

Journal of

# Business and Strategic Management

(JBSM)

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Agility and Financial Sustainability of Advocacy NGOs in Kenya



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## The Moderating Role of Donor Policies on the Relationship Between Strategic Agility and Financial Sustainability of Advocacy NGOs in Kenya

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Accepted: 6<sup>th</sup> March, 2026, Received in Revised Form: 24<sup>th</sup> March, 2026, Published: 30<sup>th</sup> March, 2026

### ABSTRACT

**Purpose:** This study aimed to examine the moderating effect of donor policies on the influence of strategic agility on the financial sustainability of NGOs in the advocacy sector in Kenya.

**Methodology:** The study utilised a mixed-methods research approach and adopted a cross-sectional survey design. The study's target population was 11,176 NGOs in the advocacy sector in Kenya, using a sample size of 384 NGOs, based on the Taro Yamane formula. 305 responses were received and analysed. Research instruments included questionnaires and checklists used to triangulate responses from questionnaires.

**Findings:** From the first model, strategic agility had positive significant association ( $B = .213$ ,  $\text{sig} = .000 < 0.05$ ) with the financial sustainability of NGOs in the advocacy sector in Kenya. With the introduction of the moderator in model 2, strategic agility still had a positive significant association ( $B = .069$ ,  $\text{sig} = 0.000 < 0.05$ ). Donor policies also had a significant positive association ( $B = .226$ ,  $\text{sig} = .000 < 0.05$ ). In the third model with the introduction of the interaction term strategic agility had a positive significant ( $B = 0.069$ ,  $\text{sig} = 0.000 < 0.05$ ), donor policies ( $B = 0.223$ ,  $\text{sig} = 0.000 < 0.05$ ); and the interaction between strategic agility and donor policies ( $B = 0.013$ ,  $\text{sig} = .441 > 0.05$ ). Thus, the moderation of donor policies on the relationship between strategic agility and donor policies is not significant.

**Unique Contribution to Theory, Policy and Practice:** The moderating role of donor policies in the NGO sector have also not been widely studied, yet they largely influence the strategic decisions made by NGO management. The study therefore makes a contribution in providing a glimpse on the influence that donor policies can have on the long term survival of NGOs in Kenya and the developing world, in general.

**Keywords:** *Strategic Agility, Donor Policies, Financial Sustainability*

## Introduction

The United Nations' 2030 Agenda, with its 17 Sustainable Development Goals (SDGs), calls for collective action to tackle poverty, hunger, and inequality while fostering sustainable communities (Blanco-Portela et al., 2018). In this landscape, NGOs worldwide and particularly in Kenya, drive change by delivering services, advocating for the marginalized, and modeling equitable practices. Kenyan NGOs, recognized as Public Benefit Organizations (PBOs) under the 2013 PBO Act, operate as independent, non-profit entities focused on public welfare, research, and advocacy in areas like refugee rights, child protection, and gender equity (NGO Coordination Act, 1990; PBO Act, 2013). Advocacy NGOs, in particular, champion systemic reforms by bridging gaps between vulnerable groups and resources (Cleveland State University, 2024).

Yet, financial sustainability poses a growing threat to these organizations, intensified by donor fatigue, economic downturns, and shifting global priorities. A 2018 survey of 800 non-profits revealed that 75% faced recession impacts, with over half enduring funding cuts (Renz, 2019). In Kenya, international donors once supplied 95% of NGO funding, but this has fallen to 70%, triggering program closures and service disruptions (National Council of NGOs, 2021). The COVID-19 crisis amplified donor caution, while decisions like the U.S. reduction in USAID funding under the Trump administration further strained Kenyan NGOs (Mohamed & Makori, 2022). Financial viability remains the bedrock of broader sustainability encompassing organizational capacity, networking, and service delivery, allowing NGOs to weather volatility and generate ongoing resources (Whittington et al., 2020; Boyes-Watson & Bortcosh, 2022; NGO Coordination Board, FY 2021/22; Francois, 2015).

The governments, multilateral and private agencies play a major role in shaping recipient nations' policies. Their sway often stems from recipients' heavy dependence on foreign aid, enforced via loan conditions or targeted program funding tied to specific strategies (Khan et al., 2018). Remarkably, this influence extends to NGOs even without massive financial inflows. Despite shifts like dropping strict conditions or offering direct budget aid, donors deploy subtler tactics to maintain control. These "post-conditionality" methods, sometimes called the "new aid approach," embed influence through everyday tools like strategic planning, budgeting, and monitoring (Khan et al., 2018). Beyond traditional vertical projects or broad budget support, donors now push for overhauls in planning and decision-making systems. Yet this raises issues: donor agendas can eclipse local programs and priorities, ignore NGOs' inherent strengths and capacity to absorb aid, and hinder long-term sustainability after funding dries up. More critically, it sparks governance dilemmas, such as weakened accountability to communities and eroded ownership of policies, principles that global health players claim to champion.

Non-governmental organizations (NGOs) operate within a funding environment that is largely shaped by donor policies. For NGOs to grow and remain financially stable, donors need to create conditions that support long-term sustainability rather than short-term project survival (Oluoch, et

al, 2021). This means putting in place funding guidelines that not only facilitate smooth operations but also allow NGOs to respond meaningfully to the needs of their beneficiaries while maintaining a reasonable level of independence (Pallas & Sidel, 2020). However, research shows that the relationship between donors and NGOs is often marked by dependency. Reckhow (2016) describes this as a patronage relationship, where organizations rely heavily on funders and gradually lose autonomy. In such cases, NGOs may align their programs more closely with donor priorities than with community needs (Atia & Herrold, 2018). Some scholars argue that NGOs sometimes demonstrate loyalty to donor agendas as a practical strategy to secure continued funding (Morrar & Sultan, 2020).

The situation in Palestine reflects these concerns. Many Palestinian NGOs depend significantly on foreign aid, making them largely donor-driven. While donor oversight can promote professionalism and stronger regulation, it can also shift accountability upward toward funders rather than downward toward local communities (Atia & Herrold, 2018). As noted by Morrar and Sultan (2020), project goals and funding allocations are frequently shaped by external actors, with limited participation from local stakeholders. This imbalance has contributed to unequal power dynamics between donors and recipients, weakened local ownership, and raised concerns about the legitimacy and long-term sustainability of the NGO sector. As a result, public debates in Palestinian society increasingly question the effectiveness and underlying intentions of NGO programs. Financial sustainability remains closely tied to fluctuations in external aid, leaving many organizations vulnerable to funding cuts and political shifts (Morrar & Sultan, 2020; Atia & Herrold, 2018).

### **Statement of the Problem**

Non-governmental organizations (NGOs) in Kenya's advocacy sector face persistent financial instability, which undermines their ability to deliver reliable services and advocate effectively for social change (Diaz & Rees, 2020; Nanthagopan et al., 2019). In the 2020/21 financial year, the sector's overall financial sustainability index hovered at just 53%, with a specific rating of 38% for financial health. Of the 12,162 NGOs registered since the sector board's establishment, only 9,794 or about 80%, remained operational by 2021 (Annual NGO Sector Report, FY 2020/21). This vulnerability stems largely from heavy reliance on external donors, who supplied 84% of funds that year, while locally generated income accounted for a mere 3.8% and unrestricted donor funds were minimal. Such patterns leave few NGOs with sustainable surpluses or diversified revenue streams, rendering the sector precarious.

Crises like the COVID-19 pandemic intensified these challenges, slashing donations by 57% and forcing many NGOs to scale back or shutter advocacy programs (Kim & Mason, 2020). In Kenya, international donors historically covered 95% of non-profit funding, but recent drops to around 70% have triggered widespread disruptions in beneficiary services (National Council of NGOs, 2021). Compounding this, policy shifts such as the Trump administration's cuts to USAID and

U.S. government aid to developing nations, have heightened donor caution, further straining Kenyan NGOs. While strategic agility enables NGOs to adapt swiftly to shifting environments and bolster financial resilience (e.g., through flexible resource mobilization and program pivots), its effectiveness appears limited in Kenya's advocacy sector without supportive donor policies. Rigid donor requirements often constrain agility, moderating its positive impact on sustainability by prioritizing short-term compliance over long-term viability. This raises a critical research gap: How do donor policies moderate the relationship between strategic agility and financial sustainability among Kenyan advocacy NGOs? Without empirical insight into this dynamic, these organizations risk ongoing closures and diminished advocacy impact, perpetuating service gaps in a vital sector.

### ***Objective of the Study***

The study aimed to examine the moderating influence of donor policies on strategic agility and financial sustainability of NGOs in the advocacy sector in Kenya

### ***Research Hypothesis***

The study tested the following research hypothesis:

H<sub>01</sub>: Donor policies do not have significant moderating effect on the relationship between Strategic Agility and Financial sustainability of NGOs in the advocacy sector in Kenya.

## **LITERATURE REVIEW**

### ***Theoretical Framework***

The study was guided by the dynamic capabilities theory. The dynamic capabilities framework, first outlined by Teece, Pisano, and Shuen in 1997, explains how organizations stay competitive amid constant change. It highlights three key elements: the range of options shaped by past decisions, the mix of tangible and intangible resources, and organizational processes like managerial skills, routines, and learning patterns. Firms that excel here can spot opportunities or threats, seize them by reallocating resources, and continually renew themselves, as Teece later described in 2019. This approach ties directly to strategic agility, where leaders build flexibility, refresh skills, and align with shifting surroundings to drive lasting performance. In essence, dynamic capabilities empower organizations to turn environmental turbulence into advantage rather than letting history or rigid structures hold them back. When applied to NGOs, especially in advocacy work, this framework positions strategic agility as a core process for sensing market shifts and responding swiftly, much like Eisenhardt and Martin (2000) described it as routines for integrating and reshaping resources to match evolving demands. Scholars like Ngo and Vu (2020) and Arokodare and Asikhia (2020) build on this by framing agility as the capacity to detect changes quickly, grab new possibilities, and outpace rivals through adaptive actions. For Kenyan NGOs facing donor volatility and crises, nurturing these capabilities means reinventing resources to secure financial stability, avoiding the performance slumps seen in less adaptable groups.

Ultimately, the theory urges NGO managers to treat agility not as a one-off tactic but as an ongoing evolution toward sustainable goals.

This framework supports examining donor policies as a moderator in the link between strategic agility and financial sustainability for Kenyan advocacy NGOs. Donor policies such as funding conditions, reporting mandates, and restrictions shape the principal-agent dynamic by imposing external checks that amplify or constrain management's agility in resource reconfiguration and adaptation. Strong policies can mitigate information gaps and moral hazards, enabling agile strategies to more effectively drive surpluses and stability; weak ones, however, may exacerbate conflicts, diluting agility's benefits. By moderating this relationship, donor policies bridge dynamic capability insights with practical NGO resilience, offering a lens to explore how tailored oversight fosters accountability without stifling flexibility.

### *Conceptual Framework*

This study was guided by the following conceptual framework that shows a diagrammatic representation of the relationship between the variables.

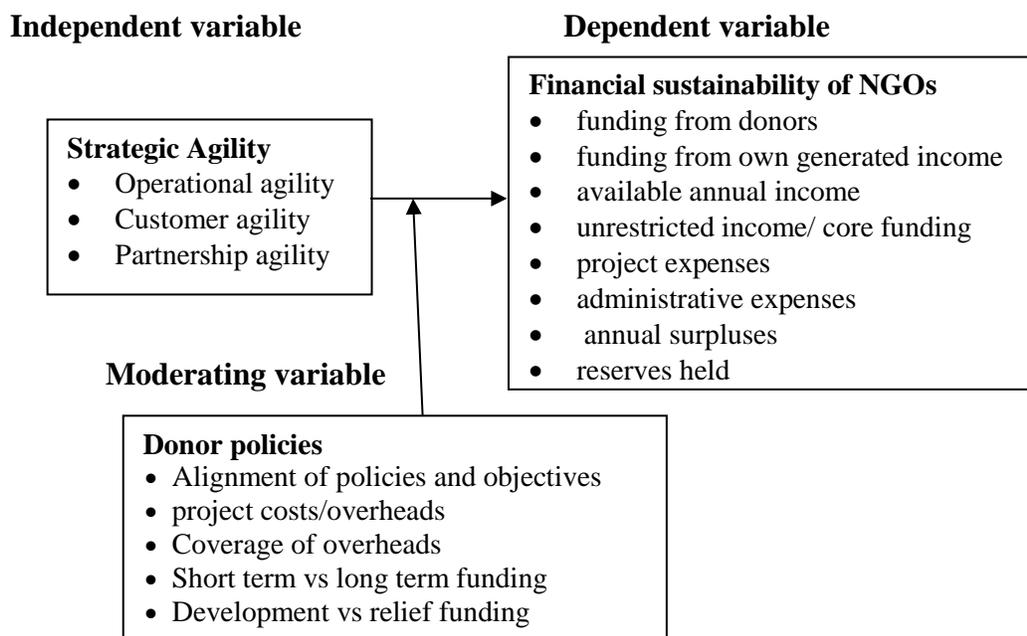


Figure 1: Conceptual Framework

### **Strategic Agility**

Strategic agility goes beyond quick reactions by emphasizing proactive anticipation of environmental shifts and strategic foresight, allowing organizations to apply market insights for seizing opportunities in turbulent settings (Amini & Rahmani, 2023). It pairs especially well with sustainability goals, delivering benefits like diverse offerings with lower environmental harm, cost savings, and stronger market survival odds. As businesses face pressure to minimize negative

impacts, they increasingly embrace flexible structures, agile capabilities, and innovation-driven cultures to tackle sustainability challenges head-on by adapting processes effectively to meet external demands (El-Khalil & Mezher, 2020).

Strategically agile organizations excel at rallying limited resources and skills to respond rapidly to surprises, opportunities, or threats, making them vital for navigating resource strains and broader environmental pressures. They vigilantly scan internal and external landscapes for faster insights than rivals, stay attuned to innovation signals, and redirect fluid assets to align with new needs smoothing operations for prompt action (El-Khalil & Mezher, 2020). Seen as a core competitive edge, agility demands flexibility across speed, responsiveness, competency, and adaptability, achieved by blending resources and knowledge to deliver what customers want in unpredictable settings (Denning, 2017). Ultimately, it serves as an essential survival strategy for thriving amid complexity and turbulence (Wangasa, 2018).

Strategic agility ties into operational, customer, and partnering dimensions, each boosting an organization's edge in dynamic settings. Operational agility sharpens everyday processes, tech, and routines to seize opportunities and tackle hurdles faster than rivals, driving revenue growth and customer satisfaction as nine in ten executives now see it as key to success (Goel, 2021). Customer agility focuses on channeling resources to track shifting market signals and meet evolving needs through flexible routines, acting as a customer-driven strength (Zhou et al., 2018; Roberts & Grover, 2012; Ngo & Vu, 2020). Partnering agility, meanwhile, draws on donor expertise and assets to build strong ties, smooth resource flows, and handle disruptions which are crucial for NGOs aiming to sustain beneficiary services amid volatility (Sun, Sarfraz, Turi, & Ivascu, 2022).

### **Donor policies**

Donor funding remains the backbone for Kenyan NGOs, yet it swings with global economic tides such as the 2023 Ukraine war disrupting flows and erratic policy shifts from bilateral and multilateral sources, where rules, priorities, and requirements vary even across grants from the same donor (Mawudor, 2016). Unpredictable disbursements, rigid bureaucracy, and poor coordination among funders hinder timely interventions, while post-2015 cuts followed Kenya's upper-middle-income reclassification and a focus on short-term relief over lasting development (Mureithi, 2019). Amid fierce competition and shrinking budgets, this donor-centric model raises a pressing issue: how do such dominant, fluctuating policies affect NGOs' financial sustainability without compromising community services or beneficiary responsiveness (Morrar & Sultan, 2020).

Donors increasingly tighten policies by slashing overhead support, eroding the base of NGO financial stability and often leaving project costs partially uncovered (McClish & Reeve, 2018; Raffo et al, 2016). Many now demand matching funds or co-contributions from NGOs before approving grants, sidelining those without reserves, while rarely covering full expenses or

contingencies sparking the "non-profit starvation cycle" where organizations raid savings, slash admin to stay lean, and skip essentials like tech upgrades to win competitive bids (Boyes-Watson & Bortcosh, 2022; Burkart et al, 2018). This squeeze hampers capacities, as balancing skimpy budgets without cutting staff or tools proves nearly impossible under donor pressure (Coupet & Berret, 2019).

Overhead costs covering admin like support salaries, IT, legal, and insurance, plus fundraising for grants and donations, are essential for NGOs to run programs and grow efforts, yet donors often balk at funding them (Meer, 2017). This hesitation starves future revenue streams and stems from biases, like donors shunning CEO pay despite its necessity, leading to counterproductive restrictions that prompt underinvestment (Mitchell, 2022; Nobel, 2015; Stinn, 2019). Consequently, NGOs either skimp with low wages, volunteers, and outdated tools or fudge reporting to appease funders, trapping everyone in a vicious starvation cycle that erodes infrastructure and reinforces flawed expectations (Altamimi & Liu, 2022). Donors tend to view administrative costs with suspicion, and nearly two-thirds think NGOs overspend there, which tempts charities to cut back on key infrastructure like talented staff and hampers their service delivery (Meer, 2017). Such restrictions, driven by funders or regulators, make it harder to lure top talent with market-rate pay, leaving nonprofits sidelined in hiring while they shy away from admitting real program costs or investing in capacity-building like evaluations and marketing despite how that ties directly to better outcomes (Otten, 2018). Broader pressures from watchdogs, media, and even laws to slash overheads often result in low wages, thin staffing, and weak benefits, complicating efforts to attract and hold onto strong performers (Stinn, 2019).

## **Research Methodology**

### *Research philosophy and design*

This research study adopted a postpositivist research philosophy, as recommended by Creswell & Creswell (2017). Mertens (2017) contends that positivism philosophy can be used in a social world setting, assuming that a social world setting could be considered in the same manner as a natural world setting, utilising value-free techniques that provide descriptions of a causal nature. This study utilised the mixed methods research approach and adopted a cross-sectional survey design. Use of cross-sectional survey design is applicable for such a study, as data on the financial sustainability of NGOs operating in the advocacy sector in Kenya was collected and analysed at one point in time while testing research hypotheses. Cross-sectional survey design has the advantage of giving the least cost per respondent compared to other methods.

### *Study Population*

According to the NGO coordination board, there are 320,000 NGOs registered in Kenya under various laws, out of which 3.5% are in the advocacy sector. (ICL-A, 2017). Thus, 11,176 NGOs in the advocacy sector were the unit of analysis.

### *Sample size*

The sample size of 384 NGOs was obtained using the Taro Yamane formula also known as Michael Slovin theory (Yamane, 1967). This was a representative size for a target population of 11,176; while the actual respondents from the NGOs were stratified based on the type of NGO (Local, National or International) and selected using simple random sampling. The sample size was then studied and inference made to the larger population.

### *Data Collection and administration*

Data collection relied on a structured questionnaire blending closed- and open-ended questions to capture quantitative metrics and qualitative insights aligned with the study's objectives and theoretical constructs. Distributed via Google Forms amid COVID-19 travel curbs, it was promoted across national and county-level NGO advocacy forums, with key influencers enlisted to boost responses; responses were logged and summarized in Google Sheets. For triangulation, I purposively targeted advocacy NGOs in Nairobi and Kajiado counties, securing willingness for follow-up: 23 in-person interviews (despite restrictions) and 16 online, reviewing their questionnaires alongside checklists. Secondary data from five-year financial statements allowed recomputation of income, expenses, surpluses, and reserves for cross-verification against questionnaire entries, another checklist confirmed alignment. Of 39 cases, 38 showed strong consistency across methods, lending confidence to the dataset's reliability despite not covering the full sample.

### *Validity and reliability of the Instrument*

To validate the questionnaire, a pilot test was conducted on 30 respondents (about 10% of the target sample, per Baker, 2003), drawing from literature reviews to confirm comprehensive coverage of constructs while dropping irrelevant items. These pilot NGOs were excluded from the main study to avoid overlap. Reliability for Likert-scale items was assessed via Cronbach's alpha (Cronbach, 1951), targeting scores from 0 to 1, with 0.7 or higher signaling solid internal consistency.

### *Data analysis & Presentation*

Results were visualized through tables and figures for clear insight into strategic agility's impact on financial sustainability among Kenyan advocacy NGOs. Raw data underwent editing, coding, cleaning, and verification to curb entry errors. and standard deviations, summarized patterns, while inferential tests included Pearson correlations, simple linear regression and t-tests at a 0.05 significance level to probe hypotheses

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

## **Results of the Study**

### *Descriptive Statistics of Strategic Agility and Financial Sustainability of NGOs in the Advocacy*

*Sector in Kenya*

To assess the extent to which strategic agility influences financial sustainability of NGOs in the Advocacy sector in Kenya. To achieve this, the respondents were asked to give their opinions based on their level of agreement or disagreement with the statements based on a Likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree. The results were presented in Table 1.

**Table 1: Strategic Agility and Financial Sustainability of NGOs in the Advocacy Sector in Kenya**

Strategic Agility Cronbach's alpha = 0.611	D %	SD %	N %	A %	SA %	Mn	Std. Dev
The organisation accomplishes quick delivery of programmes.	0	1	17	56	26	4.08	0.682
The organisation efficiently redesigns programmes to adapt to environmental changes.	1	5	15	50	29	4.01	0.847
The organisation is quick to adapt to environmental opportunities.	0	2	14	43	40	4.21	0.782
When the organisation identifies a new need for beneficiaries and donors, management is quick to respond to it.	0	19	57	23	0	3.04	0.673
The organisation quickly implements planned activities regarding beneficiaries and donors.	0	25	51	24	0	2.99	0.709
When the organisation partners with other organisations, management can combine, recombine, and create new business processes at short notice.	1	29	46	25	0	2.94	0.750
Through online, rapid, and up-to-date communication across partnerships, the organisation reduces information discrepancies.	0	37	46	17	0	2.79	0.713
Working with other organisations brings about new ways of managing organisational structures and partnerships.	38	14	12	9	27	2.73	1.661
<b>Composite mean and standard deviation</b>						<b>3.35</b>	<b>0.85</b>

Table 1 presents the responses of strategic agility on financial sustainability. The average score for this variable was found to be 3.35 with a standard deviation of 0.85. This means that on average, there was a general consensus that strategic agility influenced the financial sustainability of NGOs in the advocacy sector in Kenya. This is in line with the literature review on the strategic management practice where most of the studies found a relationship between strategic agility and financial sustainability.

### Donor policies and Financial Sustainability of NGOs in the Advocacy Sector

To examine how donor policies influences financial sustainability of NGOs in the Advocacy sector in Kenya, the respondents were asked to give their opinions based on their level of agreement or disagreement with the statements based on a Likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree. The results were presented in Table 2.

**Table 2: Donor policies and financial sustainability**

Donor policies	Cronbach alpha = 0.790	SD %	D %	N %	A %	SA %	Mean	Std. De
Organisational strategic direction is aligned with donor policies		4	6	17	32	1	4.01	1.071
Beneficiary needs are aligned with donor policies		4	6	17	32	41	4.01	1.071
Projects are focused on relief and aid i.e., short term rather than development i.e., long term		3	6	12	33	46	4.13	1.039
Projects are mainly funded for periods of one year or less		1	6	14	49	29	3.98	0.898
Donors have funded the organisation consistently for the last five years		0	5	44	48	4	3.50	0.655
Donors provide restricted funds to support project implementation		0	5	40	52	4	3.55	0.648
Donors provide 100% of project costs		0	6	38	51	5	3.54	0.687
The NGO is required to provide a percentage of projects costs to cover administration costs and overheads		0	6	46	43	6	3.48	0.693
<b>Composite mean and standard deviation</b>							<b>3.74</b>	<b>0.81</b>

The average score for this variable was found to be 3.74 with standard deviation of 0.81. This means that on average there was a general consensus that donor policies had an influence on the financial sustainability of NGOs in the advocacy sector in Kenya. This is in line with the literature review on the strategic management practice where most of the studies found a relationship between strategic agility and financial sustainability.

## Financial Sustainability

**Table 3: Financial sustainability**

Financial sustainability (Million KES)	< 5	5 – 11	11 – 16	16 – 20	> 20	Mean	Std Dev
Cronbach alpha = 0.795	%	10 %	15 %	%	%		
Average annual funding from donors over the last five years	20.31	24.31	18.41	18.41	18.71	2.87	1.444
Average annual funding from own generated income over the last five years	34.81	48.21	12.11	0	4.91	1.74	0.857
Average increase in available annual income over the last five years	41.61	29.21	13.11	4.61	11.51	2.21	1.121
Average annual unrestricted donor income/core funding over the last five years	40.01	45.61	7.51	2.01	4.91	1.78	0.926
Average annual project expenses over the last five years	37.71	45.61	11.11	2.61	3.01	1.79	0.939
Average annual administrative expenses over the last five years	38.41	49.21	6.91	1.31	4.31	1.70	0.873
Average annual surpluses in the last five years	51.51	33.41	8.51	2.31	4.31	1.90	0.889
Average annual reserves held in the last five years	33.41	32.51	16.11	4.61	13.41	2.24	1.175
<b>Composite mean and standard deviation</b>						<b>2.03</b>	<b>1.03</b>

The average score for the dependent variable was 2.03 with standard deviation of 1.03. This means that on average there was a general consensus that NGOs in Kenya have challenges with financial sustainability. Results from the above analysis of financial sustainability of the sampled NGOs revealed that majority of NGOs in Kenya had challenges with financial sustainability. These findings are in line with earlier studies by scholars such as Mawudor (2016), who noted that the NGO sector in Kenya faces a major problem with regard to financial sustainability.

### *Inferential Statistics of Donor policies, Strategic Agility and Financial sustainability of NGOs in the advocacy sector in Kenya*

Correlation and regression analysis were both conducted to determine the relationship between donor policies, strategic agility and financial sustainability of NGOs in the advocacy sector.

**Table 4:** Correlation between Donor Policies, Strategic Agility and Financial sustainability of NGOs in the advocacy sector in Kenya

Variables		Financial sustainability	Strategic Agility	Donor Policies
Financial sustainability	Pearson Correlation	1	0.362**	0.760**
	Sig. (2-tailed)		0.000	0.000
	N	305	305	305
Strategic Agility	Pearson Correlation	0.362**	1	0.174**
	Sig. (2-tailed)	0.000		0.002
	N	305	305	305
Donor Policies	Pearson Correlation	0.760**	0.174**	1
	Sig. (2-tailed)	0.000	0.002	
	N	305	305	

\*\* Correlation is significant at the 0.05 level (2-tailed)

The correlation output in Table 4 shows Financial sustainability shows a strong positive link with donor policies ( $r = 0.760$ ,  $p = 0.000$ ), suggesting donor policies or funding approaches substantially bolster long-term financial health in this context. The relationship between financial sustainability and strategic agility is moderate ( $r = 0.362$ ,  $p = 0.000$ ), implying organizations that adapt strategies flexibly tend to sustain finances better, though not overwhelmingly so. Strategic agility and donor policies have a weak but notable positive correlation ( $r = 0.174$ ,  $p = 0.002$ ), hinting that donor expectations may mildly encourage nimble operations. In public administration contexts, this pattern might signal how donor-driven policies enhance financial resilience while fostering some agility.

*Regression Analysis of Donor Policies, Strategic Agility, and Financial Sustainability of NGOs in the Advocacy Sector in Kenya*

Additionally, to estimate the overall moderating effect of donor policies on the relationship between strategic agility and financial sustainability of NGOs in the advocacy sector in Kenya, a stepwise multiple regression analysis was run the results are shown in Table 5 It was important to establish the amount of contribution that moderator on the relationship between strategic agility and financial sustainability These results on regression coefficient and was reported using the t-value statistics.

**Table 5.** Regression Coefficients of donor policies, strategic agility and financial sustainability of NGOs in the advocacy sector in Kenya

Model		Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	1.874	0.032	57.735	0.000
	Strategic Agility	0.213	0.033	6.561	0.000
2	(Constant)	1.874	0.015	126.709	0.000
	Strategic Agility	0.069	0.017	4.182	0.000
	Donor policies	0.226	0.027	8.509	0.000
3	(Constant)	1.875	0.019	101.021	0.000
	Strategic Agility	0.069	0.017	4.164	0.000
	Donor policies	0.223	0.028	8.006	0.000
	SA_DP	0.013	0.017	0.771	0.441

Dependent Variable: Financial sustainability

From the first model, strategic agility had positive significant association ( $B = .213$ ,  $\text{sig} = .000 < 0.05$ ) with the financial sustainability of NGOs in the advocacy sector in Kenya. With the introduction of the moderator in model 2, strategic agility still had a positive significant association ( $B = .069$ ,  $\text{sig} = 0.000 < 0.05$ ). Donor policies also had a significant positive association ( $B = .226$ ,  $\text{sig} = .000 < 0.05$ ). In the third model with the introduction of the interaction term strategic agility had a positive significant ( $B = 0.069$ ,  $\text{sig} = 0.000 < 0.05$ ), donor policies ( $B = 0.223$ ,  $\text{sig} = 0.000 < 0.05$ ); and the interaction between strategic agility and donor policies ( $B = 0.013$ ,  $\text{sig} = .441 > 0.05$ ). Thus, the moderation of donor policies on the relationship between strategic agility and donor policies is not significant.

This echoes Kenyan research where regulatory or donor frameworks failed to alter leadership-financial links due to inconsistent policy integration (Oluoch et al, 2021). Practically, it implies NGOs should prioritize internal agility routines such as operational flexibility. Over relying on donor tweaks, as external policies may add direct value but not amplify adaptive strengths amid volatility.

### *Hypothesis Testing*

The study sought to examine the moderating influence of donor policies on the relationship between strategic agility and financial sustainability of NGOs in the advocacy sector in Kenya. From the regression analysis findings, the regression coefficient shows the beta coefficient for relationship between strategic agility and donor policies on financial sustainability at  $T(304) = 0.771$ ;  $\beta = 0.013$ ;  $P > 0.5$ , implying donor policies doesn't significantly moderate the relationship between strategic agility and financial sustainability. This depicted that donor policies do not significantly influence strategic agility and financial sustainability, which therefore led to failing to reject the null hypothesis which stated that:

*H<sub>0</sub>: Donor policies do not have significant influence on the relationship between strategic agility and financial sustainability of NGOs in the advocacy sector in Kenya.*

These findings resonate with Oluoch et al (2021), who found regulatory frameworks including donor rules, as having no meaningful moderation between strategic leadership and NGO financial health, attributed to fragmented policy enforcement and misalignment with operational realities. Similarly, regulatory moderation proved insignificant in strategic leadership-financial sustainability models due to violated assumptions and poor fit, suggesting external policies add direct value but fail to amplify internal capabilities like agility (Oluoch et al, 2021).

### *Conclusion*

The objective in this study was to examine the moderating influence of donor policies on strategic agility and financial sustainability of NGOs in the advocacy sector in Kenya. Following statistical analysis, the study concluded that *Donor policies do not have significant influence on the relationship between strategic agility and financial sustainability of NGOs in the advocacy sector in Kenya.*

### *Scope for future research*

The study suggests further research future studies could probe subgroup effects, such as policy type for example (overhead caps vs. matching funds), to unpack why moderation falters here.

### *Recommendations*

Donors review the strategic management practices within an NGO so as to define the requirements placed on the organisation during funding. In this regard, donor conduct due diligence assessments to ascertain the strategic management practices such as the strategic agility of the organisation. Donors should appreciate that their policies have a great impact of the long term survival of the NGOs. They should therefore take into consideration the financial sustainability of recipient NGOs and ensure fairness in the conditionalities set during funding. On the other hand, NGO management should focus on building robust agility independent of donor whims, while advocating for streamlined policies.

### *Unique Contribution to Theory, Policy and Practice*

The moderating role of donor policies in the NGO sector have also not been widely studied, yet they largely influence the strategic decisions made by NGO management. The policies also influence the ability of an organisation to support administrative costs as well as collate reserves for infrastructure development. This study therefore makes a contribution in providing a glimpse on the influence that donor policies can have on the long term survival of NGOs in Kenya and the developing world, in general. This study in addition confirms that donor policies is one of the variables that can moderate the relationship between strategic management practices and outcome variables, such as organisational performance including financial sustainability.

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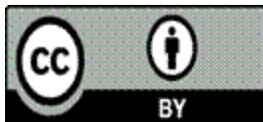
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