**Abstract**

Leadership skills are regarded as the basis of all administrative operations in any organization. The performance of any school is determined by the effectiveness of the principal and the leadership practices put in place. School leadership influences students’ academic performance and therefore understanding how different school leadership practices impact on students’ academic performance is important in setting the institutional direction the members should follow. This study was carried in Machakos county to investigate principals’ transformational leadership practice of setting institutional direction in determining students’ academic performance in public secondary schools in Machakos County, Kenya. The study adopted a descriptive survey design. The target population was 331 principals and 3,600 teachers. The study sampled 100 principals and 500 teachers. Data collection instruments included questionnaires for principals and teachers which had both closed and open-ended questions. The instruments were validated through piloting while reliability was achieved through test retest technique. Data was analyzed by use of SPSS. Descriptive statistics such as frequencies and percentages and inferential statistics like regression models were used to analyze the quantitative data. Qualitative data was analyzed thematically and presented in reported version. The results revealed that there was statistically significant relationship between principals’ setting of institutional direction and students’ academic performance which was positive at ($r = 0.67$) and significant at ($p = 0.011$). Based on the results, the study concluded that principals’ transformational leadership practice of setting institutional direction influenced students’ academic performance. The study recommended that the principals should increase transformational leadership practice of setting the school direction since it influences students’ academic performance.