MANAGERS PERCEPTION ON THE RELATIONSHIP BETWEEN STRATEGIC RISK MANAGEMENT AND ORGANIZATIONAL PERFORMANCE AT CO-OPERATIVE BANK OF KENYA

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NOVEMBER, 2022

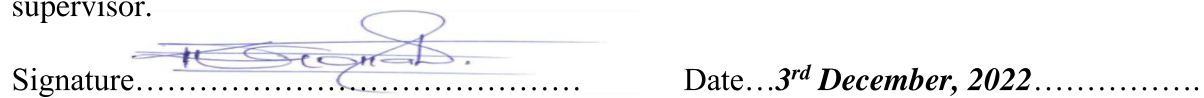
DECLARATION

I declare that this research project proposal is my original work and has not been submitted for an award at any university or institution of higher learning.

Signature…… …………………… Date……***2nd December 2022***……

NICHOLAS KIPTOO BETT **REGISTRATION NUMBER: D61/10686/2018**

This project proposal has been submitted for examination with my approval as the University supervisor.



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DEDICATION

I dedicate this project to my family. My parents Mr. and Mrs. Sigei who really love matters education and always pushing me to go beyond the limits. My Wife, I dedicate this to you for according me easy time to go through this project and always reminding me that it is study time for all of us. Not forgetting my classmates and colleagues who has stood by me and gave me all kind of support I needed. May almighty God bless you all.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

According to Hoyt and Liebenberg (2011), strategic risk management is associated with high performance among global companies. Frigo and Anderson (2011) also argued that strategic risk management is accepted by academics, practitioners and regulators as a major foundation of bank management .This is because the financial institutions are bestowed with an imperative responsibility to execute in the economy by acting as intermediaries between the surplus and deficit units, making their job as mediators of critical significance for efficient allocation of resources in the modern economy. This means strategic risk management is one of the major plans that organizations use in order to promote their performance in the long run (Beasley et al., 2007). With modern risks and uncertainties, companies are adopting strategic risk management in their operations. Evidently, effectiveness of strategic risk management has led to high productivity in various industries in the world. A study by Clarke and Varma (1999) also confirmed that effective strategic risk management models are important in managing the performance of firms in countries such as China. This is because strategic risk management help the firms to foresee risks, estimate impacts, and define their responses to risks and this improve performance in the long run.

This study was anchored on systems theory and contingency theory. According to Hinson and Kowalski (2008), contingency theory is part of the business continuity models that firms use to manage different risks. The model posits that all risks cannot be totally eliminated in practice since residual risks always remain. The theory supports the view that firms must adopt different plans in order to manage risks. On the other hand, the systems theory is an interdisciplinary theory about the nature of complex systems in nature and indicate that a system is a group of regularly interacting

and interrelated components that together form a unified whole. This definition is the basis for the systems theory of accident causation. The theory views a situation in which an accident or risk may occur as a system comprised of different components (Shukla, Fallahi&Kosny, 2014). The theory attempts to explain the relationship between strategic risk planning and logical operations procedures leading to high performance of firms (Boronow et al., 2017).

In Kenya, various companies within the banking industry are currently adopting strategic risk management. This is due to the increasing view that uncertainty associated with borrowers' loan repayments and other bank performance challenges can be managed through proper strategic risk management. The banks are coming with different risk management ways including risk administration and other ways to oversee and promote their performance. According Hoyt & Liebenberg (2011) effective strategic risk management is a strategic business discipline that supports the achievement of an organization's objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio. This is partly why many firms are currently adopting strategic risk management in various regions around the world including in Kenya.

1.1.1 Strategic Risk Management

The concept of strategic risk management refers to the process of identifying, assessing and managing the risk in the organization's business strategy including taking swift action when risks are realized in the firm. According to Jinrong and Enyi (2011) strategic risk management can be defined as the process that involves evaluating how a wide range of possible events and scenarios will affect the strategy and its execution and the ultimate impact on the company's value. An effective strategic risk management involves an all-inclusive plan encompassing everything from

product innovation risk and market risk to supply chain risk and reputational risk. A primary component and foundation of enterprise risk management requires the organization to define tolerable levels of risk as a guide for strategic decision-making. However, Mu, Peng and MacLachlan (2009) posit that strategic risk management is a continual process that should be embedded in strategy setting and strategy execution.

Strategic risk management is a process that can be applied in strategy setting and across the enterprise and it is meant to identify potential events that may affect the entity and help to manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. Peterson and Anderson (2010) argued that risk management is important in determining a company's worth by evaluating the main challenges in the firm. With good risk management plan, the firm is able to adopt good regulatory plan and proper stakeholder expectations, and this is important in the process of improving performance in the organization. In this study, the strategic risk management was measured based on risk identification, risks communication, risks training and strategic risk control and monitoring.

1.1.2 Organization Performance

Organization performance refers to the actual output or results that an organization achieves and may be in terms of the goals and objectives achievement (Jenster & Soilen, 2013). Maroa and Muturi (2015) categorized organization performance in different areas including the financial performance and non-financial performance measures. The financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period

and it includes the revenue generated from operations, operating income, or cash flow from operations as well as total unit sales.

The firm performance describes how well or badly a firm is performing both financially and non-financially (Kargar & Parnell, 2016). Globally, researchers universally believe that non-financial measures are more future-oriented, and thus can yield better performance (Zhang & Pan, 2009). In an increasing number of companies, the traditional financial measure has been transformed from the unique performance measurement to a part of multiple performance measurement system. Some of the non-financial measures of performance include the product or service quality, customer satisfaction levels and employee morale in the organization (Maroa & Muturi, 2015).

However, the main financial measures of performance include the firm profitability levels, sales growth, market share and current ratios. Other major financial measures in firms include gross profit margin, the net profit as well as quick ratio and the return on investment (Parker, 2010). Performance may also be measured in terms of increased sales or increase in the revenue base of the company (Hillarie, 2011). This study will involve analysis of both financial and non-financial measures of performance.

1.1.3 Commercial Banks in Kenya

Analysis of the banking industry in Kenya indicate that banking industry in Kenya is governed by companies Act, the banking Act and the central bank of Kenya act especially under the guidelines of the Central Bank of Kenya (CBK) (Abu-Rub, 2012). In late 1995, the banking sector was liberalized in Kenya and the CBK was selected as the organization responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of

financial system. Currently there are about forty-four (44) licensed commercial banks in the country and they all work together under the Kenya Bankers Associations (Central Bank, 2020).

According to Maroa and Muturi (2015), out of the 44 commercial banks, 31 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise three banks with significant shareholding by the Government of Kenya and State Corporations, 27 commercial banks and one mortgage finance institution (Abu-Rub, 2012). There is also the Kenya Bankers association which serves as lobby for banking sectors interest (Kithitu et al., 2012). However, the KBA serves a forum to address issues affecting commercial bank members in the country (Abu-Rub, 2012). Some of the major commercial banks in the country include the Kenya Commercial Bank (1896), Equity Bank (1984), Barclays Bank (1916), Standard Chartered Bank (1911), Cooperative Bank (1965) as well as the Commercial Bank of Africa (1962) and Diamond Trust Bank (1945).

1.1.4 Cooperative Bank of Kenya

The Co-operative Bank of Kenya is joined in Kenya under the Company's Act and is additionally authorized to do the matter of saving money under the Banking Act. The Bank was at first enrolled under the Co-agent Societies Act at the purpose of establishing in 1965. This status was held up to and until June 27th, 2008 when the Bank's Special General Meeting set out to fuse under the Companies Act with a view to agreeing to the prerequisites for posting on the Nairobi Stock Exchange (NSE). The Bank opened up to the world and was recorded on December 22, 2008. Shares already held by the 3,805 co-agents’ social orders and unions were ring-fenced under Coop Holdings Co-operative Society Limited which turned into the key financial specialist in the Bank with a 64.56% stake.

The Bank runs five backup organizations, to be specific: Kingdom Securities Limited, a stock broking firm with the bank holding a controlling 60% stake, Co-op Trust Investment Services Limited a store administration auxiliary completely claimed by the bank, Co-operative bank of south Sudan, Kingdom bank limited and Co-operation Consultancy and Insurance Agency Limited (CCIA), the corporate fund, money related admonitory and limit building auxiliary entirely possessed by the bank. The banks vision is to be the main and prevailing Kenyan bank especially in promoting solid banking solutions and money related administrations to their clients.

The Co-operative Bank of Kenya is owned by more than 154,942 shareholders (as at 2019 close). Out of this, Coop Holdings Co-agent Society Limited owns 64.56%, with the rest held by different financial specialists. The Bank has been growing rapidly and it reported a Profit before Tax of Ksh. 20.7 Billion for Full Year 2019 compared to Ksh. 18.2 Billion recorded in 2018. This was a strong growth of 14% in the year. The bank Profit after Tax was Ksh 14.3 Billion in 2019 and this is partly due to proper risk management within the bank major operations.

1.2 Research Problem

The concept of strategic risk management has been associated with competitive advantage and high performance among various organizations globally. This is because the model ensures that the company understands the risk levels in all its operations. With proper risk evaluation and planning, the firm is able to invest in stable and viable projects. As a result, companies that adopt strategic risk management enjoy high performance in almost all aspects of their operations. This is evident within the technological, banking as well as telecommunication industries and sectors around the world. In Kenya, companies including banks are currently investing in strategic risk management with the aim of promoting their performance and outcomes. Companies within the

Telecommunication and Banking industry in the country such as Safaricom's have adopted strategic risk management in their operations. In their efforts to reduce and control risks, banks such as Cooperative and KCB bank have also adopted strategic risks management in their operations. However, the success of these models towards the promotion of the firm success and productivity is still a challenge and this require strategic research to help evaluate how banks can adopt strategic risk management to improve their performance in general.

There are a number of studies that have been done to determine the relationship between strategic risk management and the performance of companies around the world. For example, a study done in the USA by Soltanizadeh et al. (2016) to determine the business strategy, enterprise risk management and organizational performance noted that effective business strategy require the provision of good risk management. The study also noted that effective risk management is associated with high performance of organizations around the world. The study involved review of various organizations within the United States of America. The study only narrowed to U.S firms and left a contextual gap and its implications cannot apply within the country.

Furthermore, a study done by Lassar et al. (2010) to evaluate the determinants of strategic risk management in emerging markets supply chains in Mexico confirmed that strategic risk management depend on the commitment and support from top management as well as the communication and culture of the organization. The study also found out that investing in information technology (IT), organization structure, and adopting proper training can help promote risks management within the organization and this is important for the organization success and productivity. Liu, Zou & Gong (2013) also conducted a study in China on managing project risk at the enterprise level and argued that project risk management help to promote outcomes of the

project. However, the study adopted exploratory case studies in China and its findings may not apply within the local context. Thus, current study will fill the contextual and methodological gap

Within the local context especially in Kenya, Mugenda, Momanyi and Naibei (2012) conducted a study to determine the implications of risk management practices on financial performance of sugar manufacturing firms in Kenya and noted that risk management practices help to evaluate uncertainties as well as to avoid challenges within the organization. The study also confirmed that having proper risk management help improve the financial performance of firms within the sugar manufacturing industry. However, the study failed to consider how risk management influences the banking industry and mainly focused on the sugar manufacturing industry. However, this study was done in the past and focused on the manufacturing industry that left a contextual and conceptual gap. Additionally, the study was based on cross-sectional design while the current study will be based on case study design.

Njenga and Osiemo (2013) conducted a study on the effect of fraud risk management on organization performance. They adopted a case of deposit-taking microfinance institutions in Kenya and noted that fraud risk management promotes the performance of the organization. Amemba (2013) also determined the effect of implementing risk management strategies on supply chain performance using a case of Kenya Medical Supplies Agency. The study also noted that proper implementation of risk plans help reduce supply chain challenges and promote the performance of the organization. However, these studies only focused on the medical and technology-based sectors and did not consider the banking industry, thus, leaving a contextual gap.

Odoyo, Omwono and Okinyi (2014) on a study involving the analysis of the role of internal audit in implementing risk management among State Corporations in Kenya argued that the internal

audit is important in the process of implementing risk management in the organization. Additionally, Kinyua, Ogolla and Mburu (2015) also noted that adoption of the risk management strategies promotes the project performance of small and medium information communication technology enterprises in Nairobi. In a study to determine the relationship between financial risk management and financial performance of commercial banks in Kenya, Muteti (2014) argued that enterprise risk management is important towards the promotion of financial performance of various banks in the country. Despite this, the studies failed to adopt clear methodologies to determine strategic risk management and how it affects the performance of the firms.

In view of the foregoing discussion, it is clear that few previous studies have been done to determine the relationship between strategic risk management and the performance of Cooperative Bank, Kenya. Additionally, these previous studies are scanty and mainly focused on the manufacturing industry. The studies left a big conceptual, contextual and methodological gap. Therefore, this study sought to fill this gap by providing research-based findings and answering the question; what is the relationship between strategic risk management and the performance of Cooperative Bank, Kenya?

1.3 Objectives of the Study

The objective of this study was to determine the manager perception on the relationship between strategic risk management and organizational performance at co-operative bank of Kenya.

1.4 Value of the Study

This study results and findings is expected to benefit different stakeholders including the risk management team at Cooperative Bank, Kenya, academicians as well as future researchers and policy makers dealing with risk management policies or programs in the country. The study findings would provide top management of various Cooperative Bank in the country with an opportunity to design and provide effective risk management plans and promote their performance in different aspects.

The study will also benefit stakeholders and policy makers in the country. This is because the policy makers will use the study findings and results to formulate, implement and adopt the best effective risk management policies. This would be important towards the management of the risk and performance of organizations in the country.

Importantly, the study would also give scholars, researchers as well as academicians an opportunity to conduct further studies on the relationship between strategic risk management and the performance of firms in the world. This is because the study findings would act as a reference point in these future studies. Scholars would use the study findings to improve their future studies related to the top of study and this is important in providing references on the future studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This segment provides analysis of past literature regarding the relationship between strategic risk management and the performance of companies around the world. This was done with the aim of finding the gaps in knowledge. The theoretical literature is reviewed followed by empirical literature that involved a review of past studies on related to the topic of study which is to establish the relationship between strategic risk management and the performance of Cooperative Bank, Kenya.

2.2 Theoretical Foundations of the Study

This segment depicts and includes the underlying theories associated with the study. Theories are models that guided the study. The study was based on systems and contingency theory of management and controlling risks in organizations.

2.2.1 Systems Theory

This theory was founded by Hatfield and Hipel in late 1950s. According to the systems theory of risks management, we define risk as an emergent property of the interaction of process elements in the organization. The theory assumed that the management or the organization is a system and includes interdisciplinary stakeholders. The organization acts a cohesive conglomeration of interrelated and interdependent parts which can be natural or human-made. This means that changing one part of a system may affect other parts or the whole system. It may be possible to predict these changes in patterns of behavior and avoid risks.

The proponents of the theory argue that there are many epistemological and methodological issues confronting risk assessment in organizations and the values of the stakeholders and the workers must be considered to reduce risks. To manage the organization effective, the use of systems theory and systems analysis tools is imperative in all organization. The management must adopt the application of the original two-stage multidisciplinary qualitative-comparative analysis and systems theory methods for the holistic assessment and management of risk in environmental and health issues of their workers.

In this study, the theory can be employed in the management of systems risks in the company. For example, the Cooperative Bank will consider the systems risks and stakeholders' values in their risk management activities. Accordingly, the key strength of the theory is that it views the organization as a system consisting of different components including workers and the outside environment. In terms of weakness, the theory does not consider the psychological nature of workers and view workers as machines.

2.2.2 Contingency Theory

This theory was first noted by Max Weber and Joan Woodward (1958). According to the theory, there is no best way to organize a corporation, to lead a company, or to make decisions and the management must consider different options to deliver optimal performance. The actions and programs adopted must be contingent (dependent) upon the internal and external situation of the organization.

The theory assumes that organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances. The proponents of the theory support the view that there is not one best way of organizing and the appropriate form of

management will only depend on the kind of task or environment one is dealing with. In that sense, top management of organization must adopt different action models in managing risks.

This theory is relevant and suitable for the study since it will help Cooperative Bank to adopt contingency plans in managing their risks. It will also allow the bank management to consider both internal and external environment in managing their risks. As a result, the management will adopt risk management frameworks that depend on the situation or the risk at hand. In terms of strengths, the theory considers challenges and risks facing the company and indicates that management must adopt flexible and creative ways of management. This means that the theory considers importance of nature of the environment and the situation at hand in management plans. On weakness, the theory can lead to a lot of confusion and problems among workers and management since it does not consider formality of management.

2.3 Empirical Review

Several studies have been done on the relationship between strategic risk management and the performance of companies in different parts of the world. Soltanizadeh et al. (2016) investigated the business strategy, enterprise risk management and organizational performance United States of America. Their study adopted cross-sectional design and data was collected among several manufacturing companies in USA. The study findings confirmed that effective business strategy require the provision of good risk management. The study also noted that effective risk management is associated with high performance of organizations around the world. The study involved review of various organizations within the United States of America. The study only narrowed to U.S firms and left a contextual gap and its implications cannot apply within the country and the current study will fill the gap.

Lassar et al. (2010) evaluated the determinants of strategic risk management in emerging markets supply chains in Mexico. The study was done in late 2010 and adopted a comparative study design. The study confirmed that strategic risk management depend on the commitment and support from top management as well as the communication and culture of the organization. The scholars concluded that investing in information technology (IT), organization structure, and adopting proper training can help promote risks management within the organization and this is important for the organization success and productivity. The study narrowed down to supply chain risks and left a conceptual gap. Additionally, the study was conducted in Mexico and its implications may not apply within the Kenyan context.

Liu, Zou and Gong (2013) researched the critical managing project risk at the enterprise level in China. The study used a case study method and focus on Jalapa Company in China. The study found out that project risk management help to promote outcomes of the project and management must adopt project risk planning in managing organization activities. This study adopted exploratory case studies in China and its findings may not apply within the local context. Thus, current study will fill the contextual and methodological gap left within the study. Additionally, the study was conducted in late 2013 and many project issues including modern technology have changed since the project was done.

In Nigeria, Adeleke, Bahaudin and Kamaruddeen (2016) determined the rules and regulations as potential moderator on the relationship between organizational internal and external factors with effective construction risk management in Nigerian construction companies. The study used quantitative research method and noted that effective risk management requires the consideration

of the internal and external environmental factors. The study suggested the need for organizations to include organizational internal factors and environment parameters in managing risks in their major operations. Although the study provided strong and positive findings, it only focused on the Nigerian construction companies and its implications cannot be generalized within the Kenyan banking industry.

Within the borders, Mugenda, Momanyi and Naibei (2012) conducted a study to determine the implications of risk management practices on financial performance of sugar manufacturing firms in Kenya. The study adopted cross-sectional research design and focus on sugar manufacturing firms in Kenya. In their conclusion, the authors argued that risk management practices help to evaluate uncertainties as well as to avoid challenges within the organization. The authors also argued that having proper risk management help improve the financial performance of firms within the sugar manufacturing industry. Despite its key findings, this study failed to consider how risk management influences the banking industry and mainly focused on the sugar manufacturing industry. Additionally, the study was based on cross-sectional design while the current study will be based on case study design.

Njenga and Osiemo (2013) also investigated the impact of fraud risk management on organization performance. The scholars adopted a case of deposit-taking microfinance institutions in Kenya. In their analysis, they found out that fraud risk management promotes the performance of the organization in the country. The study recommended the need for organizations to adopt fraud risk management to avoid financial losses from hackers. The authors argued that modern technology has made many organizations vulnerable to hackers across the world. Despite their strong findings, the study only focused on deposit-taking microfinance institutions in Kenya and ignored the commercial banking sector. Thus, current study will fill the gap by analyzing strategic

risk management planning and performance of cooperative bank which is one of the Commercial banks in the country.

In his health industry analysis study, Amemba (2013) determined the effect of implementing risk management strategies on supply chain performance using a case of Kenya Medical Supplies Agency. This study adopted case study method and data was collected from the Kenya Medical Supplies Agency. The study found out that proper implementation of risk plans helps reduce supply chain challenges and promote the performance of the organization. Despite its strong results, the study ignored how risk management impact other industries and only focused on the Kenya Medical Supplies Agency, thus, leaving a contextual gap.

Odoyo, Omwono and Okinyi (2014) on a study involving the analysis of the role of internal audit in implementing risk management among State Corporations in Kenya argued that the internal audit is important in the process of implementing risk management in the organization. The study adopted cross-sectional design and data was gathered from different State Corporations in Kenya. In their analysis, the study noted that the use of internal audit is imperative in implementing risk management among State Corporations in Kenya. The study recommended the need for State Corporations in Kenya to adopt regular internal and external audit to reduce issues associated with misuse of funds.

In their qualitative analysis, Kinyua, Ogolla and Mburu (2015) also noted that adoption of the risk management strategies promotes the project performance of small and medium information communication technology enterprises in Nairobi. The study focused on data from small and medium information communication technology enterprises in Nairobi. The study found out that the application and use of risk management strategies can help to improve and promote the project

performance of small and medium information communication technology enterprises in the country. Although the study was clearly elaborated, it ignored how risk management strategies can improve project performance within the banking industry. Thus, the current study will fill this conceptual gap.

2.4 Summary of Literature Review and Knowledge Gaps

This chapter presents the literature and empirical review based on the study objective. From the review, it is true that studies have been done on the topic of the study on different contexts. For example, in USA Soltanizadeh et al. (2016) investigated the business strategy, enterprise risk management and organizational performance. In Mexico, Lassar et al. (2010) evaluated the determinants of strategic risk management in emerging markets supply chains while in China Liu, Zou and Gong (2013) researched the critical managing project risk at the enterprise level in China.

In Nigeria, Adeleke, Bahaudin and Kamaruddeen (2016) determined the rules and regulations as potential moderator on the relationship between organizational internal and external factors with effective construction risk management. Locally, Mugenda, Momanyi and Naibei (2012) conducted a study to determine the implications of risk management practices on financial performance of sugar manufacturing firms in Kenya while Njenga and Osiemo (2013) also investigated the impact of fraud risk management on organization performance. Amemba (2013) determined the effect of implementing risk management strategies on supply chain performance using a case of Kenya Medical Supplies Agency and Odoyo, Omwono and Okinyi (2014) analyzed the role of internal audit in implementing risk management among State Corporations in Kenya. Kinyua, Ogollah and Mburu (2015) determine risk management strategies and the project

performance of small and medium information communication technology enterprises in Nairobi. These studies left contextual, conceptual and methodology gap and the current study will fill these gaps.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter aimed at providing how the research study was conducted in line with the stated objectives. This involved specifying research design used, data collection techniques and data analysis tools used. The researcher used case study design and data were collected using interview guide in this study.

3.2 Research Design

The research paper adopted case study method in an attempt to evaluate and determine the manager perception on the relationship between strategic risk management and organizational performance at co-operative bank of Kenya. The use of a case study helped to provide a detailed analysis of the situation as well as give multiple information of the situation under study. The method also helped the researcher to gain in-depth understanding of the manager perception on the relationship between strategic risk management and organizational performance at co-operative bank of Kenya. The researcher adopted the case study method due to its flexibility in its format.

The use of case study design also allowed the researcher to get a detailed analysis of a situation or the topic variables. This is because case study method helps to provide an in-depth understanding of phenomena under study and it gave the researcher the opportunity to have deeper understanding on the manager perception on the relationship between strategic risk management and organizational performance at co-operative bank of Kenya. The method also helped in providing data in a flexible and cost-effective way. This means that with case study method, the researcher was able to gain multiple kinds of information within a short time and in a cost-effective way.

3.3 Data Collection

In this study, the researcher used primary data. Primary data was collected among Risk Managers of Cooperative Banks in Kenya. In this study, the researcher used interview method to collect primary data from the Cooperative Banks in Kenya Risk Managers. The researcher carried out face to face interviews that that gave the respondents an opportunity to express their views regarding the topic of study. To conduct the interviews, an interview guide was used which comprised of open-ended questions that allowed the respondents to give all the information that they have based on their understanding of the topic.

The use of interview method helped to achieve high response rate during the data collection process. The data was collected to ascertain the manager perception on the relationship between strategic risk management and organizational performance at co-operative bank of Kenya. The target respondents were the top management levels teams within Cooperative Bank, Kenya.

3.4 Data Analysis

In this study, the researcher was guided by the objectives of the proposed study. The researcher used qualitative technique in analyzing the data. The researcher used content analysis method in this study. After data collection, the interview content was first checked for completeness, followed by proper content analysis. The content analysis helped to categorize the study findings based on various themes under different subheading.

CHAPTER FOUR: DATA ANALYSIS, RESULTS, AND DISCUSSION

4.1 Introduction

This section looks into the findings and responses obtained from the interviews and also conduct the analysis of the findings of this study. The responses obtained are determined by the research questions that were given according to the research methodology. In addition to exploring the findings, this chapter also reviews some important aspects of the data collection exercise, specifically, the response rate, participants' demographics and individual respondents' characteristics as well as other sample related characteristics. The section also looks at the descriptive analysis of the obtained information using qualitative analysis techniques with the aim of establishing the manager perception on the relationship between strategic risk management and organizational performance at co-operative bank of Kenya. The primary data was collected from four risk managers with the objective of determining the manager perception on the relationship between strategic risk management and organizational performance at co-operative bank of Kenya.

4.2 The Participants Demographics

The study selectively sampled a total of four risk managers, each representing a sub-unit within the risk department. The sub-units are; credit risk, operational risk, business continuity risk, and market risk. Appointments were booked with the respective bank risk managers, and face-to-face interviews were conducted (See appendix I for the interview guide). All the participants were available for the interviews. This gives a response of 100%, a response level that is acceptable for reasonable statistical analysis. According to Donald (2011), a response level greater than 50% increases the accuracy of the information obtained.

4.2.1 Work Experience and Age of the Respondents

The study inquired about the participants' demographic information because such information would help ascertain the suitability of the respondents for this study. The specific participant demographic characteristics that were inquired included age, gender, experience in the job, and the highest level of education of the participant. This was done to help understand the participants' demographics.

The analysis also revealed that the successfully interviewed participants included three males and one female; three were above 40 years, and only one was below 40 years. This means that the Cooperative Bank of Kenya has more male employees than females in risk management positions. It also shows that most of the risk managers in the bank are over forty years of age; this could be because of the delicate nature of risk management, thus requiring experienced personnel.

4.2.2 Level of Education and Work Experience of the Participants

The highest level of education was sought from the participants, and it was established that three of the respondents had a master's degree, and the remaining one had a bachelor's degree. None had a Ph.D. or a Diploma. This implies that most of the risk managers in the bank hold a master's degree. The lowest qualification appears to be a bachelor's degree, and most risk managers must have acquired a master's degree on the job. Likewise, it also seems that the Ph.D. level of qualification by the risk managers enhances their promotion to other more senior departments in the bank.

It was also imperative that the work experience of the risk managers be underscored as it would determine the quality of information given by the respondent, especially about corporate culture.

Work experience was measured by the number of years the respondent had worked in the Cooperative Bank Ltd and the number of years they had taken in the risk management department. It was established that two had worked in risk management positions in the company for more than five years, one had worked for 3-5 years, and one had worked for two years or less.

The findings indicate that more than 75% of the risk managers in the Cooperative Bank of Kenya had an experience of three years or more. This is so even though most of the employees in the department (80%) had worked in the company for more than six years. The findings show that the company has a suitable method of employee management which leads to employee retention. It also means that experience is an essential factor in recruitment in the company's risk management department; this is tied to the observations by earlier researchers that effective risk management is associated with a high performance of organizations.

4.3 Strategic Risk Management Strategies

The respondents were asked to give the risk management strategies used by their bank. Almost all the respondents agreed that the bank assessed future markets and laid down a roadmap towards meeting the market demand by assessing and reviewing the prevailing market conditions. They also noted that the company had an apt forecasting methodology used to predict future changes in the market and their effect over a foreseeable period.

The company generally utilizes strategic planning techniques to set strategic goals and objectives within the risk management department. This is done after the development of corporate strategies. The company has a 7-step procedure of identification and analysis of strategic risks. The risk management team first establishes the critical performance indicators (KPIs). Then the implementation of the strategic plan takes center stage, followed by regular monitoring and

evaluation, planning and management of capital and funding needs, use of management information systems, and stress-testing and contingency strategies. The company, therefore, has in place an efficient risk management team that is keen on risk identification and analysis.

4.3.1 Risk Identification and Assessment Strategies

Having noted that risk identification, assessment, and analysis are the key drivers of the bank's operations. The respondents noted that all products and services offered by the bank must be subjected to a risk review, and the outcome measured against the bank's risk appetite and tolerance levels for viability before approvals are granted. The respondents alluded that the bank has a robust risk management framework that guides how risks are identified, analyzed, and managed.

The risk identification framework stipulates the principles to be adopted in managing specific risks, the process of risks identification/assessment, risks management, and monitoring. The risk management framework further stipulates the risk management governance structure highlighting the responsibilities of the board, senior management, risk management, and compliance functions and the responsibilities of the various business lines. This was important, and it revealed how the company valued risk identification in its operations.

One of the respondents gave the following responses;

"*In my organization, several strategies have been put in place to manage the arising risks. This includes the use of Information technology and providing training to its employees through this risk identification has been done effectively and fruitfully.*

(Source: Respondent 2021)

This agrees with the study done by Lassar et al. (2010), who found out that investing in information technology (IT), organization structure, and proper training can help promote risk management within the organization. This is important for the organization's success and productivity.

From another respondent;

"*Banking institutions that have good risk management skills realise better profits, our bank after adopting risk management strategies have grown with time*."

(Source: Respondent 2021)

The study findings agree with the study done by Liu, Zou, and Gong (2013), who found out that project risk management help to promote outcomes of the project, and management must adopt project risk planning in managing organizational activities

4.3.2 Strategic Risk Communication Strategies

The respondents noted that strategic risk management is a critical pillar to the sustainable long-term development of the banking group; therefore, the banks have put in place policies and procedures to help mitigate and manage strategic risks. The risk management policies and procedures are communicated to all staff through various communication channels to ensure each staff is aware of their role in mitigating this risk. According to the respondents, various forums are held every quarter to measure and refocus the team towards the bank's strategic objective for the period.

Accordingly, strategic risk management procedures and plans are communicated to all the staff members at these forums. The staff performance appraisal process is also aligned to the strategy and performance measured every quarter to ensure that targets are met, and the team is made aware

of where we are and where we intend to be. Apart from verbal communication during formal and informal meetings, the bank has large posters on the wall at appropriate positions within the banking premises to remind the staff about the risk management steps and procedures and the mission, vision, and other corporate policies.

One of the respondents said;

"There has been poor communication in the process of risk identification, assessment and analytics in our bank, this has interfered with the process of risk management affecting the effective operation of the Bank."

(Source: Respondent 2021)

Another respondent gave the following response;

"With increased accountability among the employees' and regular monitoring and evaluation, Employees' are able to work responsibly and being result oriented, the organization therefore through this have realized great outputs."

(Source: Respondent 2021)

This is in line with the study done by Adeleke, Bahaudin, and Kamaruddeen (2016), who suggested the need for organizations to include internal organizational factors and environment parameters in managing risks in their significant operations.

4.3.3 Strategic Risk Recovery Plans

From the responses provided by the participants, it was established that the bank has a strategic risk management policy that sets out the processes and practices that will be used to effectively

manage its strategic risks for the sustainable long-term development of the company. In addition, the bank has robust disaster management and recovery plans managed under the wider business continuity programs.

The efficiency of the company's disaster management and recovery plan is boosted by a business continuity and disaster recovery plan and a crisis management team that oversees the banks' disaster and strategy management. Additionally, several procedural structures help enhance disaster management and recovery plan; this includes regular identifying and assessing disaster risks, regular testing and maintenance of the Disaster Recovery Plan, and regular determination of critical applications, documents, and resources through an annual Business Impact Analysis (BIA) process. Notably, the company has a specific efficient backup and off-site storage technology that ensures the security of all company data.

One of the respondents during the interview gave the following response;

"*The attempts by the organization to recover the lost properties during the occurrence of risk has been tedious but at long yielded much fruits, my organization has put in place a number of recovery plans which includes proper audit control to reduce risk occurrence and at least recover lost items*."

(Source: Respondent 2021)

The study findings agree with the study done by Odoyo, Omwono, and Okinyi (2014), who noted that the use of internal audit is imperative in implementing risk management among State Corporations in Kenya.

Another respondent added;

"My manager has played a significant role in boosting the risk management and recovery plan, there is a committee formed in my organization who foresees and specifically focus risk analytics. The management and the organization at large are responsible and has made the work of this committee easy and effective."

(Source: Respondent 2021)

4.3.4 Regulatory and Proper Stakeholder Analysis

On the question of whether the company has a regulatory mechanism and conducts regular stakeholder analysis, the respondents mentioned that the bank, through its Investor Relations and Strategy department, regularly prepares and presents relevant analysis on the bank's performance and projected growth to various stakeholders, including the regulator and the investors. The bank is annually audited by the Central Bank of Kenya (CBK) to ensure compliance with regulatory policies and procedures.

The shareholders and other interested parties are provided with quarterly performance metrics, which keeps them abreast with the bank's performance over time. A shareholder annual general meeting is held annually to allow the owners to voice their concerns or support regarding the direction that needs to be taken by the bank operations. This is important in managing the performance of the company.

From the respondent;

"All the Bank Activities are regulated fully by the Central Bank of Kenya, external auditors from the central Bank of Kenya regularly visits our Bank for reviews."

(Source: Respondent 2021)

Another respondent gave the following response;

"Every time before Audit, the internal stakeholders of the bank through the strategy department prepares the books of account timely and effectively, none of the audit days has our bank been found unprepared"

(Source: Respondent 2021)

4. 3.5 Strategic Risk Management and Training Programs

Capacity building is critical in enhancing efficiency in all management spheres. The Cooperative Bank Kenya Ltd has in place an e-learning platform that provides, amongst other topics, risk management training, including strategic risk. The bank directors have also tasked the risk management department to prepare specific training programs regarding risk management not only on strategic risk but also on all other risks and administer such training to other staff members during stipulated periods. These trainings are occasionally extended to the Board of Directors and bank's senior management team to enhance a complete and unified emphasis on risk management.

"Our Bank organizes for an annual training and Team building for its Employee in general organizational and work place management, the main area latest has been on risk management and more specifically on integration of ICT in order to gap the long rising cyber-crime."

(Source: Respondent 2021)

4. 3.6 Strategic risk Budget, Control, and Monitoring Plan

The company has a mechanism that involves an annual budgeting program; the annual budgeting encompasses strategic risk management. Cooperative Bank Ltd has stipulated processes and systems for managing Strategic Risk Management as part of its Strategic Risk Management policy. The risk management policy in the company includes activities such as strategic planning, setting of strategic goals and objectives, development of corporate strategies, identification, and analysis, the establishment of key performance indicators, implementation, monitoring and evaluation, planning and management of capital and funding needs as well as stress-testing and contingency strategies. It involves the use of management information systems while incorporating human resources management and development. Performance of the risk management department is measured quarterly according to the milestones stipulated; this is a control measure that checks whether the bank is on course towards achieving its strategic goals.

From one of the respondents;

"Our Bank includes risk management Budgeting control process in order to gap the risk management risk, this includes strategic planning, setting goals, planning and management."

(Source: Respondent 2021)

4.4 Organizational Performance

From the analysis of the actual results against intended outputs in the company, the study revealed that the key indicators at Cooperative Bank included customer satisfaction levels, revenue, profitability, and sales volume. Most of the respondents noted that the bank's performance was high due to adopting strategic risk management practices, which was evident in increased

profitability. This is because strategic risk management practices allowed the company's top management to use their resource effectively and efficiently. In their operations, the bank prioritizes productivity, the quality of services delivered, and the organization's profitability.

The respondents also noted that some strategic risks management practices that can be adopted to promote the bank's performance include adopting risk mitigation practices, risk identification models, and risk evaluation and monitoring systems. The respondents also supported the view that effective risk management implementation was influential in promoting the bank's performance. However, most respondents rank risk identification, mitigation, evaluation, and monitoring to boost the bank's performance. This means that the banks should adopt these strategic risk management practices to improve their performance in the long run.

4.5 Discussions of results/Findings

The study findings indicate that more than 75% of the risk managers in Cooperative Bank of Kenya had an experience of three years or more, with the lowest qualification for a position in the risk management department being a Bachelor's Degree even though most of the risk managers must have acquired the Master's Degree. The findings also indicate that experience is a fundamental factor in recruitment in the risk management department of the company as most of the managers had experience above three years; he is in tandem with Ponnu and Okoth (2019), who established ha most workers in the banking industry had an experience above four years.

The findings and results also revealed that the Cooperative Bank Ltd assessed future markets and laid down a roadmap towards meeting the market demand by evaluating and reviewing the prevailing market conditions. The company also has an efficient forecasting methodology used to predict future changes in the market. Some strategic planning techniques are used; another strategy

includes setting strategic goals and objectives within the risk management department in a 7-step procedure of identifying and analyzing strategic risks. The bank has a robust risk management framework that identifies, analyzes, and manages risks. The company also has an efficient communication strategy through various channels to ensure each staff is aware of their role in mitigating this risk. The shareholders and other interested parties are provided with performance metrics quarterly to keep them abreast with the bank's performance. Risk management performance is measured quarterly.

The bank's performance was measured in profit growth, interest and non-funded income, and digitization of its operations. All these measurement metrics were found to have grown, indicating that the general performance of the bank had increased gradually after the implementation of the mentioned strategic risk management programs. This is in line with Mugenda, Momanyi, and Naibei (2012), who confirmed from a study that having proper risk management help improve financial performance. Financial growth is a factor of several processes, including efficient supply chain management. Therefore, the findings of his study are in tandem with Amemba's (2013) study, which established that proper implementation of risk plans helps reduce supply chain challenges and promote the organization's performance. The bank also has a routine auditing program by the Central Bank of Kenya (CBK) and internal audits to ensure compliance with regulatory policies and procedures. This has contributed to efficient risk management, which has eventually led to improved performance in line with Odoyo, Omwono, and Okinyi (2014), who established that internal audits promote project performance as means of risk management. Generally, as Kinyua, Ogollah, and Mburu (2015) noted, risk management strategies promote project performance which this study has confirmed.

CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

In this inquiry, data was collected from risk managers to determine the manager perception on the relationship between strategic risk management and organizational performance at co-operative bank of Kenya. The data collected was analyzed, and this section provides a summary, conclusion, and recommendations of the study. The section also covers limitations and areas for further research, and all these are based on the study's objectives.

5.2 Summary of the Study Findings

The objective of this study was to determine the manager perception on the relationship between strategic risk management and organizational performance at co-operative bank of Kenya. Data was collected among risk managers at Cooperative Bank. Data in this study was collected using the interview method, and the researcher managed to obtain a 100% response level. The majority of the participants were males, and all the respondents had a bachelor's degree and above. The majority of the respondents indicated that they have worked in the bank for more than three years.

The study established that the adoption of strategic risk management promoted the performance of Cooperative Bank, Kenya. The study also confirmed that the banks assessed future markets and laid down a roadmap to meet market demand by assessing and reviewing the prevailing market conditions. The banks also had a forecasting methodology used to predict future changes in the market and their effect over a foreseeable period. This reduces risks and improves the performance

of the banks. The study also found that the banks utilize strategic planning techniques to set strategic goals and objectives within the risk management department.

Moreover, the study established that the banks had adopted stress-testing and contingency strategies and used an efficient risk management team keen on risk identification and analysis, primarily through applying the banks' risk identification and assessment plans. This means that risk identification, assessment, and analysis are the key drivers of the bank's operations. This helped the banks review their risk appetite and tolerance levels for viability before approvals are granted in their investment activities.

The study also found out that the banks adopted a risk identification framework and stipulated the principles to be adopted in managing specific risks, the process of risks identification/assessment risks management, and monitoring. The risk management framework further specifies the risk management governance structure highlighting the responsibilities of the board, senior management, risk management, and compliance functions and the responsibilities of the various business lines. The study also found out that the banks have adopted strategic communication procedures to help with mitigating and managing strategic risks. This included using verbal and non-verbal communication models and adopting formal and informal meetings to remind the staff about the risk management steps in the company. In this study it was established that the banks have adopted robust disaster management and recovery plans for their wider business continuity programs. The banks have also adopted regulatory and proper stakeholder analysis, and this improved their performance since it attracted various investors in the banks. In addition, the study indicated that the banks had adopted strategic training programs and strategic risk control and monitoring plan to avoid risks and promote their overall performance. The banks' performance

improved after adopting strategic risks management, which was evident in the bank's profitability, growth, and increase in market share and general income.

5.3 Conclusion

Based on the study's findings, the study concluded that adopting strategic risk management improves the performance of Cooperative Bank, Kenya. This is because the study found out that adopting strategic risk management promoted the performance of Cooperative Bank, Kenya since it led to risk reduction, risk control, and risk management in the banks. The study confirmed that the banks used strategic planning techniques, stress-testing, and contingency plans to manage their risks and improve performance.

The study also concluded that banks should adopt strategic risks management to improve their operations. This is because the adoption of strategic risks management led to risk identification, assessment, and risk analysis. The risk identification framework adopted by the banks led to effective risks identification/assessment, risks management, and monitoring, improving the banks' performance. The study then concluded that banks should adopt strategic risks training among all their staff, introduce effective risks communication channels, and include risk budget and control to improve their performance. The banks should review and measure their performance in terms of profitability, market share, and income levels, and this should match their risk plans and procedures.

5.4 Recommendations for the Study

Based on the study findings or discussions and conclusion, the study recommends that Cooperative bank management adopt effective strategic risk management to promote their performance. This includes adopting strategic risks identification, using risk monitoring plans, and adopting risk budgeting procedures. Notably, the bank top management should adopt different risk communication channels to meet their stakeholders' needs.

The study also recommends that the bank's top management adopt regular risks management training to all their staff to reduce and control risks in the organization. Risk management training should include ways that the banks can use to identify and mitigate risks. This will help attract more investors and improve the performance of the bank. The bank should ensure that stakeholders' views are considered in their risk management activities in their management.

5.5 Implication to Theory and Practice

The study findings established that most strategic risk management adopted by the co-operative bank of Kenya for organizational performance is closely and positively related to its endurance in a competitive market. These findings have a positive implication for the systems theory. The co-operative bank of Kenya's system is affected by internal and external elements (aspects of the sub-units). It is responsive to forces from the external environment. The co-operative bank of Kenya system is open, as it receives various inputs from other systems. For example, it receives supplies, information, raw materials, etc. These inputs are converted to outputs that affect other systems of the bank. Generally, the co-operative bank of Kenya's success depends upon interaction and interdependence between the sub-systems, synergy between the sub-systems, and interaction between internal components (closed system) and external components (internal system).

The study's findings are that economic uncertainties significantly affect the operations of banks; these findings have a positive implication with contingency theory which indicates that the co-operative bank of Kenya could use any of several different forms under its given conditions. The contingency approach was further refined when it was shown that subunits of the co-operative bank of Kenya might have different sub-environments indicating the need for differing forms of organization. The pertinence of utilizing contingency theory can be set as one of a kind. For instance, a firm with complete dominance over an industry should not have to be as mindful of the opponent company's diversions as an organization in an industry where uniformly scattered or inconspicuous, likewise strengthening the statute they need for a technique is pushed through the duration rivalry.

5.6 Limitations of the Study

One of the significant limitations in this study is the view that data was collected using the interview method. The use of the Interview method made it challenging to collect data since some of the managers were busy—however, the researcher scheduled online meetings and phone calls to get the required response rate. In addition, the small sample size was a problem since it might have lowered the results' confidence levels, leading to issues of generalizations. Some of the respondents were also not willing to share the performance data of the banks. However, the researcher assured them of the confidentiality of the data, and they were later able to share the required data.

5.7 Suggestions for Further Research

This study focused on manager perception on the relationship between strategic risk management and organizational performance at co-operative bank of Kenya. This means that the study adopted the case study method and only concentrated on a Cooperative bank. The study recommends that further study be done on the effects of strategic risks management, especially risk budgeting and control, on the financial performance of commercial banks in Kenya. In addition, the study recommends that future studies be explicitly done on determining the strategic risks management on the profitability of commercial banks in Kenya. This is because it has been noted that a lack of strategic risk management can lead to low profitability of the banks.

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APPENDIX

Appendix I: Interview Guide

This study is about the relationship between strategic risk management and the performance of Cooperative Bank, Kenya.

Please answer the questions according to your understanding.

SECTION A: Background Information

1. How long have you worked with Cooperative Bank, Kenya?
2. Which department are you currently working in?
3. How long have you worked in this department?
4. What are your duties in your position?

SECTION B: Strategic Risk Management

5. What are some of the Strategic Risk Management strategies that have been adopted by your company?
6. Does the company include risk identification, assessment and analysis in its major business operations?
7. Does the company include strategic risk communication plans in its major business operations?
8. Does the company have a strategic risk management and recovery plans in its major business operations?

9. Does the company include regulatory and proper stakeholder analysis in its major business operations?
10. Does the company have a strategic risk management and training program in its major business operations?
11. Does the company have a strategic risk management budget in its major business operations?
12. Does the company have strategic risk control and monitoring plan in its major business operations?

SECTION C: Cooperative Bank Performance

13. What are the key performance indicators of Cooperative Bank, Kenya?
14. Recommend other strategies that can be used to promote performance of Cooperative Bank, Kenya
15. What is the general level of the Cooperative Bank, Kenya performance after the introduction of strategic risks management planning programs?