corporate governance. Jensen and Mackling (1976) explain how delegation of decision-making authority can create conflicts between principals and agents. Governance mechanisms such as oversight, reporting, monitoring, compliance and ethical standards can strengthen accountability and align managerial action with organizational interests. In this study, governance is considered not simply as a constraint on managerial discretion but as an institutional context that may help evaluate, resource and monitor adaptive initiatives.

Integrating these theories produces a governed-adaptation perspective. Dynamic Capabilities Theory explains the adaptive processes with which transformational leadership is associated, while Agency Theory explains how governance arrangements can provide oversight and alignment. The central proposition is that the positive relationship between transformational leadership and organizational resilience may be stronger where governance arrangements are effective. The study tests the interaction between transformational leadership and corporate governance; it does not directly test dynamic capabilities or governance practices as mediating mechanisms.

B. Empirical literature and hypothesis development

Prior research provides evidence of a positive relationship between leadership and resilience. Njaramba and Olukuru (2025) report a positive relationship between transformational leadership and organizational resilience among Kenyan SMEs, with employees' psychological capital included in their explanatory model. Bai et al. (2025) link transformational leadership with dual innovation and organizational resilience. Construction-related research also highlights the relevance of resilience at employee, project and organizational levels (Wang & Wang, 2024; Li et al., 2024). These studies provide a basis for expecting a positive association between transformational leadership and organizational resilience.

Corporate governance may also be relevant to resilience because oversight, compliance, stakeholder engagement and ethical standards influence how firms make and implement decisions under uncertainty. The OECD (2023) emphasizes governance principles related to accountability, transparency and board responsibilities. Studies of infrastructure and construction projects have examined how governance arrangements can influence resource and cognitive processes associated with resilience. These contributions suggest that governance may shape the organizational context in which leadership is exercised.

The two strands of literature leave an important question: does corporate governance change the strength of the transformational leadership–organizational resilience relationship? Where governance provides accountability, stakeholder coordination and responsible oversight, leadership initiatives may be more effectively evaluated and implemented. Conversely, weak governance may limit the translation of leadership intentions into coordinated organizational action. This reasoning supports testing a positive interaction between transformational leadership and corporate governance among construction firms in Nairobi City County.

Accordingly, the study tested the following hypothesis: H₁: Corporate governance significantly and positively moderates the relationship between transformational leadership and organizational resilience among NCA Category 1 construction firms in Nairobi City County, Kenya.

III. METHODOLOGY

A. *Research design, population and sampling*

The study adopted a positivist research philosophy and a quantitative cross-sectional survey design. The target population comprised 268 NCA Category 1 construction firms registered and operating in Nairobi City County. A sample of 177 firms was selected using simple random sampling, based on Yamane's (1967) sample-size formula at a 95% confidence level and 5% margin of error. A senior manager responded on behalf of each sampled firm. Of the 177 questionnaires administered, 142 were returned; three were excluded because of incomplete responses, leaving 139 valid cases and a usable response rate of 78.5%.

B. *Measures and data analysis*

Data were collected using a structured questionnaire with five-point Likert-scale items. Transformational leadership was measured through items covering visionary leadership, inspirational motivation, intellectual stimulation and individualized consideration. Corporate governance was measured as a composite construct covering board effectiveness, regulatory compliance, stakeholder engagement and ethical standards. Organizational resilience was measured as a composite construct covering adaptability, recovery capability, innovation and risk management. Composite scores were used in the analyses.

The reported internal-consistency coefficients were .821 for visionary leadership, .836 for inspirational motivation, .804 for intellectual stimulation, .818 for individualized consideration, .902 for corporate governance and .889 for organizational resilience. The Kaiser–Meyer–Olkin measure was .812 and Bartlett's test was significant, $\chi^2 = 246.131$, $df = 1128$, $p < .001$. These statistics supported the suitability of the measurement data for factorability assessment.

Data were analysed using SPSS. Descriptive statistics summarized the constructs, and Pearson correlation assessed their bivariate associations. Hierarchical moderated regression was used to test the hypothesis. Transformational leadership and corporate governance were mean-centred before computing the interaction term (TL $\times$ CG).

The first model included the main effects of transformational leadership and corporate governance; the second model added their interaction. The moderation hypothesis was evaluated using the interaction coefficient and change in explained variance. The study examined regression assumptions, including multicollinearity, independence of errors, linearity and homoscedasticity. Reported VIF values were 1.743 for transformational leadership, 1.561 for corporate governance and 1.315 for the interaction term. The Durbin–Watson statistic was 1.748. Ethical approval and relevant research authorizations were obtained before data collection; participation was voluntary, informed consent was obtained and confidentiality and anonymity were maintained.

IV. RESULTS

A. Descriptive statistics and correlations

The analysis included 139 valid responses. Mean scores were 4.2554 (SD = 0.34278) for transformational leadership, 4.3143 (SD = 0.29111) for corporate governance and 4.2977 (SD = 0.29781) for organizational resilience.

Table 1. Descriptive Statistics of Study Variables

Construct	N	Mean	SD
Transformational Leadership	139	4.2554	0.34278
Corporate Governance	139	4.3143	0.29111
Organizational Resilience	139	4.2977	0.29781

Pearson correlation analysis showed a positive association between transformational leadership and organizational resilience ($r = .512$, $p < .01$). Corporate governance was also positively correlated with organizational resilience ($r = .678$, $p < .01$). The observed correlations among the principal constructs were positive and statistically significant at $p < .01$.

B. Moderation analysis

In Model 1, which included transformational leadership and corporate governance, $R = .700$, $R^2 = .490$ and adjusted $R^2 = .483$; the model was statistically significant, $F(2, 136) = 65.429$, $p < .001$. After the interaction term was added in Model 2, R increased to $.724$, R^2 to $.525$ and adjusted R^2 to $.514$. The increase in explained variance was $\Delta R^2 = .034$, and the change in the model was statistically significant, $\Delta F(1, 135) = 9.705$, $p = .002$.

Table 2. Hierarchical Regression Model Summary

Model	R	R ²	Adjusted R ²	ΔR^2	ΔF	p
1. TL + CG	.700	.490	.483	—	—	< .001
2. TL + CG + TL × CG	.724	.525	.514	.034	9.705	.002

The interaction between transformational leadership and corporate governance was positive and statistically significant ($B = .513$, $\beta = .212$, $t = 3.115$, $p = .002$; 95% CI [.187, .839]). The main-effect coefficient for Transformational Leadership was $B = 3.113$, $\beta = .223$, $t = 2.849$, $p = .005$, while the coefficient for Corporate Governance was $B = .653$, $\beta = .638$, $t = 8.603$, $p < .001$.

Table 3. Regression Coefficients and Moderation Results

Term	B	β	t	p
Transformational leadership	3.113	.223	2.849	.005
Corporate governance	.653	.638	8.603	< .001
TL × CG interaction	.513	.212	3.115	.002

The hypothesis was supported: the positive and statistically significant interaction indicates that the relationship between transformational leadership and organizational resilience varied with corporate governance.

The histograms and corresponding Q–Q plots for corporate governance and organizational resilience are presented in Figures 1 and 2.

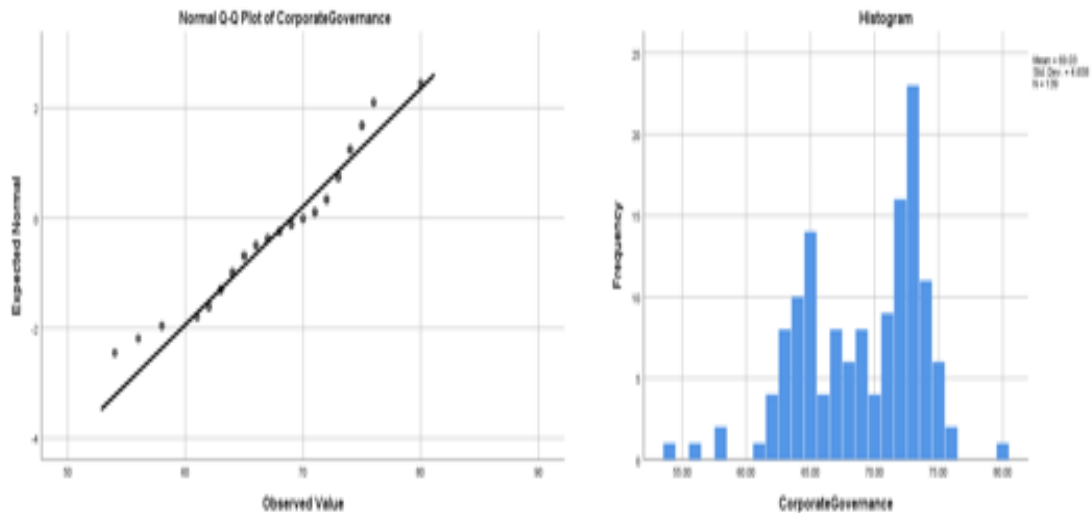


Figure 1. Histogram and Q–Q Plot for Corporate Governance

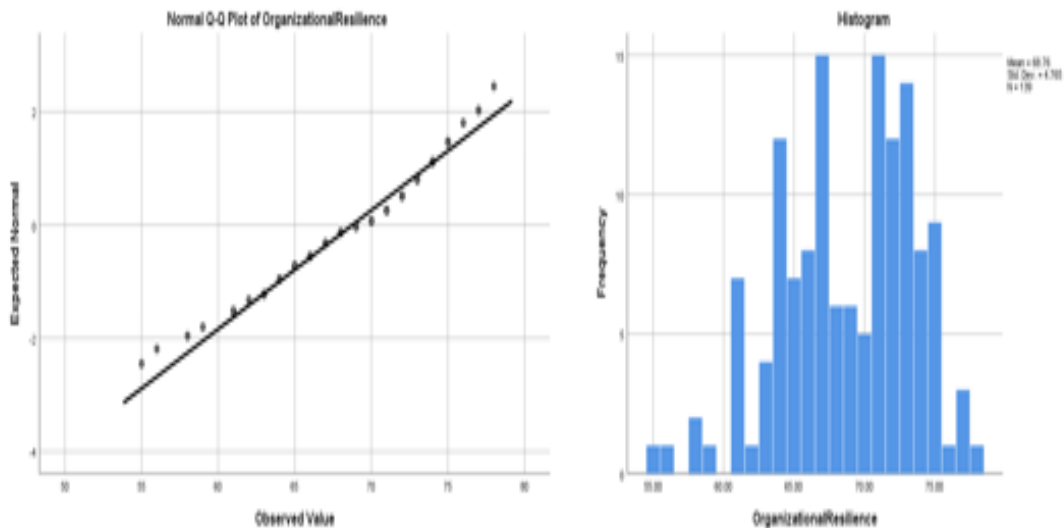


Figure 2. Histogram and Q–Q Plot for Organizational Resilience

Regression diagnostic plots are presented in Figures 3 and 4 to document the graphical assessment of model assumptions.

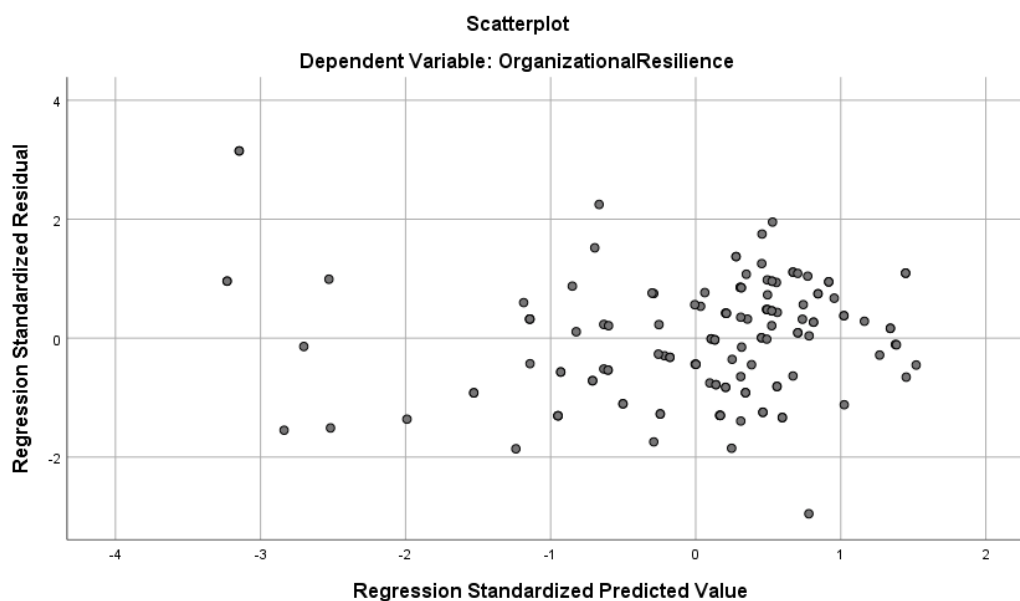


Figure 3. Scatterplot of standardized residuals against standardized predicted values

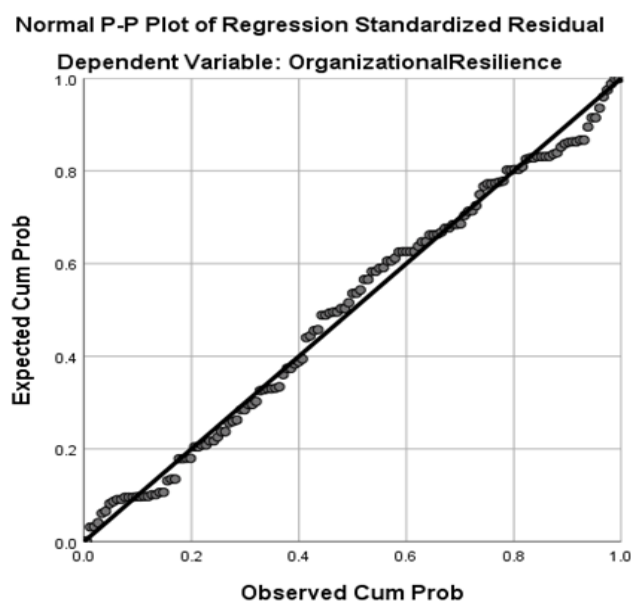


Figure 4. Normal P-P plot of regression standardized residuals

V. DISCUSSION

The principal finding is that corporate governance positively moderates the relationship between transformational leadership and organizational resilience. The interaction term was positive and statistically significant, and its inclusion increased the explained variance from 49.0% to 52.5%. The result indicates that the association between leadership and resilience

was stronger at higher levels of corporate governance, consistent with the study's moderation hypothesis. This interpretation concerns the fitted statistical relationship and should not be read as proof of causality.

The finding is consistent with the broader leadership–resilience relationship reported by Njaramba and Olukuru (2025) in Kenyan SMEs and with work connecting transformational leadership to innovation and organizational resilience (Bai et al., 2025). The present study extends this line of inquiry by testing governance as a condition that changes the strength of the relationship, rather than treating leadership and governance only as separate organizational factors.

The result also supports the governed-adaptation perspective developed from Dynamic Capabilities Theory and Agency Theory. Transformational leadership may help mobilize employees and support adaptation, while corporate governance provides oversight, accountability and decision discipline. In construction firms, where strategic decisions interact with contracts, regulatory obligations, resource commitments and multiple stakeholders, these arrangements may help ensure that adaptive initiatives are assessed and implemented responsibly. The study does not, however, directly test the specific processes through which governance strengthens the leadership–resilience relationship.

For construction firms, the findings suggest that leadership development and governance improvement should be considered together. Boards and senior managers can support adaptive action while maintaining clear accountability for resources, risk, compliance and ethical conduct. Governance should enable timely responses to changing project conditions without imposing unnecessary rigidity. Sector development programmes may therefore combine leadership competencies with board effectiveness, stakeholder engagement, regulatory compliance and ethical decision-making.

Several limitations qualify the interpretation. The cross-sectional design measures the constructs at one point in time and cannot establish causal direction. The use of self-reported responses from one senior manager per firm may introduce perceptual, common-method or single-informant bias. The sample was restricted to NCA Category 1 construction firms in Nairobi City County, so the findings should not automatically be generalized to other contractor categories or regions. Future longitudinal and multi-respondent research could examine how governance and leadership interact during actual disruptions and could test whether particular governance dimensions have different moderating relationships.

VI. CONCLUSION AND RECOMMENDATIONS

This study examined the moderating role of corporate governance in the relationship between transformational leadership and organizational resilience among NCA Category 1 construction firms in Nairobi City County. The interaction term was positive and statistically significant ($B = .513$, $\beta = .212$, $p = .002$), and its inclusion increased explained variance by 3.4 percentage points. The evidence supports the hypothesis that corporate governance strengthens the positive relationship between transformational leadership and organizational resilience. Given the cross-sectional design, the conclusion is about statistical moderation rather than demonstrated causality.

Construction firms should develop leadership capacity alongside governance arrangements that support accountable adaptation. Practical priorities include strengthening board oversight, regulatory compliance, stakeholder engagement and ethical standards while enabling managers to respond promptly to project and environmental changes. Future research should use longitudinal and multi-respondent designs, compare contractor categories and locations, and test the distinct moderating roles of individual governance dimensions.

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