

## Organizational Leadership and Sustainable Competitive Advantage of Islamic Financial Institutions in Kenya

Maleeha Muhidin<sup>1\*</sup>; Paul Katuse, PhD<sup>2</sup>; Timothy C. Okech, PhD<sup>3</sup>

<sup>1,2,3</sup> United States International University - Africa

Email: [muhidinmaleeha58@gmail.com](mailto:muhidinmaleeha58@gmail.com); [pkatuse@usiu.ac.ke](mailto:pkatuse@usiu.ac.ke); [tcokech@usiu.ac.ke](mailto:tcokech@usiu.ac.ke)

**\*Corresponding author**

Cite: Muhidin, M., Katuse, P., & Okech, T.C. (2026). Organizational Leadership and Sustainability Competitive Advantage of Islamic Financial Institutions in Kenya. *The University Journal*, 8(1), 101-115.

### Abstract

*This study investigated the effect of organizational leadership on sustainable competitive advantage of Islamic financial institutions in Kenya. Guided by the Strategic Intent Model and the Path-Goal Leadership Theory and employing a positivist mixed-methods research design, data were collected from 110 managers drawn from all nine licensed Islamic financial institutions operating in Kenya. Quantitative data obtained from managers in operations, business development, portfolio management, human resources, and finance were analyzed using SPSS version 26, while qualitative insights were gathered through interviews with senior executives, including directors and chief executive officers. The findings reveal that organizational leadership manifested through consultative leadership practices, ethical and Shariah-aligned conduct, strategic vision articulation, mentorship, and employee engagement has a positive and statistically significant effect on sustainable competitive advantage, explaining 16.1% of the variance ( $R^2 = 0.161$ ,  $\beta = 0.402$ ,  $p < 0.001$ ). Qualitative evidence further demonstrates that participatory, ethically grounded, and strategically focused leadership enhances institutional cohesion, employee commitment, and trust, while supporting effective strategy execution within a highly regulated and faith-based financial environment. The study concludes that organizational leadership constitutes a critical intangible capability through which Islamic financial institutions can differentiate themselves and sustain long-term competitive advantage. Strengthening inclusive, values-driven, and strategically aligned leadership practices is therefore essential for enhancing resilience and competitiveness in the Islamic finance sector.*

**Keywords:** Organizational Leadership, Sustainable Competitive Advantage, Islamic Financial Institutions, Kenya.

### Introduction

Organizations operating within the global financial sector increasingly face environments characterized by rapid technological advancement, regulatory reforms, market volatility, and intensifying competition (Chaniyas et al., 2019; Hitt et al., 2019). These conditions have heightened the importance of leadership as a strategic capability that guides organizations in aligning resources, motivating employees, and steering institutions toward long-term competitiveness. Contemporary strategic management literature emphasizes that sustainable competitive advantage is no longer derived solely from tangible assets, but from leadership-driven capabilities that foster adaptability, innovation, and strategic coherence (Ferlie & Ongaro, 2022).

Within financial institutions, organizational leadership plays a central role in translating strategic intent into actionable outcomes. Effective leaders articulate vision, guide decision-making, inspire employee commitment, and shape organizational culture in ways that support performance and competitive positioning (Bratton, 2023). According to Atrizka and Pratama (2022), leadership effectiveness is reflected in the ability to establish a clear direction, motivate staff, cultivate a supportive work environment, and align organizational actions with strategic goals and values. In highly regulated sectors such as finance, leadership further influences compliance, risk management, and ethical conduct, all of which are essential for sustained competitiveness.

Islamic financial institutions (IFIs) operate within particularly complex leadership environments due to the need to balance commercial objectives with strict adherence to Shariah principles. Beyond conventional financial regulations, leaders in IFIs must ensure that organizational decisions, practices, and innovations align with Islamic ethical values and stakeholder expectations (Soud, 2020; Rosly, 2022). Organizational leadership in this context extends beyond administrative oversight to include moral stewardship, strategic alignment, and the promotion of trust among employees, customers, and regulators. Strong leadership therefore becomes a critical mechanism through which IFIs differentiate themselves and sustain competitive advantage in the financial marketplace (Bananuka et al., 2020).

Globally, empirical studies demonstrate that effective organizational leadership enhances adaptability, innovation, and long-term performance in financial institutions. In Nigeria and Ghana, leadership commitment has been linked to improved service delivery, ethical governance, and institutional resilience in the banking sector (Ikpesu, 2021; Omoge et al., 2022). Similarly, in Malaysia, the growth of Islamic banking has been supported by strong leadership, skilled human capital, and strategic alignment between institutional vision and operational execution (Bananuka et al., 2020). These studies underscore that leadership is a foundational driver of sustainable competitive advantage, particularly in dynamic and ethically sensitive financial environments.

In Kenya, Islamic financial institutions have expanded their presence and contributed to financial inclusion; however, they continue to face challenges related to competitive positioning, profitability fluctuations, and strategic execution (Ali, 2021; Kulshrestha & Ali, 2019). Evidence suggests that some of these challenges are linked to leadership-related issues, including gaps in vision communication, employee motivation, and alignment between strategic objectives and operational practices (Abdi et al., 2020). As competition within the Kenyan financial sector intensifies, the role of organizational leadership in shaping institutional resilience and long-term competitiveness has become increasingly critical.

Despite the acknowledged importance of leadership in strategic management literature, limited empirical attention has been given to isolating the specific effect of organizational leadership on sustainable competitive advantage within Islamic financial institutions in Kenya. Many existing studies examine leadership as part of broader strategic intent execution frameworks or focus on conventional financial institutions, leaving a contextual and empirical gap regarding leadership dynamics in Shariah-compliant financial organizations (Alketbi et al., 2022; Argwins, 2023). Addressing this gap is essential for understanding how leadership capabilities contribute to sustained competitiveness in Islamic financial institutions operating in a dynamic and regulated environment.

## **Statement of the Problem**

Organizational leadership is widely recognized as a critical determinant of sustainable competitive advantage, particularly in environments characterized by rapid change, regulatory complexity, and heightened competition (Hitt et al., 2019). Effective leadership enables organizations to align strategic intent with operational execution, motivate employees, manage risk, and foster innovation, all of which are essential for long-term competitiveness (Ferlie & Ongaro, 2022). In financial institutions, leadership effectiveness directly influences strategic decision-making, employee engagement, and institutional performance outcomes.

Islamic financial institutions operate under unique constraints that intensify leadership challenges. In addition to conventional market and regulatory pressures, IFIs must ensure strict compliance with Shariah principles while remaining competitive and innovative (Soud, 2020; Rosly, 2022). Leaders in these institutions are therefore required to balance ethical governance, regulatory compliance, and strategic growth objectives. However, evidence suggests that many IFIs continue to experience leadership-related challenges, including weak strategic alignment, limited employee motivation, and insufficient leadership capacity to drive sustained competitive advantage (Abdi et al., 2020).

In Kenya, despite the expansion of Islamic financial institutions, some IFIs have recorded declining profitability and weakened competitive positioning. For example, First Community Bank reported a significant decline in net profits between 2012 and 2015, highlighting persistent performance challenges within the sector (Ali, 2021). Studies indicate that these challenges are partly attributable to leadership-related issues such as inadequate strategic direction, limited employee empowerment, and ineffective communication of organizational goals (Kulshrestha & Ali, 2019). As competition within the Kenyan financial sector intensifies, these leadership gaps pose a significant threat to the sustainable competitive advantage of IFIs.

Although existing literature extensively examines sustainable competitive advantage, much of it treats organizational leadership as a complementary or secondary factor within broader strategic frameworks. Few studies have empirically isolated organizational leadership as an independent predictor of sustainable competitive advantage in Islamic financial institutions, particularly within the Kenyan context (Alketbi et al., 2022; Argwins, 2023). Moreover, many studies focus on conventional banking institutions, limiting the applicability of their findings to Shariah-compliant financial organizations.

This gap presents a conceptual, contextual, and empirical problem. Without a clear understanding of how organizational leadership independently influences sustainable competitive advantage, Islamic financial institutions risk adopting fragmented leadership practices that fail to translate strategic intent into long-term competitive outcomes. Therefore, there is a need for a focused empirical investigation to examine the effect of organizational leadership on sustainable competitive advantage of Islamic financial institutions in Kenya. Addressing this gap contributes to strategic leadership literature and provides evidence-based insights to guide leadership development and strategic decision-making within the Islamic finance sector.

## **Purpose of the Study**

The purpose of this study was to determine the effect of organizational leadership on sustainable competitive advantage of Islamic financial institutions in Kenya.

## **Literature Review**

Mahdi and Almasafir (2019) evaluated how strategic leadership contributes to the development of a long-lasting competitive advantage in the academic setting. This study's intended population was all private universities. Data for the study were gathered via a "self-administered questionnaire" survey method. According to the statistical findings, strategic leadership competencies have a major beneficial influence on long-term competitive advantage. The study suggested examining the portfolio of resources, which includes social and human capital in addition to core competencies.

Adigüzel, Cakir & Küçükoğlu, (2020) carried out a study to establish the Effects of organizational consultation and participative leadership on organizational commitment and job satisfaction in organizations in Poland. Adequate consultation is one of the requirements for becoming a strong leader, since it has a favorable effect on both the leader and the workforce. In reality, maintaining a cordial relationship between employees and leadership is the most effective way to establish an effective working environment in organizational structures with participative leadership. White-collar workers in automotive businesses were the focus group in the manufacturing research; they were chosen especially because of their high status and demanding work environment. As part of the research's objectives, 334 employees participated in survey studies in 2019, and the SmartPLS 3.2 tool was used for the analysis. The analysis leads to the conclusion that job satisfaction and organizational commitment have a favorable relationship with participative leadership and organizational adequate consultation.

A survey by Abdi et al. (2023) shed light on how leadership style and consultation play a mediating role in the relationship between workplace stress and job performance in Iraqi public sector universities. The study employed the structural equation modeling method to evaluate the model, with job performance being defined as the dependent variable and the participative leadership style being examined as a mediating variable for the association. Role conflict, role burden, and work conditions were the three techniques used to quantify workplace stress. A sample of 120 valid responses from professors at public colleges in Baghdad, Iraq, were gathered for examination. The study concluded that the variables influencing academic success include competing roles and workplace environments.

Choiriah and Sudibyo (2020) in their descriptive survey conducted a study on the Impact of Organizational Culture, Competitive Advantage, and Sustainable Leadership on the Implementation of Management Accounting Information Systems (MAIS) in Bekasi. Utilizing original data that was collected by sending questionnaires to several Bekasi, West Java, manufacturing enterprises. The Porter's Diamond Model Questionnaire, which has five indicators for organizational culture, four indications for competitive advantage, and three indicators for sustainable leadership, was the source of the research instrument. SEM Partial Least Square was used for data processing. According to this study, the effective use of MAIS is positively and significantly correlated with competitive advantage, organizational culture, and sustainable leadership.

Kisingu (2019) evaluated the contribution of organizational leadership to long-term competitive advantage at public and private universities in Kenya. This study employed a cross-sectional survey research design and a quantitative research approach to examine the suggested hypotheses. Using the stratified random selection technique, a sample of 57 universities was selected from the target population of 67 universities authorized to provide higher education in Kenya. The sample

size constituted 285 academic leaders with whom self-administered questionnaires were used to gather primary data. The questionnaires were delivered using the drop-and-pick method. For analysis, a total of 215 full replies were utilized. Data was analyzed using the Statistical Packages for Social Sciences (SPSS) version 24 for both descriptive and inferential statistics. The findings from the study highlighted that organizational leader promote innovation as a means of creating value for customers and distinguishing the organization from competitors. They encourage experimentation, creativity, and knowledge sharing within the organization, fostering a culture of continuous improvement and entrepreneurial thinking. The present study will be carried out to establish the implementation of the intent execution strategies on the attainment of sustainable competitive advantage of Islamic financial institutions in Kenya.

## **Methodology**

### ***Research Design***

The study adopted a positivist philosophical paradigm and employed a mixed-methods research design. The quantitative phase was used to examine the effect of change management on sustainable competitive advantage of Islamic financial institutions in Kenya, while the qualitative phase provided explanatory insights into how change initiatives are planned, communicated, and implemented within Shariah-compliant financial institutions. The mixed-methods approach enhanced the robustness of the study by enabling triangulation of numerical findings with qualitative evidence, thereby offering a comprehensive understanding of change management as a strategic capability.

### ***Population and Sampling***

The target population comprised all nine (9) licensed Islamic financial institutions operating in Kenya, as reported by the Central Bank of Kenya. These included fully-fledged Islamic banks, Islamic banking windows within conventional banks, an Islamic Sacco, an Islamic investment bank, and an Islamic microfinance institution. The institutions formed the unit of analysis for the study.

The unit of observation for the quantitative phase consisted of 150 managers drawn from key functional departments, including operations, business development, portfolio management, human resources, and finance. These managers were selected due to their direct involvement in strategy execution, organizational change initiatives, and performance oversight. A sample of 110 managers was determined using Slovin's formula at a 95% confidence level and a 5% margin of error. Stratified sampling was applied to ensure proportional representation across the five managerial categories.

For the qualitative phase, purposive sampling was used to select 30 key informants comprising directors and chief executive officers of Islamic financial institutions, as well as senior representatives from the Kenya Bankers Association and the Central Bank of Kenya. These participants were chosen based on their strategic roles and involvement in decision-making and organizational transformation.

### ***Measurement of Variables***

Change management, the independent variable, was operationalized as a multidimensional construct encompassing adaptability and Market dynamics, employee engagement, risk mitigation

and strategic alignment. Measurement was conducted using a structured questionnaire with four Likert-scale items rated on a five-point scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Sustainable competitive advantage, the dependent variable, was measured using indicators related to customer loyalty and retention, innovation and product differentiation and brand reputation and trust.

All measurement items were rated on a five-point Likert scale. Reliability analysis yielded Cronbach's alpha coefficients exceeding 0.90 for both change management and sustainable competitive advantage, confirming strong internal consistency. Validity was established through expert review, Content Validity Index assessment, and exploratory factor analysis, which confirmed adequate construct validity.

### ***Data Analysis***

Quantitative data were coded and analyzed using SPSS Version 26. Descriptive statistics, including means and standard deviations, were used to assess the extent of change management practices within Islamic financial institutions. Inferential analysis was conducted using regression analysis to determine the effect of change management on sustainable competitive advantage.

Prior to hypothesis testing, diagnostic tests were performed to confirm compliance with regression assumptions. Linearity was assessed using scatter plots and correlation analysis, normality was examined through graphical methods and the Shapiro–Wilk test, heteroscedasticity was tested using the Breusch–Pagan–Godfrey test, multicollinearity was assessed using Variance Inflation Factors, and autocorrelation was examined using the Durbin–Watson statistic. The regression coefficients, model summary statistics, and significance levels were interpreted to establish the magnitude and direction of the relationship between change management and sustainable competitive advantage.

Qualitative data obtained through interviews were transcribed and analyzed thematically using NVivo software. Content analysis was employed to generate themes related to communication effectiveness, employee involvement, leadership support, and resistance management during organizational change. The qualitative findings were triangulated with quantitative results to enrich interpretation and enhance validity.

## **Results**

### ***Descriptive Statistics***

Descriptive results indicate that organizational leadership plays a significant role in enhancing sustainable competitive advantage (SCA) among Islamic financial institutions in Kenya. The aggregate mean score of 4.01 with a standard deviation of 0.92 reflects strong agreement among respondents that leadership practices are central to strategic direction, ethical governance, and institutional performance. The findings suggest that institutions characterized by effective leadership are better positioned to translate strategic intent into sustained competitive outcomes.

High mean scores were recorded for the role of leadership in achieving sustainable competitive advantage ( $M = 4.35$ ,  $SD = 0.845$ ) and consultative leadership practices ( $M = 4.31$ ,  $SD = 0.860$ ), indicating strong consensus that participatory and inclusive leadership is critical in Shariah-compliant institutions. Similarly, leaders' ability to articulate strategic vision and convert it into

SMART objectives was positively rated ( $M = 4.24$ ,  $SD = 0.782$ ), demonstrating that leadership is not only visionary but also execution-oriented.

Supportive leadership behaviors emphasizing moral conduct, mentorship, and employee wellbeing also received favorable ratings. Leadership alignment with Shariah principles ( $M = 4.11$ ,  $SD = 0.880$ ), mentorship provision ( $M = 4.01$ ,  $SD = 0.887$ ), and emotional support ( $M = 4.10$ ,  $SD = 0.876$ ) suggest that leadership in Islamic financial institutions is ethically grounded and people-centered. Encouragement of teamwork and collaboration further reinforces leadership's role in fostering collective performance and strategic coherence.

Relatively lower, though still positive, mean scores were observed for leadership approachability ( $M = 3.92$ ,  $SD = 0.889$ ), employee recognition ( $M = 3.96$ ,  $SD = 0.891$ ), and provision of resources ( $M = 3.94$ ,  $SD = 0.814$ ), indicating opportunities for strengthening interpersonal engagement and operational support. Overall, the moderate dispersion across indicators suggests convergence in perceptions, pointing to widespread institutionalization of leadership practices across Islamic financial institutions.

**Table 1**

*Descriptive Statistics for Organizational Leadership*

<b>Organizational Leadership Dimension</b>	<b>Mean</b>	<b>Std. Dev</b>
Leadership as a driver of SCA	4.35	.845
Consultative leadership practices	4.31	.860
Vision articulation and SMART goals	4.24	.782
Strategic goal alignment	4.08	.904
Moral and Shariah-aligned leadership	4.11	.880
Mentorship and guidance	4.01	.887
Teamwork and collaboration	4.02	.800
Performance communication	4.05	.922
Resource provision	3.94	.814
Leadership approachability	3.92	.889
Employee wellbeing support	4.10	.876
Employee recognition	3.96	.891
<b>Aggregate</b>	<b>4.01</b>	<b>0.92</b>

***Statistical Tests***

*Multicollinearity*

Multicollinearity diagnostics, as presented in Table 2 produced a tolerance value of 1.000 and a VIF of 1.000, confirming that organizational leadership operates as an independent predictor without linear dependence on other variables. Linearity tests showed a positive linear relationship between organizational leadership and sustainable competitive advantage, supporting the suitability of regression analysis.

**Table 2***Multicollinearity Test for Organizational Leadership*

Model		Collinearity Statistics	
		Tolerance	VIF
1	Organizational Leadership	1.000	1.000

a. Dependent Variable: Sustainable Competitive Advantage

*Normality*

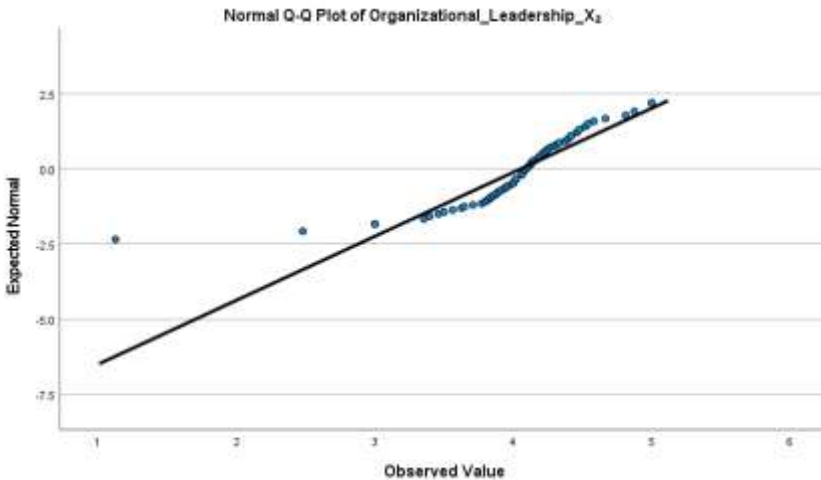
Normality tests (Kolmogorov–Smirnov and Shapiro–Wilk) indicated deviation from normality; however, given the adequate sample size ( $n = 104$ ), parametric analysis remained appropriate. The Durbin–Watson statistic of 1.441 suggested no serious autocorrelation. The Breusch–Pagan test revealed the presence of heteroscedasticity ( $p < 0.001$ ), indicating non-constant error variance and the need for cautious interpretation of standard errors.

**Table 3***Test of Normality for Organizational Leadership*

	Tests of Normality					
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Organizational Leadership	.168	104	.000	.783	104	.000

a. Lilliefors Significance Correction

A Q-Q plot was also used to visually assess the distribution of the Organizational Leadership variable. The plot showed clear deviations from the diagonal reference line, particularly at the tails, indicating non-normality. This visual evidence supports the Kolmogorov-Smirnov and Shapiro-Wilk test results, which also confirmed significant deviation from normality. While the sample size ( $n$ ) provides some robustness, the observed skewness and kurtosis suggest that regression results should be interpreted with caution, and additional diagnostics or robust estimation methods may be considered if needed.

**Figure 1**

*Normal Q-Q plot for Organizational Leadership*

### ***Regression Analysis for Organizational Leadership and SCA***

#### *Regression Model Summary*

Regression analysis revealed a moderate positive relationship between organizational leadership and sustainable competitive advantage ( $R = 0.402$ ). The  $R^2$  value of 0.161 indicates that organizational leadership explains 16.1% of the variance in sustainable competitive advantage, while the adjusted  $R^2$  of 0.153 confirms the model's explanatory relevance. The standard error of 0.564 suggests moderate unexplained variability, indicating that leadership is a meaningful but not exclusive determinant of competitive advantage.

**Table 4**

*Regression Model for Organizational Leadership on SCA*

<b>Model Summary<sup>b</sup></b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.402 <sup>a</sup>	.161	.153	.56401

a. Predictors: (Constant), Organizational Leadership

b. Dependent Variable: Sustainable Competitive Advantage

#### *Regression Coefficients*

The regression coefficients indicate that organizational leadership has a positive and statistically significant effect on sustainable competitive advantage. The unstandardized coefficient ( $B = 0.523$ ) implies that a one-unit improvement in organizational leadership leads to a 0.523-unit increase in sustainable competitive advantage. The standardized coefficient ( $\beta = 0.402$ ) reflects a

moderate effect size. The relationship was highly significant ( $t = 4.428$ ,  $p < 0.001$ ), confirming leadership as a substantive predictor of competitive advantage in Islamic financial institutions.

**Table 5**

*Coefficients for the effect of Organizational Leadership and SCA*

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.974	.482		4.095	.000
	Organizational Leadership	.523	.118	.402	4.428	.000

a. Dependent Variable: Sustainable Competitive Advantage

#### *ANOVA Results*

The ANOVA results confirm the overall significance of the regression model ( $F = 19.611$ ,  $p < 0.001$ ). The regression sum of squares (6.239) relative to the residual sum of squares (32.447) indicates that organizational leadership contributes meaningfully to explaining variations in sustainable competitive advantage.

**Table 6**

*ANOVA Table for Organizational Leadership and SCA*

		ANOVA <sup>a</sup>				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.239	1	6.239	19.611	.000 <sup>b</sup>
	Residual	32.447	102	.318		
	Total	38.686	103			

a. Dependent Variable: Sustainable Competitive Advantage

b. Predictors: (Constant), Organizational Leadership

## Qualitative Findings

Qualitative findings strongly reinforce the quantitative results by demonstrating that organizational leadership is perceived as consultative, ethically grounded, and strategically focused within Islamic financial institutions. Interviewed managers emphasized that leadership plays a central role in aligning daily operations with long-term strategic goals while ensuring compliance with Shariah principles. Participatory decision-making practices were reported to enhance employee ownership, accountability, and commitment to institutional objectives. Respondents further highlighted that consistent leadership visibility, ethical conduct, and emotional support foster trust and discipline across departments. While leadership was generally viewed as supportive, participants noted the need for stronger feedback mechanisms and increased engagement with junior staff to further enhance morale and performance. Overall, the qualitative insights confirm that organizational leadership is not merely symbolic but an operational driver of ethical governance, strategic alignment, and sustainable competitive advantage.

## Discussion of Results

The findings from the study reveal that organizational leadership is a statistically significant driver of sustainable competitive advantage (SCA) within Islamic financial institutions in Kenya. Regression results show that organizational leadership has a positive and significant influence on SCA ( $\beta = 0.402, p < 0.001$ ), explaining 16.1% of the variance in sustainable competitive advantage ( $R^2 = 0.161$ ). These results, when considered alongside the relatively high aggregate mean score ( $M = 4.01, SD = 0.92$ ), indicate that respondents not only perceive leadership practices to be strong but also recognize leadership as materially shaping competitive outcomes. Respondents strongly agreed that leadership is central to strategic direction, employee engagement, ethical conduct, and overall institutional performance. These findings are consistent with the resource-based view (RBV), which conceptualizes leadership as a core intangible asset that differentiates firms and sustains long-term advantage. The study further established that consultative and participatory leadership styles are both prevalent and valued across Islamic financial institutions. This is likely because inclusive leadership aligns organizational resources, motivates employees, and fosters ethical and strategic decision-making, thereby strengthening institutional capacity to achieve sustainable competitive advantage. High mean scores for consultative leadership and collaborative strategy alignment reinforce the view that inclusive leadership enhances organizational cohesion and strategic clarity. This aligns with the findings of Kassim and Hassan (2022), who observed that consultative leadership guided by *Shura* principles in Shariah-compliant institutions in Malaysia strengthened ethical alignment, employee commitment, and institutional performance.

Additionally, the results showed that leaders who articulate clear strategic goals and translate vision into SMART objectives are perceived as effective change agents. This is likely because clearly articulated goals and SMART objectives provide employees with direction and measurable targets, making it easier to implement strategies effectively and drive organizational performance. These outcomes are consistent with the study by Ahmed and Noor (2023), which concluded that Islamic banks that practiced visionary leadership, rooted in strategic clarity and values-based planning, reported stronger performance metrics and greater employee alignment with organizational goals. Ahmed and Noor emphasized that the integration of Islamic principles with modern management tools enhances leadership legitimacy and encourages stakeholder loyalty. Moreover, this study's findings on supportive leadership practices, such as mentorship, emotional support, and moral conduct, further reinforce the importance of ethical leadership within a faith-

based institutional framework. These results echo the conclusions drawn by Alsharif and Yahya (2021), who documented those Islamic financial institutions that embed compassion, justice, and employee well-being into leadership practices experience higher levels of job satisfaction, employee retention, and brand trust. Their study highlighted that leadership conduct based on *Adl* (justice) and *Ihsan* (benevolence) contributed to sustainable performance and internal harmony.

The positive ratings for interdepartmental collaboration and performance-focused communication underscore the role of leadership in breaking silos and maintaining accountability. This is likely because leaders who promote collaboration and performance-focused communication encourage information sharing, teamwork, and accountability, which enhance efficiency and contribute to sustainable competitive advantage. These insights align with the research of Farooq and Khan (2020), who found that Islamic banks in Pakistan that fostered a team-based culture through cross-functional leadership initiatives experienced greater innovation and efficiency in strategy execution. The study noted that such collaborative environments allowed for faster decision-making and adaptability two critical factors in competitive industries. However, while the overall perception of leadership was favorable, the study found moderately lower scores in areas related to interpersonal engagement, such as approachability and feeling personally valued by leadership. These findings indicate the need for enhanced interpersonal sensitivity and emotional intelligence at leadership levels. This mirrors the results of Nasir and Suleiman (2024), who noted that while Islamic financial institutions generally perform well in strategic and ethical leadership, gaps remain in relational leadership aspects. Their study suggested that improving leader visibility and fostering two-way communication can significantly enhance employee morale and loyalty.

Similarly, the provision of tangible support (resources and tools) recorded slightly lower ratings, pointing to potential gaps in equipping staff for effective strategy implementation. This is likely because without adequate resources and tools, employees may struggle to execute strategies efficiently, limiting the organization's ability to fully achieve sustainable competitive advantage. These findings are comparable to those of Mwangi and Mwaura (2021), who observed that in Kenyan banking institutions, strategic execution was sometimes hindered not by poor leadership intent but by logistical and resource allocation inefficiencies. They recommended stronger alignment between strategic planning and operational resourcing to maintain competitiveness.

Qualitative responses in the current study validated the quantitative data, with interviewees highlighting those leaders in Islamic financial institutions are generally consultative, strategic, and ethically grounded. However, several respondents emphasized the need for enhanced feedback mechanisms, greater leadership presence, and more structured recognition systems especially at lower and middle levels of the organizational hierarchy. These insights are corroborated by Mohammed and Ismail (2022), who concluded that feedback loops and leader-employee proximity are instrumental in nurturing trust, motivation, and proactive work behaviors in Islamic organizational contexts.

Qualitative results from interviews validated these quantitative patterns and offered deeper insights into the leadership dynamics within Islamic financial institutions. Respondents described leadership as both consultative and strategically focused, emphasizing that leaders play a crucial role in shaping institutional culture, setting long-term direction, and embedding ethical standards central to Islamic finance. Employees appreciated that their input is often sought in decision-making, reinforcing collaboration and ownership of strategic goals. At the same time, some participants noted areas for improvement, such as enhancing feedback mechanisms, strengthening

leader visibility, and improving interpersonal recognition, particularly at lower and middle organizational levels. Mentorship and moral guidance were frequently mentioned as valued aspects of leadership, with respondents highlighting that such practices inspire trust and motivation while aligning institutional behavior with Islamic principles. These qualitative perspectives enrich the statistical evidence by showing how leadership practices are experienced by employees on the ground both in terms of successes and areas for further strengthening.

## Conclusion

This study concludes that organizational leadership is a fundamental enabler of sustainable competitive advantage in Islamic financial institutions in Kenya. Leadership practices characterized by strategic clarity, ethical grounding, and consultative engagement were found to foster institutional cohesion, employee alignment, and performance excellence. The integration of Islamic values such as Shura (consultation), Adl (justice), and Ihsan (benevolence) into leadership approaches enhances legitimacy, trust, and stakeholder loyalty. However, the study also concluded that while strategic and ethical leadership practices are well established in Islamic financial institutions, there remain notable gaps in leader approachability, interpersonal engagement, and the provision of adequate resources for effective strategy execution. These shortcomings reflect underlying challenges in relational dynamics and operational alignment, which, if unaddressed, may limit the full realization of leadership's impact on sustainable competitive advantage.

## Recommendations

It is recommended by the study that Islamic financial institutions in Kenya strengthen organizational leadership by promoting greater leader approachability and enhancing interpersonal engagement across all levels of the institution. Leadership development programs should emphasize not only strategic and ethical competencies but also relational and emotional intelligence to foster stronger connections with employees. Institutions should also ensure that leaders are equipped with the necessary resources both human and financial resources to effectively implement strategic initiatives. Moreover, embedding core Islamic values such as Shura, Adl, and Ihsan more deeply into daily leadership practices can further reinforce legitimacy, trust, and long-term stakeholder loyalty. Regular leadership assessments and feedback mechanisms should be adopted to monitor leadership effectiveness and ensure continuous improvement in aligning leadership practices with sustainable competitive advantage.

## References

- Abdi, M., Omwenga, J., & Guyo, W. (2020). Effect of leadership on sustainable competitive advantage of Islamic commercial banks in Kenya. *IOSR Journal of Business and Management*, 22(3), 20–26.
- Adigüzel, Z., Çakır, F. S., & Küçükoğlu, M. T. (2020). Examining the effects of organizational consultation and participative leadership on organizational commitment and job satisfaction. *Journal of Organizational Culture, Communications and Conflict*, 24(1), 1–15.
- Ahmed, M. A., & Noor, S. M. (2023). Strategic leadership and organizational performance in Islamic financial institutions: The role of values-based management. *Journal of Islamic Accounting and Business Research*, 14(2), 245–262. <https://doi.org/10.1108/JIABR-06-2022-0178>
- Ali, F. (2021). *Factors influencing customer choice of Islamic banks in Kenya*. Umma University.

- Alketbi, L., Ellili, N., & Nobanee, H. (2022). Strategic intent and sustainable competitive advantage in Islamic financial institutions. *Journal of Islamic Accounting and Business Research*, 13(4), 553–570.
- Alsharif, M., & Yahya, S. B. (2021). Ethical leadership and employee outcomes in Islamic financial institutions. *International Journal of Ethics and Systems*, 37(4), 567–584. <https://doi.org/10.1108/IJOES-03-2021-0046>
- Argwins, E. (2023). Strategic intent execution and organizational performance in financial institutions. *International Journal of Strategic Management Studies*, 5(1), 22–37.
- Atrizka, D., & Pratama, I. (2022). The influence of organizational leadership on performance outcomes. *Revista de Psicologia del Deporte*, 31(1), 88–97.
- Bananuka, J., Katamba, D., Nalukenge, I., Kabuye, F., & Sendawula, K. (2020). Adoption of Islamic banking in a non-Islamic country: Evidence from Uganda. *Journal of Islamic Accounting and Business Research*, 11(5), 989–1007.
- Bratton, J. (2023). *Organizational leadership*. Sage Publications.
- Chanias, S., Myers, M. D., & Hess, T. (2019). Digital transformation strategy making in pre-digital organizations. *Journal of Strategic Information Systems*, 28(1), 17–33.
- Choiriah, S., & Sudibyoy, Y.A. (2020). Competitive advantage, organizational culture and sustainable leadership on the success of management accounting information system implementation. *Saudi Journal of Economics and Finance*, 481-487. DOI: 10.36348/sjef.2020.v04i09.009
- Farooq, M., & Khan, Z. (2020). Cross-functional leadership, collaboration, and competitive advantage in Islamic banking. *Journal of Islamic Marketing*, 11(6), 1523–1540. <https://doi.org/10.1108/JIMA-01-2019-0018>
- Ferlie, E., & Ongaro, E. (2022). *Strategic management in public services organizations*. Routledge.
- Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2019). *Strategic management: Competitiveness and globalization*. Cengage Learning.
- Ikpesu, F. (2021). Banking sector credit and growth in Sub-Saharan Africa. *Journal of Transnational Management*, 26(3), 164–178.
- Kassim, S., & Hassan, R. (2022). Shura-based leadership and organizational performance of Islamic financial institutions in Malaysia. *Asian Journal of Business Ethics*, 11(1), 65–82. <https://doi.org/10.1007/s13520-021-00141-2>
- Mavuti, B. M., Kisingu, T. M. & Oyoo, J. J. (2019). Effect of project management practices on implementation of Kenya Ports Authority Funded projects. *The Strategic Journal of Business & Change Management*, 6 (2), 1110 – 1129.
- Kulshrestha, P., & Ali, M. A. (2019). An overview of Islamic banking development in selected countries. *International Journal of Economics and Management Engineering*, 13(4), 374–388.
- Mahdi, O. R., & Almasafir, M. K. (2019). Strategic leadership and sustainable competitive advantage. *International Journal of Organizational Analysis*, 27(2), 348–365.
- Mohammed, A. A., & Ismail, N. A. (2022). Leadership feedback mechanisms and employee commitment in Islamic organizations. *Journal of Management Development*, 41(5), 327–344. <https://doi.org/10.1108/JMD-08-2021-0223>
- Mwangi, M. W., & Mwaura, K. G. (2021). Strategic leadership and execution challenges in the Kenyan banking sector. *International Journal of Business and Management Studies*, 13(2), 45–61.

- Nasir, M. A., & Suleiman, N. (2024). Relational leadership and employee engagement in Shariah-compliant financial institutions. *Journal of Islamic Management Studies*, 6(1), 1–18.
- Omoge, A. P., Gala, P., & Horky, A. (2022). Disruptive technology and leadership in emerging market banking. *International Journal of Bank Marketing*, 40(6), 1217–1247.
- Rosly, A. J. (2022). Measuring Shariah compliance models in Islamic banking. *Journal of Islamic Finance*, 11(1), 1–14.
- Soud, M. A. (2020). *Talent management practices and organizational performance in Islamic banks in Kenya*. Kenya Methodist University.