



Influence of Governing Body Structure on Financial Sustainability of NGOs in the Advocacy Sector in Kenya

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Abstract

Purpose: The study sought to examine the influence of governing body structure 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. Qualitative data was analyzed and presented in narrative statements, while inferential statistics were analyzed using the Pearson correlation coefficient and multiple regression analysis to test hypotheses. **Findings:** From the descriptive statistics, professional diversification of board members was highly agreed upon by respondents as having an influence on financial sustainability of NGOs in the advocacy sector in Kenya while board members diversification by age was the least agreed upon item. The study found a positive significant correlation between governing body structure and financial sustainability. The regression results also found that governing body structure explained a substantial amount of variance in

financial sustainability of NGOs in the advocacy sector in Kenya. The study rejected the null hypothesis and concluded that *governing body structure has significant influence on the financial sustainability of NGOs in the advocacy sector in Kenya*. **Recommendations:** Managers in NGOs in the advocacy sector should develop systems that promote the structure of the governing body structure by ensuring that the number of members of the governing body are neither too few nor too many to impede deliberations during meetings. Members should hold regular meetings and the membership of the governing should also be diversified in terms of expertise and should be independent from management. In addition, CEOs should not play the dual role of also being the Chair of the governing body.

Keywords: Governing body structure, Financial Sustainability of NGOs, Advocacy Sector

Introduction

The 2030 Agenda with the 17 Sustainable Developments Goals (SDG) is the newest plan of action adopted by the United Nations to make the way for achieving global sustainability. This is a tool to put in place strategic actions and shared efforts between countries and confront the global challenges of modern societies, such as poverty, hunger and social inequalities, among other problems, leading to a stalemate on the improvement of quality of life and the environment. (Blanco-Portela et al, 2018). Across, the world diverse Non-Governmental Organisations (NGOs) have been established to complement government efforts in provision of service utilities and critical services in diverse sectors (Ramadan, 2015). In this context, NGOs play a key role as agents of change to transform the world since their actions on building more equitable, fairer, and sustainable communities in their areas of operation can be taken as an exemplary reference for the society.

Financial sustainability is a buzzword in the NGO sector due to prevailing donor fatigue. Economic recession across the globe has dramatically influenced trends in donations, especially from individuals, as most citizens in the developed economies have less disposable income to give to non-profit organisations at the levels they had in previous years. In a survey of 800 non-profits at the end of 2018, 75 percent of non-profits reported feeling the effects of the downturn, with 52 percent already experiencing cuts in funding (Renz, 2019). As a result, the nature of funding positions NGOs in financial viability challenges. In particular, Kenyan NGOs have faced serious challenges in the recent past which threaten their long term financial sustainability.

The overall sustainability index for the Kenyan NGO sector is a weighted average of three interrelated dimensions: organisational capacity, financial sustainability and, collaboration and networking. However, the two dimensions of organisational capacity and collaboration and networking cannot be in existence without financial sustainability. The index as a tool allows users to assess the political and economic developments over time that influence the viability of the NGO sector in a country (NGO Coordination Board report, FY 2021/22). NGOs failure to sustain their work arise from various inadequacies and majorly, the lack of financial resources (Mohamed, & Makori, (2022). Whittington, Regnér, Angwin, Johnson and Scholes (2020), categorise sustainability in organisations into three main groups including financial sustainability, organisation sustainability and sustainability in service provision. However, financial sustainability is the foundation on which the other categories of sustainability are built. This study therefore focuses on the financial sustainability of NGOs in the advocacy sector in Kenya rather than the other types of sustainability. Financial sustainability evaluates an organisation's ability to survive turbulence in their operating environment (Boyes-Watson & Bortcosh, 2022).).

Statement of the Problem

Financial sustainability is a challenge that most NGOs must address (Diaz & Rees, 2020) since the capacity of NGOs to provide consistent and quality services to beneficiaries is based on their ability to achieve financial sustainability (Nanthagopan *et al.*, 2019). The financial sustainability index for the NGO sector during the financial year 2020/21 stood at 53% where financial sustainability was rated at 38%. Out of a total of 12,162 NGOs that had been registered by the Board since its inception only 9,794 NGOs were active in 2021, representing only 80% of the registered NGOs in the country. Financial sustainability can be measured based on the proportion of own-generated income, portion of unrestricted funds received from donors and the surpluses made and retained by the organisation over the years. During FY 2020/21, about 84% of funds received from NGOs were from external sources while only 16% was from local resources. Self-generated income stood at 3.8%. The over dependency on external funding by NGOs and the fact that few NGOs have established income generating activities means that the sector is largely financially unsustainable. (Annual NGO sector report, FY 2020/21). During a crisis such as the global health pandemic of 2020, NGOs manage organisational needs with limited financial resources, as confirmed by a 57% decrease in donations to NGOs during the pandemic (Kim & Mason, 2020). The cumulative funding received from international donors by Kenyan NGOs accounted for 95% of total donations to non-profits

in Kenya for years. Nevertheless, the rate of donations plummeted to roughly 70 per cent in the recent years thereby leading to closure of NGO programs and total disruption of beneficiary support services by key non-profits (National Council of NGOs, 2021). This situation was exacerbated by the COVID-19 pandemic which made the donor community to become wary of releasing donations. The recent decision by the Trump administration to close USAID operations and reduce USG funding to the developing countries is expected to greatly affect the financial sustainability of NGOs in Kenya.

Objective of the Study

The objective of the study was:

To determine the influence of governing body structure on financial sustainability of NGOs in the advocacy sector in Kenya.

Research Hypothesis

H₀₁: Governing body structure does not have significant influence on the financial sustainability of NGOs in the advocacy sector in Kenya.

Literature Review

Theoretical Review

The principal agent theory, also the agency theory, can be attributed to Jensen and Meckling. The agency theory is mainly used to understand the roles of principals and agents in an organisation and has therefore been used to explain governing body structure aspects in an organisation. Organisations often have two parties acting in diverse operational aspects that is the principal, and agent (Bonney & Bonney, 2015). The principal is a party in an organisation that has the authority over another party (the agent) and as such delegates functions to be undertaken by agent on behalf of the principal (McDermott, Moote & Danks, 2011). The assumption of the principal while delegating the functions is that the agent executes them without self-interest but at the interest of the principal.

However, despite the objectives of the agency relationship in an organisation. Challenges often referred to as agency problems occur thus undermining the objectives of the principal agent relationship (Jahera, 2017). These agency challenges include the information asymmetry challenges and the moral hazard challenges which refer to the ability of the agent to pursue self-interest while taking advantage of the principal. Information asymmetry challenges refers to differences in knowledge and facts held about the delegated tasks between agents and principals. With a view of addressing the agency challenges, principals /organisations may design governing body structures that ensure oversight over management operations. The agency

theory has received criticism in diverse dimensions. The notion that governing body structure alone could be sufficient to address agency problems has been critiqued (Almeida & Dalmacio, 2015). The arising issues has been that the manner in which governing body structure is operationalised and the expertise of the key decision makers in the governing body structure as well as their level of independence may influence efficiency (Mcdermott *et. al*, 2011).

In the context of the NGOs a principal-agent relationship occurs between the donors, beneficiaries and other stakeholders on the one hand, and the management of the NGOs on the other hand. Donors donate funds with an expectation that the funds would be used prudently by the NGO management (the agents). Beneficiaries also expect funds received from donor to be used for the common good. The financial donors further expect the NGO management to create mechanisms and programmes for financial self-sustenance beyond their financial donations. However, agency challenges may occur due to the fact that most of the financial donors and beneficiaries are often not privy to the everyday running of NGOs. This information asymmetry may lead to moral hazard challenges when NGO management divert the NGO funds for their own use at the expense of the donors and beneficiaries. Governing body structure is one of the aspects that have been utilised to address agency challenges in diverse organisations (Mawudor, 2016). The agency theory is thus suitable for this study in the context that a researcher seeks to examine the diverse ways in which governing body structure, including board size, independence, diversity, frequency of board meetings and CEO duality, may address agency challenges hence leading to financial sustainability.

Conceptual Framework

This study was guided by the following conceptual framework that shows a diagrammatic representation of the relationship between governing body structure (independent variable) and Financial Sustainability of NGOs (Dependent Variable).

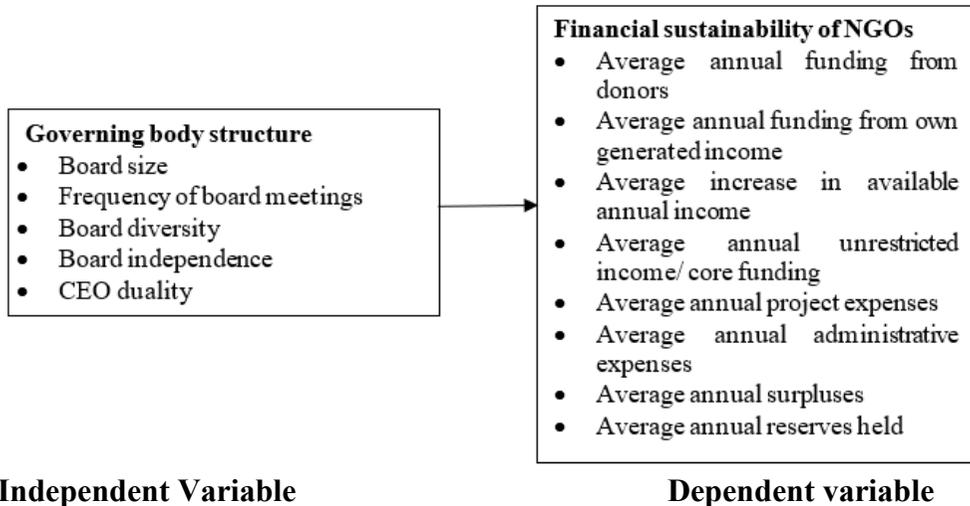


Fig 1: Conceptual framework

Governing Body Structure

Governance and sustainability are fundamental to the continuing operation of any corporation (Khlif, Karoui, & Ingley, 2022). Corporate governance pillars comprise board structure, functions, strategy, compensation and shareholder rights (Konadu et al, 2021). Good governing body structure is a strategy conceived from within an entity, central to which are the board and the management structure (Dănescu et al, 2021). The word "governance" comes from a Latin word, *governare*, which implies "rule over, be responsible for." Governance is a process that grants power to a legitimate body inside a system (e.g., organisation, institution, community, or society) to make decisions (e.g., strategic, managerial, administrative) through consensual structures (e.g., board, committee, department, unit) and principles to conduct the operations and activities that meet the expectations (e.g., goal, objectives) of constituencies (e.g., members, clients, communities (Francois, 2015). Governing body structure is the domain of the Board of Directors, as opposed to an organisation's management team such as the CEO and other C-suite executives. A healthy governing body structure requires formal and clear separation of duties between management and the board. It also requires a healthy working relationship between the CEO and the Board. Similarly, having at least some independent directors (implying arms' length from the company) generally lends itself well to objectivity and conflict resolution when it comes to strategic and executive considerations that are important to an organisation business. (Peterdy, 2022).

The governing body structure parameters that were considered in the study include size of board, independence, diversity, frequency of board meetings and CEO duality. This is because the structure of board, the

decision-making processes on which it is based, as well as the way in which board members continuously improve the structure, have a major influence over the quality of organisational performance (Dănescu *et. al*, 2021). The size of the board has been extensively researched with respect to its impact on organisational results. Scholars argue that a governing body should always be big enough to accommodate critical perspectives skills, and, yet be small enough to permit active engagement of all members as well as the smooth running of meetings. Some studies have shown that entities with more directors can attract important resources easily and reduce the exposure to inherent risks (Aluchna & Kuszewski, 2020). In this situation, the coordination and the communication in decision making is more difficult to achieve, which in turn affects the achievement of objectives of the entity and interested parties.

By adding a new member to the board, the relationship between diversity and coordination results in a potential opportunity cost. Some research reached a conclusion that the optimal number of board members is between seven and eight. This however, depends on a series of factors specific to each entity, such as the industry of operation. Generally, credit institutions tend to have more board members than productive entities (Siminica, Cristea, Sichigea, Noja, & Anghel, 2019). Previous research yielded different results concerning the impact that board size has on the performance of an entity. Hence, Lloret (2016) identified a positive relationship between board size and performance, while the results obtained by Bebchuk & Weisbach (2010), are not conclusive. Even though coordination is more difficult in the case of more board members experience, diversity, and expertise for improving financial performance are obtained by the entities.

It is critical for board members to meet for sufficient number of times in a given year to enable them to keep abreast of the happenings of the organisation. Neither the NGO Coordination Act (1990), nor the PBO Act (2013), prescribe the number of times that a board should meet. In this study the main measure of interest of board members was the number and frequency of meetings that are held by the board in a given time period. Good practice requires boards to hold meetings at least quarterly. Frequency of board meetings has contrary views; an active board with more meetings can be interpreted or viewed as inefficient, while others believe that more board meetings enable directors to supervise the company better (Zhou, Simnett, & Green, 2017). By having more meetings, the board can debate, analyse, and decide on a broader range of topics, including the information included in the integrated report. Very few meetings would imply that the board lacks interest in the happenings in the organisation while on the other

side; too many meetings would indicate trouble in the organisation (Lasisi, 2017).

Francois (2015), asserts that governing bodies does not exist without a structure or mechanisms in place. In the context of non-profit organisations, the structures include the assembly of members, board of directors, or committees. There are expectations that such a structure exerts the granted power in the best interest of an organisation. The exercise of power occurs mainly in the form of decisions that can positively or negatively affect a group of people who are basically the constituents of an organisation. Governing body structure has been shown to increase transparency in financial reporting. Multiple studies that examine the influence of governance on financial performance or the influence of compliance with governing body structure codes on financial performance, through the apply or explain principle show that the existence of effective governing body structure positively influence financial performance (Dănescu *et. al*, 2021).

La Porta and Schleifer (2015), avers that board diversity is not only limited to gender diversity, but also relates to diversity based on occupation, age, religion, and member experience. Boards should comprise an appropriate mix of directors having relevant competence, knowledge, and industry experience to bring diverse perspectives and make objective decisions (IFA, 2017), enabling preferential access to outside and broader social networks, additional resources, and build new business relationships (Alipour, Ghanbari, Jamshidinaid, & Taherabadi, 2019). Additionally, multiple directorships increase directors' exposure to diverse strategic and governance issues. Board diversity is closely related to board composition, as member diversity can improve the quality of board decisions and can be referred to gender, age, nationality, cultural background, and educational attainment (IFA, 2017). Regarding gender, it is considered that men and women have different moral reasoning, women using more care reasoning and protective attitudes. Nevertheless, to influence the group behaviour, a minority must reach a critical number of 3 persons, applicable to women's presence on the board. The presence of women directors on boards positively impacts the integration of various reports, whether mandatory or voluntary (Fuente, García-Sanchez, & Lozano, 2017). Organisations with members who have experience in sustainability matters are well placed to engage in sustainability above and beyond that of their peers, and especially if their organisations are less centrally located in a network of organisations, generally.

The independence of the board with respect to presence of non-executive members is also a crucial governing body structure mechanism. A non-executive or independent member of board is defined as a person who

does not have executive responsibilities and who is not affiliated with the entity. Theoretically, independent members are objective in the process of monitoring managers and thus ensure a better protection of the stakeholders' interests. The supporters of this theory have proven that a higher number of non-executive members improve the relationship between the investment opportunities of an entity and its performance (Dănescu *et.al*, 2021). A board with high proportion of autonomous directors is expected to have more significant policies in place, including policies on ensuring independence of the board and management. Also important on a board are individuals who have requisite experience in handling sustainability matters. Such expertise can be acquired from past roles on-the-job, past membership on board committees, or exposure to sustainability challenges as participants in other non-profit or community organisations. As organisational sustainability initiatives become more embedded, management have to re-evaluate the role governing body structure so as to monitor all characteristics of firm behaviour that affects the whole society (Walls & Berrone, 2016).

There are several perspectives to the relationship between the board chair – CEO duality and the performance of an entity. The CEO is the individual who provides top management of an entity. Many researchers have stipulated that a combination of the board chair and CEO positions is not optimal for the leadership structure of an organisation. They argue that through the concentration of the decision authority independence is limited and efficiency in monitoring management is reduced (Ullah, 2016; Ahmad, Sadiqa, & Khan, 2021; & Akbar, 2015). On the other hand, a study conducted by Chen, Chen, & Lien, (2020), shows that the duality of the CEO/ board chair does not result in financial distress. Other research however, showed no significant relationship from this perspective. The study emphasised that under circumstances of one person holding the two positions, the organisation have a unitary and stronger leadership. In addition, the elimination of the potential CEO–board chair conflict helps avoid the confusion generated when an organisation is publicly represented by two persons that might have different perspectives (Chen *et. al*, 2020). Based on the above, there is need to examine more carefully how the different board structure parameters; board size, diversity, independence, frequency of meetings held, and CEO duality; coordinate organisation activities to determine sustainability outcomes.

Financial sustainability

Financial sustainability depends on the effectiveness of governing body within a non-profit organisation, which in turn is influenced by the governing body structure. A non-profit organisation can manage its way towards financial sustainability based on its ability to govern, lead and

manage itself in a manner that can always gather public support and create its own metabolism to manage and resolve conflicts, take decisive corrective actions on mistakes and anticipate and neutralize systemic crises (Francois, 2015). Largely self-perpetuating and self-appointing boards of directors govern most non-profit organisations as literature reveals (Odhiambo & Njuguna, 2021).

Research Methodology

This study utilised mixed methods research approach and adopted cross-sectional survey design. The study targeted NGOS, where 11,176 NGOs in the advocacy sector were the unit of analysis. Of the 11,176 NGOs, 55.4%, 35.9%, and 8.7% of the unit of analysis are local, national and international NGOs respectively. The sample size of 384 NGOs was obtained using the Taro Yamane formula (Yamane, 1967). The sample size was then studied and inference made to the larger population. Primary data was collected using a questionnaire. The questionnaire was administered mostly online via google forms.

The pilot was conducted one month prior to the actual study. The pilot data collected was analysed to in a bid to assess how much time it would take on each questionnaire, and hence inform the decision on whether the instrument requires to be revised for length. The researcher determined the internal consistency of Likert scale items using Cronbach's Alpha (Lee Cronbach's in 1951) at a score of between zero and one, with 0.7 generally accepted as a sign of acceptable reliability. In this study all the items passed the reliability test.

Table 1: Reliability Tests

Latent Variables	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items	Status
Governing body structure	0.749	0.756	8	Accepted
Financial sustainability	0.795	0.798	8	Accepted

Due to the travelling restrictions during the Covid-19 pandemic, the researcher was only able to physically visit 23 NGOs in the advocacy sector with Nairobi and Kajiado counties to conduct interviews. In addition, the researcher conducted 16 interviews through various online platforms. Information for a total of 39 questionnaires were therefore confirmed. The researcher observed that the information in the questionnaire was in accordance with the results of interviews and re-computations in 38 out of the 39 instances. Though not representative of the sample, the triangulation of information on the questionnaire with the interviews and review of secondary information provided comfort on the accuracy of the data received for analysis.

Research Findings

Response rate

The self-administered questionnaire was shared as a google form to digital platforms patronised by NGO stakeholders in the advocacy sector in various parts of the country. 305 questionnaires were filled by the respondents translating to a response rate of 79.4%.

Descriptive Analysis of the Study Variables

Governing Body Structure and Financial Sustainability of NGOs in the Advocacy sector

Table 2: Governing body structure and financial sustainability

GOVERNING BODY STRUCTURE Cronbach alpha = 0.749	Not at all %	Little extent %	Moderate extent %	Great extent %	Very great extent %	Mean	Std. Deviation
i) The governing body has at least five members to facilitate efficient decision making given size and operations of organisation	32.11	25.61	18.71	11.51	12.11	2.46	1.362
ii) The majority of board members are active and attend board meetings at least three meetings in a year	34.41	48.51	13.41	2.01	1.61%	1.88	0.832
The governing board meets at least four times in a year	39.31	28.21	17.71	8.91	5.91	2.14	1.201
The board members do not get involved in the day to day decisions of the organisation	48.21	35.41	9.51	5.61	1.31	1.76	0.930
Board members are from diverse ethnic backgrounds	31.11	44.61	11.81	7.51	4.91	2.10	1.080
Board members are diverse in terms of age	54.81	34.41	5.91	3.91	1.01	1.62	0.843
Board members are from diverse professional backgrounds	38.41	27.21	3.31	8.91	22.31	2.50	1.594
The CEO is also the Chair of the Board	31.51	46.21	11.51	7.51	3.31	2.05	1.013
Composite mean and standard deviation						2.14	1.09

The average score for this variable was found to be 2.14 with standard deviation of 1.09. This means that on average there was a general consensus that governing body structure 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 reported a relationship between governing body structure and financial sustainability.

Financial Sustainability

Table 3: Financial sustainability

Financial sustainability Cronbach alpha = 0.795	Less than 5 million (KES) %	5 – 10 million (KES) %	11 – 15 million (KES) %	16 – 20 Million (KES) %	Over 20 Million (KES) %	Mean	Std. Deviation
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
Composite mean and standard deviation						2.03	1.03

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.

Regression Analysis

Simple Linear Regression of Governing Body Structure on Financial Sustainability

Null hypothesis: There is no statistically significant relationship between governing body structure and financial sustainability of NGOs in the advocacy sector in Kenya.

The objective of the study was to evaluate the effect of governing body structure and financial sustainability of NGOs in the advocacy sector in Kenya. First, the relationship was determined using simple linear regression analysis in order to establish the strength of the relationship. The results in Table 4.32 indicates that the overall models were a good fit since the variable; governing body structure, were found to have a value of F-statistic of $(F(1,303) = 556.942)$, and the p-value was found to be 0.000 which is less than the critical value of 0.05. Therefore, the model is statistically significant in predicting the influence of governing body structure on financial sustainability, implying that governing body structure has a significant effect on financial sustainability.

Table 4: Analysis of Variance for governing body structure

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72.000	1	72.000	556.942	.000 ^b
	Residual	39.171	303	0.129		
	Total	111.171	304			

b. Predictors: (Constant), Governing Body Structure

The study further computed the coefficient's estimates for the regression model fitted. Table 4.33 below shows that governing body structure has a positive effect on financial sustainability ($\beta = 0.489$, $t = 23.600$, $p\text{-value} = 0.000$). The p-value of the coefficient estimated is less than 0.05 level of significance. This implies that the effect of governing body structure on financial sustainability is statistically significant. The equation formulated by the results of the model is given by;

$$Y = 4.124 + 0.489X_1 + \varepsilon$$

This model shows that increasing governing body structure practice by one unit would in turn improve financial sustainability by 0.489 units.

Table 5: Regression coefficients for governing body structure

	Model	Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	4.124	0.021	200.295	0.000
	Governing body structure	0.489	0.021	23.600	0.000

The results of the goodness of fit of the model are summarised in Table 6 below.

Table 6: Model summary for governing body structure

R	R Square	Adjusted R Square	Std. Error of the Estimate
.805 ^a	0.648	0.646	0.35955

a. Predictors: (Constant), Governing Body Structure

As Table 6 depicts, $R^2 = 0.648$, which means that the combined prediction of all the variables accounted for approximately 64.8% of variations in the dependent variable, which is referred to as explained variation, while 35.2 % were caused by other factors (unexplained variation). Thus, the model was fit to predict financial sustainability of NGOs using governing body structure as an independent variable.

The above findings are in line with the principal-agent theory which postulates that NGOs should design governing body structures that ensure oversight over management operations, since various stakeholders are not privy to the day to day operations of organisations. The manner in which governing body structure is operationalised and the expertise of the key decision makers in the governing body structure as well as their level of independence may influence efficiency (Mcdermott *et. al*, 2011). The governing body structure is one of the aspects that have been utilised to address agency challenges in diverse organisations (Mawudor, 2016). board size, independence, diversity, frequency of board meetings and CEO duality, The size, independence, diversity or members, frequency of board meetings and CEO duality determine how well the governing body functions and the quality of decisions which have a great impact on the long term survival of NGOs. This finding is in line with studies by Mbu-ogar, (2017); and Naciti, (2019), who assert that governing body structure has a significant relation with organisational results. Since the NGOs surveyed in the current study had poor governing body structures, they also had challenges with financial sustainability.

H₀₁: *Governing body structure does not have significant influence on the financial sustainability of NGOs in the advocacy sector in Kenya*

The decision rule was to reject the null hypothesis since p-value < .05, indicating that governing body structure significantly predicted the financial sustainability of the NGOs at 5% level of confidence. From the model, t-statistic for this variable was found to have a p-value of 0.000. With the p-value of 0.000 being less than 0.05, the null hypothesis was rejected and the alternative hypothesis accepted; and a conclusion drawn that there is indeed a significant relationship between governing body structure and financial sustainability in Kenya.

Summary, Conclusion, and Recommendations

Summary of Major Findings

Governing body structure was measured using eight statements which had been found to be valid after the pilot test. These statements were also found to have a high reliability based on their Cronbach's Alpha value. The descriptive results for governing body structure indicated that respondents were in agreement that proper structures had not been instituted in their NGOs since the average mean for the statements was below average mean score. The statement which recorded the highest mean was 'Board members are from diverse professional backgrounds' while the one with the lowest mean was 'Board members are diverse in terms of age.' Generally the respondents felt that governing bodies were not well structured with respect to size, frequency of meetings, diversity, independence and CEO duality. In the analysis of correlation between governing body structure and financial sustainability a high positive correlation was established. The results confirmed that an increase in the governing body structure would lead to an increase in financial sustainability of NGOs in the advocacy sector in Kenya. The results from regression analysis showed that governing body structure explained a substantial amount of variance in financial sustainability of NGOs in the advocacy sector in Kenya. The findings indicated that the governing body structure increased financial sustainability of NGOs in the advocacy sector in Kenya. This study therefore did not accept the null hypothesis on the relationship between governing body structure and financial sustainability of NGOs in the advocacy sector in Kenya.

Conclusions

Based on the results of the descriptive analysis, most of the respondents reported having weak governing body structures and also low financial sustainability. The establishment of proper structures for the enhances oversight over management hence resulting in sound policies that support long term financial sustainability of an organisation. The inferential analysis support the findings by revealing positive and significant influence based on the tests of significance. The findings of this study therefore indicate that governing body structure has a positive and significant relationship with financial sustainability of NGOs in the advocacy sector in Kenya. According to these findings the study therefore concludes that governing body structure has a positive influence on financial sustainability of NGOs in the advocacy sector in Kenya.

Recommendations for Policy and Action

The managers in NGOs should develop systems that promote the structure of the governing body structure by ensuring that the number of members of the governing body are neither too few nor too many to impede deliberations during meetings. The governing body should also hold regular meetings so as to provide adequate oversight over management. Further, the composition of the members should reflect diversity in gender, age and professional expertise. Additionally, the roles of the governing body and those of management should be clearly outlined to ensure proper segregation of duties. Moreover, the CEO should not play the role of both CEO of the organisation as well as the Chair of the Board to ensure that there is no conflict of interest.

Contribution to Theory and Literature

Most of the studies conducted in Kenya on the NGO sector have mainly explored the factors that affect financial sustainability of NGOs in Kenya, without seeking to find out how the factors influence financial sustainability. Further, not many studies have focused on NGOs in the advocacy sector in Kenya, with respect to the influence of strategic management practices on financial sustainability. This study therefore comprises one of the few studies that have been carried out on the influence of strategic management practices on financial sustainability of NGOs in Kenya, and specifically in the advocacy sector.

Conflict of Interest: The authors reported no conflict of interest.

Data Availability: All data are included in the content of the paper.

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