

Moderating Influence of Regulatory Framework on the Relationship between Strategic Leadership and Financial Sustainability of NGOs in Kenya

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Abstract

The aim of the research was to determine the moderating influence of regulatory framework on the relationship between strategic leadership and financial sustainability of NGOs in Kenya. The study was underpinned by strategic leadership theory and applied descriptive correlational research design. The study target population was 6,028 comprising active local NGOs. It utilized stratified random sampling to select 413 CEOs/ board members as respondents through self-administered questionnaire. Correlation results showed a positive and significant relationship with financial sustainability, $r(393) = 0.482, p \leq .05$. However, the proportional odds assumption was violated [$LR \chi^2(2) = 8.474, p \leq .05$]; and the model showed poor fit with the moderating variable. Hence, the study concluded that regulatory framework does not have a significant moderating effect. The study, therefore, recommends NGOs to strengthen their alliance/ council in order to champion for a favorable regulatory framework that focusses on both legislative environment and donor policies while exploring access to funding replacements.

Keywords: Strategic Leadership, Regulatory Framework, Laws and Regulations, Donor Policies, Financial Sustainability, NGOs

Introduction

Strategic leadership is at the centre of any high-performing and sustainable organization, and it is particularly relevant in navigating through uncertain and complex world such as during the Covid 19 pandemic (Center for Creative Leadership, 2018; Iordanoglou, 2018). Nowhere is this function so important than in civil society organizations (CSOs), which play a critical role in social development globally. According to NonProfit Action (2017), there were over 10 million NGOs worldwide by 2015. Africa has about 60 percent of NGOs, while America, China and India have 1.5 million, 0.5 million and 2 million, respectively. The Neglected Tropical Disease NGO Network [NTD-NGO Network] (2018) suggests that NGOs are important in their work with governments in service delivery, and are therefore uniquely placed to target the world's least-served populations. Unfortunately, many organizations meet obstacles in their efforts towards sustainable impact within the societies they serve.

Khieng and Dahles (2015) opine that non-profit organizations (NPOs) are struggling to achieve social impact and financial sustainability because of the dynamic operating environment marked by VUCA - volatility, uncertainty, complexity and ambiguity. In addition, Clune and Zehnder (2018) state that regulatory framework remains an important pillar to advance sustainability solutions within institutional settings. Similarly, Gupta (2018) submits that

regulatory framework is one of the key mechanisms for strategic leaders to drive their organizations to sustainability.

According to Finkler, Smith and Calabrese (2018) NGOs' effectiveness as well as long-term survival is only possible to the extent that they can achieve financial sustainability. As a matter of fact, becoming financially sustainable inevitably drives NGOs towards social sustainability (Eswaran, 2018). Hitt, Ireland and Hoskisson (2016) are of the opinion that creating a sustainable organization depends on visioning and agility which is founded on strategic leadership. Nonetheless, NGOs require a conducive regulatory framework to thrive, both in terms of laws and regulations, and donor policies.

Kenya's NGOs Coordination Board (2019) reports that local NGOs contribute immensely to development with annual budgets of over Kshs 172.1 billion. However, a big proportion of their budgets is drawn largely from external funding for their programs. This has negative implications. The Kenya National Council of NGOs (2018) states that their high reliance on foreign donors has largely shifted their interventions to match with the donor priorities while limiting their capacity for financial sustainability. As a result, majority of local NGOs die within their formative stages due to funding challenges. This deprives vulnerable communities who are dependent on services offered by NGOs. Kenya has recently enacted the Public Benefit Organizations Act, 2013 (PBO Act, 2013), and this law envisages self-sustaining CSOs, which are not only accountable but also critical players in sustainable development. Covered in the spirit of the law are also guidelines that would determine the nature of interactions with the donor community. The purpose of the study was therefore to determine the moderating influence of regulatory framework in the relationship between strategic leadership and financial sustainability of NGOs in Kenya.

Literature Review

This section reviews the theory that anchors the research on strategic leadership and financial sustainability, and further provides empirical review of literature depicting how regulatory framework constructs moderate the relationship between strategic leadership and financial sustainability.

Theoretical Review

The study was anchored on strategic leadership theory by Hitt et al. (2016). According to Hitt et al. (2016, p.384) strategic leadership is described as: 'the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary'. Strategic leadership was thus the independent variable. The dependent variable was financial sustainability, and this is underpinned by an operational model originated by Leon (2001), and was measured by income diversification capability and fundraising potential. The moderating variable was regulatory framework, specifically donor policies, and laws and regulations that NGOs need to comply with.

Empirical Review: Regulatory Framework and Financial Sustainability

According to Heiss and Kelley (2017), CSOs must always adhere to the local regulatory environment in order for them to pursue their missions. Unfortunately, regulatory frameworks in certain jurisdictions tend to be too restrictive to operate successfully. Cases of governments putting in place laws and guidelines that restrict the civil space are common. Feng (2017) gives an example of China which adopted Overseas NGO law in 2016 designed to standardize and provide guidance to the activities of overseas NGOs.

The Chinese Overseas NGO law requires that NGOs, if legally registered, act as either quasi-governmental agencies or extension of the party-state NGOs. With numerous concerns around this law, many overseas NGOs opt to register as business entities, or work through Chinese partners in a seemingly regulatory grey area. Within the region, Twikirize (2017) posits that Uganda has witnessed a long period of tension and mistrust between government and NGOs. Incidentally, such unfavorable working environment makes it increasingly difficult for NGOs to raise adequate funding for their mission especially if they are keen on advocacy activities.

Generally, NGOs strive to navigate through laws and regulations that are not conducive or supportive of their mission. More often, their strategy in pursuing their general objectives amidst economic and political constraints is based on principled instrumentalism (Mitchell & Schmitz, 2014). The concept of principled instrumentalism is about effective pursuance of organizational mission with constrained optimism in recognition that there are always limitations in the environment. The expectations are sometimes difficult to meet. As a matter of fact, NGOs are often situated between private sector and the state, and thus expected to integrate public interest and accountability with the expertise and efficiency of the business world within their mode of operation (Heiss & Kelley, 2017). Nevertheless, all NGOs are shaped by and beholden to their regulatory framework.

There have been attempts by NGOs in various regions to advocate for self-regulation in promoting accountability. Crack (2018) explores this aspect in assessing the effectiveness of the INGO Accountability Charter based on respondents from 11 leading international NGOs through 26 in-depth semi-structured interviews. The study states that NGOs are usually motivated to join Accountability Charter because their behavior is both norm-guided and self-interested. According to Thrandardottir (2015), peer regulation is also borne out of the need for NGOs to increase their standards of accountability and mitigate increasing concerns and perceptions that they are unaccountable.

Therefore, accountability issues also top the NGO policy agenda in view of the fact that most donors are emphasizing on these principles as well as value for money. Crack (2018) concludes in the study that accountability has introduced a constructivist approach, which is anchored on sharing ideas and standards in a bid to have a common understanding on what shapes the various forms of regulation. At the same time, peer regulation has led to the formation of club theory where members prompt changes in specific behavior, build trust with key stakeholders and provide opportunities for collective mobilization of resources.

Currently, many countries recognize the critical role NGOs play in development, and Bendell (2017) contends that they are increasingly partnering with governments in delivery of SDGs. McClish and Reeve (2018) in emphasizing that NGOs need to be financially sustainable in order to be impactful are alluding to the need for conducive regulatory framework required to support achievement of financial sustainability. The interaction between national laws and legislation on one hand and donor policies on the other hand is very critical in creating a thriving NGOs sector.

Undoubtedly, governments are responsible for putting in place a regulatory framework that supports establishment and growth of NGOs to the extent that they fill a service gap that would otherwise need to be provided by the states. On the other hand, NGOs have a task of collectively influencing the governments towards establishing conducive NGOs regulatory framework while providing the respect for the rule of law. However, with respect to the influence of strategic decisions on sustainability, Haessler (2020) reveals that regulatory

framework has either no influence or marginal influence on sustainability. It is only implementation of sustainability strategies that require favorable regulatory framework.

In Kenya, there have not been laws and regulations that encourage NGOs to pursue financial sustainability. The PBO Act, 2013, which has not been commenced, envisages self-sustaining CSOs that are accountable and critical players in sustainable development. Conversely, the spirit of the same law decries heavy foreign donor funding in an environment with little philanthropy. The Yetu Initiative (2017) states that it is unlikely that NGOs can raise the 85 percent local funding as envisaged by the PBO Act, 2013 despite increasing corporate philanthropy.

A study conducted in the Malaysian context sampling 354 large construction firms demonstrated that a favourable regulatory framework enhances performance towards environmental sustainability (Bamgbade, Kamaruddeen, Nawi, Adeleke, Salimon, & Ajibike, 2019). Other studies show direct influence of regulatory framework on sustainability. Bamgbade et al. (2019) confirmed that regulatory framework has a positive and significant influence on sustainability ($\beta = 0.245$, $p < .001$). At the same time, regulatory framework also contributed indirectly by significantly determining organizational capabilities ($R^2 = .327$), which in turn influences firm's ecological sustainability.

Ayam (2019) examined the effect of regulatory framework on financial sustainability in higher education in Ghana. Based on positivist research paradigm guided by quantitative research methodology, the study demonstrated a statistically significant relationship ($r = .579$, $p \leq .05$). In addition, the study revealed that some of the elements of regulatory framework including governance structure positively predicted financial sustainability.

According to Clune and Zehnder (2018), law and governance are important pillars to advance sustainability solutions within institutional settings. Unfortunately, sustainability is hardly an ongoing concern in the legal framework in Kenya particularly for the construction sector, and much of the sustainability initiatives are based on voluntary uptake (Onkangi & Getugi, 2020). This implies that effects of moderation of regulatory framework in the relationship between strategic leadership and financial sustainability may not be significant until there exists a holistic integration of sustainability related policies and laws within the key sectors in Kenya. On the other hand, donors are responsible for putting in place policies that not only support operations of the NGOs, but also ensures that they are responding to the needs of the end beneficiaries while acting independently (Pallas & Sidel, 2020). In other words, both the government and donor community are responsible for creating an enabling regulatory framework for NGOs to achieve financial sustainability.

Methodology

This section defines the approaches and methods utilised to make a determination on the research objective. It details the research design in testing the moderating influence on the relationship between independent and dependent variables. Similarly, it provides details of the target population of the study.

Research Design

The study was aimed at assessing the moderating influence of the relationship between strategic leadership and financial sustainability. Accordingly, the study used quantitative research approach in testing the moderating influence of regulatory framework on the relationship between independent variable, strategic leadership and dependent variable, financial

sustainability. Furthermore, the study embraced descriptive correlational survey design to examine the relationship. In terms of quantitative approach, the research utilized survey research, which offered numeric descriptions using questionnaires for data collection (Creswell, W. & Creswell, 2017). The questionnaires were administered to members of strategic leadership teams, within a sample of the population for providing generalized conclusions (Babbie, 2015).

Target Population

The study focused on active local NGOs because of the high death rate at their formative stages especially within their initial 10 years of existence (NGOs Coordination Board, 2018). This gloomy survival rate indicates sustainability challenges that limit their ability to continue with their programming. The sampling frame for this study consisted of the published list of 6,028 active local NGOs in the register of the NGOs Coordination Board, and a total of 413 CEOs/board members was sampled. For NGOs, important decisions such as compliance to regulatory framework, which are vital to the life and success of organizations take place at strategic leadership level (Sargeant & Day, 2018).

Results

Correlation between Regulatory Framework and Financial Sustainability

Spearman's correlation analysis test was conducted to determine the relationship between regulatory framework and financial sustainability. The results of the Spearman's correlation analysis test between regulatory framework and financial sustainability are presented in Table 1. The results indicate a positive and significant relationship, $r(393) = 0.482, p \leq .05$.

Table 1: Correlation between Regulatory Framework and Financial Sustainability

		Regulatory Framework	Fundraising Sustainability
Regulatory Framework	Spearman's Correlation Coefficient	1.000	0.482
	Sig. (2-tailed)		0.000
	N	393	393
Fundraising Sustainability	Spearman's Correlation Coefficient	0.482	1.000
	Sig. (2-tailed)	0.000	
	N	393	393

*Correlation is significant at $p \leq .05$ level (2-tailed).

Chi-square Test for Regulatory Framework Controls and Financial Sustainability

Chi-square test (χ^2) was conducted to determine whether there was association between regulatory framework and financial sustainability. The results presented in Table 2 indicate that there was a statistically significant association between regulatory framework and financial sustainability, $\chi^2(104, N = 393) = 456.665, p \leq .05$.

Table 2: Chi-square Test for Regulatory Framework and Financial Sustainability

	Value
Pearson Chi-Square	456.665
df	104
Asymptotic Significance (2-sided)	0.000
N of Valid Cases	393

Chi-square is significant at $p \leq .05$ (2-tailed)

One Way ANOVA for Regulatory Framework and Demographic Variables

One-way ANOVA was carried out to determine whether there were any significant differences between the means of regulatory framework and demographic variables of position, gender, age group, highest academic qualification, years served as a member of the strategic leadership team, number of years the organization has been in operation and sectors that the organization serves. The results of the one-way ANOVA are provided in Table 3. The results indicate significant differences between the means of regulatory framework and for the following demographic variables: position in the organization, $F(13, 379) = 2.106$, $p \leq .05$, gender of respondents, $F(13, 379) = 2.406$, $p \leq .05$, highest academic qualifications, $F(13, 379) = 1.808$, $p \leq .05$, and number of years that the organization has been in operation, $F(13, 379) = 2.515$, $p \leq .05$.

Table 3: One-way ANOVA for Regulatory Framework and Demographic Variables

		Sum of Squares	df	Mean Square	F	Sig.
Position in the organization	Between Groups	5.949	13	0.458	2.106	0.013
	Within Groups	82.361	379	0.217		
	Total	88.310	392			
Gender of Respondents	Between Groups	7.375	13	0.567	2.406	0.004
	Within Groups	89.348	379	0.236		
	Total	96.723	392			
Age-group:	Between Groups	9.865	13	0.759	0.884	0.571
	Within Groups	325.524	379	0.859		
	Total	335.389	392			
Highest academic qualification	Between Groups	25.920	13	1.994	1.808	0.040
	Within Groups	418.040	379	1.103		
	Total	443.959	392			
Years served as a member of strategic leadership team in any organization	Between Groups	13.739	13	1.057	1.672	0.065
	Within Groups	239.503	379	0.632		
	Total	253.242	392			
Number of years that the organization has been in operation	Between Groups	55.977	13	4.306	2.515	0.003
	Within Groups	648.939	379	1.712		
	Total	704.916	392			
Sector(s) that the organization serves/operates	Between Groups	99.282	13	7.637	1.445	0.136
	Within Groups	2003.421	379	5.286		
	Total	2102.702	392			

The mean difference is significant at $p \leq .05$ (2-tailed).

Ordinal Logistic Regression Analysis for Regulatory Framework and Financial Sustainability: Assumptions for Ordinal Logistic Regression Analysis

Ordinality Assumption Test for Financial Sustainability

For this study, financial sustainability was measured using two constructs: income diversification capability and fundraising potential whose indicators were on a five-level Likert scale. This depicts ordinal level of measurement, thus, implying that the assumption was confirmed for this study.

Test for Multi-collinearity Assumption

Multicollinearity test requires that the Spearman's correlation coefficient is below 0.8 ($r < 0.8$) to verify that the independent variables are not highly correlated with each other. Table 4 presents multicollinearity test results for regulatory framework, which show that the values for the moderating variables were below the threshold, $r \geq 0.8$, hence confirming non-existence of multicollinearity.

Table 4: Multicollinearity Test for Regulatory Framework

		Donor policies	National laws and regulations
Donor policies	Spearman's Correlation Coefficient	1.000	0.753
	Sig. (2-tailed)		0.000
	N	393	393
National laws and regulations	Spearman's Correlation Coefficient	0.753	1.000
	Sig. (2-tailed)	0.000	
	N	393	393

*Correlation is significant at $p \leq .05$ level (2-tailed).

Test for Proportional Odds

The proportional odds assumption was examined through the test of parallel lines. With respect to regulatory framework, the result presented in Table 5 shows $LR \chi^2 (24) = 144.240$, $p \leq .05$, and thus the assumption was violated. However, violation of proportional odds assumption is not unique, and may be impacted by other factors.

Table 5: Test of Parallel lines for the Moderating Effect of Regulatory Framework

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Null Hypothesis	144.240			
General	.000 ^a	144.240	24	0.000

The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.

a. The log-likelihood value is practically zero. There may be a complete separation in the data. The maximum likelihood estimates do not exist.

Ordinal Logistic Regression Analysis and Hypothesis Testing for Regulatory Framework

The study sought to establish the extent to which regulatory framework moderated on the relationship between strategic leadership and financial sustainability of NGOs in Kenya. A number of tests were conducted to test the hypothesis including: Model fitting information test,

Pseudo R-Square, Goodness-of-fit and the parameter estimates test. The hypothesis and the test are given below:

H₀₁: Regulatory framework has no significant moderating effect on the relationship between strategic leadership and financial sustainability

Test: Logit $[P(Y \leq j)] = \alpha_j - \sum \{ \beta_x X_5 + \beta_z Z \} + \epsilon$

Goodness-of-Fit test criteria: Reject if $p \geq .05$, Fail to reject if $p \leq .05$

Model Fitting Information

Model fitting information test results presented in Table 6 show the log-likelihood that there was a significant improvement in the final model relative to the base model [$\chi^2 (8) = 166.540$, $p \leq .05$]. Therefore, it gives better predictions with respect to the moderating effect of regulatory framework in the relationship between strategic leadership, and financial sustainability, and consequently indicates that the model fits the data well.

Table 6: Model Fitting Information for Moderating Effect of Regulatory Framework

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	310.780			
Final	144.240	166.540	8	0.000

Link function: Logit.

Goodness-of-Fit

The results of Goodness-of-Fit for regulatory framework given in Table 7 shows that Pearson Chi-square statistic [$\chi^2 (48) = 587.632$, $p \leq .05$] provided significant test results. The results do not indicate a good model, hence failing to reject the null hypothesis. In other words, regulatory framework has no significant moderating effect on the relationship between strategic leadership and financial sustainability of NGOs in Kenya.

Table 7: Goodness of Fit for Moderating Effect of Regulatory Framework

	Chi-Square	df	Sig.
Pearson	587.632	48	0.000
Deviance	88.855	48	0.000

Link function: Logit.

Pseudo R-Square

Pseudo R-square results presented in Table 8 show the three values of Pseudo R-Square coefficients for the moderating effect of the regulatory framework. The Nagelkerke R-Square value ($R^2 = .399$) indicates that 39.9% of variance in financial sustainability would have been explained by the moderating effect of regulatory framework.

Table 8: Pseudo R-Square for Moderating Effect of Regulatory Framework

Link function	Logit
Cox and Snell	0.345
Nagelkerke	0.399
McFadden	0.210

Link function: Logit.

Parameter Estimates for Regulatory Framework

Parameter estimates results provided in Table 9 show that the base model provided as: “strategic leadership team strongly agreed that regulatory framework has a moderating effect in the relationship between strategic leadership and financial sustainability (log-odds at $X*Z=5$) to very large extent ($Y_{FS} = 5$) and being significant ($p \leq .05$)”. In other words, for every one unit increase in those who agreed on the moderating effect of regulatory framework ($X*Z=4$), the log-likelihood that financial sustainability being at or below the level of very large extent reduced by a factor of 2.849 within the log-odds scale ($\beta = -2.849$), being significant ($p \leq .05$). However, the results of goodness of fit indicates that regulatory framework has no moderating effect on the relationship between strategic leadership and financial sustainability of NGOs in Kenya.

Table 9: Parameter Estimates for Moderating effect of Regulatory Framework (Z = RF) between Strategic Leadership (X) and Financial Sustainability (Y_M)

							95% Confidence Interval	
		Estimate	Std. Error	Wald	df	Sig.	Lower Bound	Upper Bound
Threshold	[Y _M = 1]	-9.829	1.099	79.929	1	0.000	-11.984	-7.674
	[Y _M = 2]	-7.668	0.537	203.707	1	0.000	-8.721	-6.615
	[Y _M = 3]	-4.758	0.353	181.598	1	0.000	-5.450	-4.066
	[Y _M = 4]	-0.908	0.264	11.863	1	0.001	-1.425	-0.391
Location	[X*Z=1]	-7.131	1.215	34.442	1	0.000	-9.513	-4.750
	[X*Z=2]	-5.840	1.361	18.405	1	0.000	-8.508	-3.172
	[X*Z=3]	-4.573	0.509	80.611	1	0.000	-5.571	-3.575
	[X*Z=4]	-2.849	0.366	60.665	1	0.000	-3.566	-2.132
	[X*Z=5]	0 ^a			0			
	[Z=1]	0.544	1.610	0.114	1	0.735	-2.612	3.700
	[Z=2]	0.519	0.932	0.310	1	0.578	-1.309	2.346
	[Z=3]	-0.833	0.451	3.405	1	0.065	-1.718	0.052
	[Z=4]	-0.208	0.325	0.409	1	0.523	-0.846	0.430
	[Z=5]	0 ^a			0			

Link function: Logit.

a. This parameter is set to zero because it is redundant.

Discussion

The research sought to establish the extent to which regulatory framework moderates the relationship between strategic leadership and financial sustainability. According to Gupta (2018), regulatory framework is one of the key tools that strategic leadership requires to drive their organizations to sustainability. Correlation analysis showed that regulatory framework and financial sustainability had a positive and significant relationship, $r(393) = 0.482$, $p \leq .05$. The finding is similar to the research carried out by Ayam (2019) who examined the effect of regulatory framework on financial sustainability in higher education in Ghana. Based on positivist research paradigm and guided by quantitative research methodology, the study showed a statistically significant relationship ($r = .579$, $p \leq .05$). As a result, organizations

need a supportive regulatory and governance framework, and environment to operate effectively (Hayman, 2016).

Similarly, Chi-square test indicated a statistically significant association between regulatory framework and financial sustainability, $\chi^2 (104, N = 393) = 456.665, p \leq .05$. This evidences a strong interplay between the two variables but many studies have assessed sustainability from the triple-bottom perspective rather than institutional standpoint. A study conducted in the Malaysian context sampling 354 large construction firms demonstrated that a favourable regulatory framework enhances performance towards environmental sustainability (Bamgbade et al., 2019). Thus, it is in the interest of all players specifically the government, donor community as well as the NGOs to collaborate towards an enabling regulatory framework for NGOs to achieve financial sustainability.

In addition, one-way ANOVA showed that there were significant differences with the means of the following demographic variables: position in the organization, $F(13, 379) = 2.106, p \leq .05$, gender of respondents, $F(13, 379) = 2.406, p \leq .05$, highest academic qualifications, $F(13, 379) = 1.808, p \leq .05$, and number of years that the organization has been in operation, $F(13, 379) = 2.515, p \leq .05$. For many local NGOs, SLTs are responsible for regulatory compliance for their organizations, and as such, position in an organization determines the extent to which organizations meet their compliance requirements. Equally, education level, often measured through academic qualifications, shapes leaders and contributes to an informed and responsible populace that is attuned to sustainability. This includes planning for appropriate regulatory framework and ensuring sustainability compliances (Clune & Zehnder, 2018). With respect to the number of years that the organization has been in operation, it is often assumed that the age of the organization demonstrates how they have managed to meet their regulatory obligations. For this study, over 52.68% of the organizations had been in operation for over ten years. Consequently, effective strategic leaders are expected to lobby for policies, laws and regulations that build organizational processes and commit resources for financial sustainability.

Ordinal logistic regression analysis was designed to explore how regulatory framework moderates the relationship between strategic leadership and financial sustainability. However, significant results of the log likelihood ratio Chi-Square test for regulatory framework required to validate the proportional odds assumption for ordinal logistic regression analysis showed that it was violated. Nonetheless, ordinal logistic regression analysis indicated that regression model for the moderating effect of regulatory framework provided good predictions. However, the significant results for Pearson Chi-square statistic [$\chi^2 (48) = 587.632, p \leq .05$] indicated a poor model fit. Thus, the result indicated that the regulatory framework has no significant moderating effect on the relationship between strategic leadership and financial sustainability of NGOs in Kenya.

On the other hand, there are studies that indicate direct influence of regulatory framework on sustainability. For example, Bamgbade et al. (2019) confirmed that regulatory framework had a positive and significant influence on sustainability ($\beta = 0.245, p < .001$). At the same time, regulatory framework also contributed indirectly by significantly determining organizational capabilities ($R^2 = .327$), which in turn influenced firm's ecological sustainability. In the same way, the study by Ayam (2019) conducted in higher education in Ghana revealed that some of the elements of regulatory framework including governance structure positively predicted financial sustainability.

Notwithstanding, Haessler (2020) showed that regulatory framework has either no influence or only minor influence on sustainability of a company although implementation of sustainability strategies requires favorable regulatory framework. According to Clune and Zehnder (2018), law and governance remain important pillars to advance sustainability solutions within institutional settings. Unfortunately, sustainability is hardly an ongoing concern in the legal framework in Kenya, and much of the sustainability initiatives are based on voluntary uptake (Onkangi & Getugi, 2020). This implies that effects of moderation of regulatory framework may not be significant until there exists a holistic integration of sustainability related policies and laws within the key sectors in Kenya.

Regarding laws and regulations, Kenya has seen a lot of agitation by the civil society with respect to their dissatisfaction with the current operating legislative framework. In the meantime, local NGOs implementing donor projects end up worse off and struggle to continue pursuing their mission. According to McClish and Reeve (2018), many donors have changed their policies thereby reducing their contributions to organizational overheads. The reality of reduced commitments by donors has affected the foundation for any financial sustainability (Raffo, Clark & Arik, 2016). This may explain why the regulatory framework is not seen to positively moderate the relationship between strategic leadership and financial sustainability. Consequently, there is a push for commencement of recently enacted PBO Act 2013, which is perceived to provide the appropriate remedy for better regulatory framework for the NGO sector.

Conclusion

Ordinal logistic regression analysis was used to test how regulatory framework moderated the relationship between strategic leadership and financial sustainability. Ordinal logistic regression model provided good prediction based on parameter estimates ($\beta = -2.849, p \leq .05$). However, significant results of the log likelihood ratio Chi-Square test for regulatory framework required to validate the proportional odds assumption showed that it was violated [$LR \chi^2(2) = 8.474, p \leq .05$]. Goodness-of-Fit test revealed significant results for Pearson Chi-square statistic with the moderating variable, $\chi^2(48) = 587.632, p \leq .05$, indicating a poor model fit. Hence, regulatory framework does not have a significant moderating effect on the relationship between strategic leadership and financial sustainability of NGOs in Kenya. This implies that the legislative environment does not adequately facilitate and support NGOs' fundraising efforts. Similarly, donor policies are viewed as limiting with funding restricted to projects without much support to organizational development. Therefore, the study recommends NGOs to strengthen their alliance/ council in order to champion for a favourable legislative environment and donor policies while exploring access to other funders (funding replacements).

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