

ABSTRACT

Leaders play a vital role in the development of dynamic capabilities. However, the effects of leadership styles on firms' dynamic capabilities have not been fully explored, with relatively few studies examining the relationship between leadership and dynamic capabilities. This research examined the influence of transformational and transactional leadership styles on dynamic capabilities. Using data from 279 Kenyan firms. Data analysis was done using hierarchical linear regression model. The finding shows that transformational and transactional leadership styles influence the development of organizational dynamic capabilities. While the transformational leadership style leads to the development of sensing, seizing, and configuration capabilities, transactional leaders do not affect the development of sensing dynamic capabilities. However, they have significant effects on seizing and configuration capabilities development. This study develops knowledge that enables leaders, scholars and practitioners to understand how to use different leadership styles to pursue or develop different dynamic capabilities.