# ENTERPRISE RISK MANAGEMENT INTEGRATION IN STRATEGIC PLANNING, AND PERFORMANCE OF CPF FINANCIAL SERVICES LIMITED IN KENYA

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN THE FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI**

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# DECLARATION

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

Sign Date: 8th December 2021

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**D61/32724/2019**

This research project has been submitted for examination with my approval as the appointed university supervisor.

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# DEDICATION

To my parents, Alice and Timothy Nzioka. For setting a good example. I learned that I must always stay focused and work hard for what I aspire to achieve through you.

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# LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **BSC** | Balanced Scorecard |
| **COSO** | Committee of Sponsoring Organizations of the Treadway Commission |
| **COVID** | Corona Virus Disease |
| **ERM** | Enterprise Risk Management |
| **SC** | State Corporation |

# ABSTRACT

Integrating corporate strategy and enterprise risk management is critical for making informed business decisions for organizational performance. The motivation of the study was the potential of far-reaching consequences on an organization's value when its strategy is not aligned with its core values, vision, and purpose, as well as the consequences of the selected strategy. This study was on the financial pension services sector in Kenya. The study's objective was to establish the effect of ERM integration in strategic planning on the organizational performance of CPF Financial Services Ltd in Kenya. The environmental complexity theory anchored the study and was supported by stakeholder theory. This research applied a case study design. The researcher utilized primary data to accomplish the study's objectives collected using an unstructured interview guide. The interviews were conducted face-to-face at CPF Financial Services Limited's head office with four senior managers. This study applied content analysis to examine the information gathered, a qualitative research technique for classifying, organizing, analyzing, and reporting findings. The study findings established that CPF Financial Services Limited has an effective approach towards ERM that promotes a positive risk culture, articulates risk management strategies, enables designing of a risk governance structure, and enables a comprehensive and robust risk identification, assessment, and measurement. The study findings also established that CPF observes vital ERM best practices, including stakeholder involvement, communication, and enterprise-wide risk monitoring and assessment. The study also concludes that the Board of directors at CPF Financial Services Ltd is active in building and maintaining a risk management culture and assessing CPF's risk appetite.

Further, the study determined that ERM integration in strategic planning at CPF Financial Services Ltd has positively affected the organization's performance. This was accomplished by lowering the risks of undesirable outcomes and, as a result, increasing the projected profits from CPF's initiatives or investments, informing decision making, safeguarding the company's image, and establishing the organization's positive risk culture. Based on the findings and the conclusions from the study, the following recommendations are made. First, the Board should continually assess the effectiveness of the enterprise risk management framework in place. Secondly, it is recommended that firms should enhance risk intelligence in the ERM process. The Board of directors should encourage risk transparency at all levels of the business so that day-to-day decision-makers are aware of the strategic objectives and how their actions may affect them. Lastly, the study also recommends that the Board, regulators, and policy makers ensure that firms in the financial services sector have an acceptable risk appetite to ensure that investors' money is not lost by taking too much risk.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Integration of corporate strategy and enterprise risk management is critical for making informed business decisions for organizational performance. According to Deloitte (2017), effective enterprise risk management (ERM) program offers insights into the various risks that can affect a company's capacity to carry out its objectives, as articulated in its strategic plan. Risk is considered by many companies throughout the strategy-setting process, although it is usually assessed mainly in terms of its possible impact on an already established plan. Organizations use this method to pose questions such as, "What factors might influence the relevance and feasibility of our strategy?" There are, however, further questions to be asked regarding the approach. Have we correctly predicted consumer demand, or will we complete the project on budget and on time? Will new rivals arise during the implementation phase of the strategy? These are the kinds of issues that CEOs face on a daily basis, and answering them is critical to executing a plan.

The environmental complexity theory by Thompson (1967) anchored the study, supported by the stakeholder theory by Freeman (1984). The environmental complexity theory by Thompson (1967) contends that the development of the risk management function in an entity is most closely related to, and a product of, the complexity of the environment which the individual firm faces. Hence, the organization should advance the risk management function to enable its strategy to fit its environment and lead to the expected performance outcomes by linking its enterprise risk management practices and its strategic choices

(Kaplan & Mike, 2014). On the other hand, Freeman's (1984) stakeholder theory indicates that a firm's success is a function of how well it satisfies its stakeholders. It further hypothesizes that the linked networks of stakeholders impact the decision-making process and even the overall efficacy and results of the firm. Neville et al. (2004) note that the organization is in a better position to attain its performance objectives by having a strategic plan to achieve the needs of its various stakeholders while at the same time effectively managing risks that emanate from those stakeholders.

When a company creates a strategy, it considers all of the options and decides on the trade-offs that come with the chosen approach. Each strategy choice has its own risk profile, which determines the plan's consequences. As a result, management must determine if the strategy aligns with the organization's risk appetite and how it will aid in its goal-setting and resource allocation. An efficient enterprise risk management program offers insight into the universe of risks that may affect a company's capacity to fulfill its purpose (Sax & Andersen, 2019). The context of today's companies' strategic plans is one of the most important sources of risk for them (Kanu, 2020). While a company's strategy guides its value generation, it also requires risk-taking in the form of decisions and trade-offs. Trampert (2021) posits that the greater the extent of integration between strategic planning and ERM, the more probable it is to successfully implement its strategy and attain organizational performance as articulated in the strategy. The motivation of the study was the potential of far-reaching consequences on an organization's value when its strategy is not aligned with its core values, vision, and purpose, as well as the consequences of the selected strategy.

This study was on the financial pension services sector in Kenya. Kenya's financial pension services sector faces various risks, including economic slowdown, cybercrime, regulatory changes, increasing competition, disruptive technologies, business interruptions, and political uncertainty (Buccella, 2021). To thrive and attain their organizational performance objectives, organizations in this sector should consider these risks when formulating and implementing strategic plans. Al-Nimer et al. (2021) observe that because organizations in the financial services sector are constantly engaged in reducing financial loss and risk, ERM has become a significant predictor of organizational performance. The ERM process works on new and developing risk reduction strategies to manage the risk engrained in the firm's strategic plans (Kanu, 2020). ERM is critical for performance in financial services organizations, although it has received little attention so far. This study assessed how firms in Kenya's financial pension services sector integrate ERM with strategic planning for improved organizational performance, focusing on CPF Financial Services Limited.

### 1.1.1 Strategic Planning

Strategic planning entails creating specific business strategies, putting them into action, and evaluating the results in terms of the long-term objectives and goals of the firm. It is a concept that focuses on answering three essential questions; What is the purpose of our existence (mission)? What do we want to accomplish (vision)? What will we need to do to get there (plan)? (Greenley, 1986). According to Aldehayyat (2011) strategic planning is a contemporary management toolbox that may be utilized not just to cope with unpredictable situations but also to boost performance.

Further, Alosani et al. (2020) indicate strategic planning as an approach used to determine and accomplish an organization's goals and objectives and bridge the gap between where the organization is and where it desires to be in the future. To be effective, Ghobadian et al. (2008) observe that strategic planning should concentrate on variables that significantly influence the firm, such as recognizing weaknesses and strengths as well as strategic objectives, and planning how to optimize strengths, take advantage of opportunities, manage weaknesses, overcome threats, and achieve the specified objectives.

Determining the purpose, values, and mandate of the organization, analyzing the firm's external and internal surroundings, ascertaining strategic issues based on these analyses, and creating strategies, objectives, and plans to solve the identified issues, are all elements of strategic planning (George et al., 2019). A number of frameworks and techniques can be applied to operationalize strategic planning. Strategic analysis, strategic plan development, strategy execution, and strategy assessment are all phases that many frameworks go through (Oktafiga, 2015). Strategic analysis is the process of gaining information about one's current internal and external environment. In the strategy formulation process, a basic organizational level strategic plan and a high-level strategy are created. In the strategy execution phase, the action items and operational plans are developed from the high-level plan. Communications, culture, performance, data reporting, and other strategic management issues are reviewed and improved continuously throughout the assessment stage.

### 1.1.2 Enterprise Risk Management

ERM is a strategic management technique used by companies at various stages of their strategic planning to detect potential threats to their operations (Kanu, 2020). ERM is defined by the Committee of Sponsoring Organizations of the Treadway Commission (2004) as a process applied across the organization in strategic setting to identify potential happenings that could influence the organization and manage risk to provide reasonable reassurance and ensure that the risks are within the entity's risk appetite. ERM is effected by an organization's key personnel, management, and the Board of directors. Enterprise risk management attempts to keep hazards within a company's risk tolerance limits while also providing judicious assurance that the company's objectives and goals will be attained (Sax & Andersen, 2019). Effective enterprise risk management promotes risk management, allowing the business to execute its strategic decisions more effectively.

Although organizations vary in their adoption and application of ERM, any form of ERM approach must include three broad components: governance, planning, and monitoring to address any potential threats to strategic goals (Al-Nimer et al., 2021). Besides, Kanu (2020) posits that oversight at multiple levels is also required. However, according to Lechner and Gatzert (2018), the degree of formality, acceptance, maturity, and involvement of enterprise risk management operations varies in every organization. Though ERM has been developing since the 1990s as organizations face turbulence in their environments, Songling et al. (2018) observe that many firms are still reluctant to engrain ERM into the strategic management process.

### 1.1.3 Organizational Performance

Organizational performance has been defined as the organization's actual output or outcomes compared to its planned outputs (Falshaw et al., 2006). Besides, George et al. (2019) describe organizational performance as a collection of accomplishments obtained through applying a set of practices. Measuring performance entails evaluating the results of a set of activities that have been implemented. It involves assessing progress toward specified goals. An organization's production processes are evaluated and improved through measurement, and properly evaluating the accomplishments is essential. Alosani et al. (2020) posit that incorrect performance metrics may undermine and distort an organization's efforts. Measuring organizational performance has evolved over time, from a solely financial focus to more complete company characteristics, as Greenley (1986) and George et al. (2019) described.

The evolution of performance measurement, according to Greenley (1986), is split into two phases. Sales per employee, profit, price fluctuations, return on investment, and return on sales, are among the financial performance metrics covered in the first phase. Financial performance metrics have been castigated for failing to provide a comprehensive perspective of a firm's prospects health. Numerous scholars, such as Kaplan and Norton (1992), observe that financial measures have flaws such as focusing only on historical data, focusing on the short term, lack of neutrality, and precision, and have an imbalance, which makes them unable to reflect on strategic issues and holistic organizational performance. As a consequence, many scholars and practitioners prefer to evaluate performance based on both financial and non-financial data (Aldehayyat & Twaissi, 2011). The balanced scorecard (BSC) approach, for example, was created to offer a balanced way of evaluating organizational performance. To accomplish a balanced assessment, the BSC has kept the financial metrics and added three additional viewpoints (learning and development, internal process, and customer (Kaplan & Norton, 1992). This study measured performance using the BSC approach.

### 1.1.4 CPF Financial Services Limited

The financial services industry comprises pension funds, insurance companies, investment banks, mutual funds, real estate agents, and commercial banks, among others, that provide financial services to individuals and businesses (Buccella, 2021). The financial services sector is one of the most significant sectors of an economy. However, external and internal forces fuel the need for ERM in the financial services industry. Calls for corporate governance reforms from regulators, accounting organizations, institutional investors, and government authorities in nations across the globe are some of the external pressures that all companies face. The financial service sector is affected by other external forces that are unique to the sector. They emanate from legislators and regulators who want to ensure that the general public, the financial system, and customers are protected from unwarranted risks (Al-Nimer et al., 2021).

Internal pressures stem from industry-specific business circumstances and hazards, particularly those associated with operating in a highly competitive market. First and foremost, financial services firms have a compelling competitive incentive to get ERM right because their business is anchored on taking on the risks of others. Their primary competence is developing advanced tools to do so. A financial institution that internalizes ERM in its strategic planning will gain credibility in the marketplace, increasing its chances of attracting and retaining clients and consumers and improving its organizational performance (Buccella, 2021). Besides, financial services organizations are dealing with industry-specific strategic and operational issues that may benefit from an ERM solution. For example, today's financial services providers confront shrinking margins, more competition from nontraditional sources, and more demanding stakeholders (Al-Nimer et al., 2021). Fundamental developments in technology, distribution networks, and consumer expectations also affect the sector, posing new risks and putting pressure on organizational performance.

CPF Financial Services is a financial services organization in Kenya that offers pension funds and trust fund administration, management consulting, corporate training, and development, among other services (CPF Financial Services, 2021). CPF Financial Services Ltd has been integrating ERM with strategic planning, but the effects on organizational financial performance have not been established. Buccella (2021) claims that successfully incorporating ERM into a firm's process of strategic planning allows it to achieve its goals. On the other hand, some companies fail to adequately incorporate ERM into strategy planning and therefore miss out on the advantages. The purpose of this research was to investigate how integrating ERM with strategic planning affects CPF Financial Services' organizational performance.

## 1.2 Research Problem

The ERM's approach to risk management allows the business to identify and assess how a wide variety of possible scenarios and events may affect the execution of its strategy, including the effect on attaining its stated goal (Ha et al., 2016). Organizations may generate and improve their long-term value by including ERM in strategy creation and execution. Ignoring strategy-related risks or ineffectively integrating ERM with strategic planning is a certain way to fail. Management should see ERM as a strategic emphasis rather than a compliance task, in line with the belief that an organization-wide approach to risk management adds value (Lechner & Gatzert, 2018). This implies that, while establishing strategic objectives, management must strike the right balance between performance goals and targets and the risks that come with them.

Firms in the financial services sector face various financial and non-financial risks that require them to effectively integrate ERM with strategic planning. CPF Financial Services Limited in Kenya, a firm in the financial services sector, offers pension funds administration, management consulting, corporate training & development, Trust Fund Administration (CPF Financial Services, 2021). Though the company integrates ERM with strategic planning, it could not meet its strategic objectives as articulated in its 2018 – 2020 strategic plan. This hence calls into question the organization's process of integrating ERM with strategic planning. According to Buccella (2021), effectively integrating ERM in an organization's strategic planning process enables the company to attain its objectives. However, some firms fail to effectively integrate ERM into strategic planning and thereby fail to reap the benefits. Hence this research was to establish the status of CPF Financial Services Limited.

Various scholars have undertaken studies on the impact on organizational performance of integration of the strategic planning process and ERM. These studies, however, leave some methodological, conceptual, and contextual gaps. The study by Kanu (2020) assessed the influence of ERM integration with strategic planning on firm performance. This study by Kanu left some conceptual gaps as it only considered the influence of integrating ERM and strategic planning on financial performance, not organizational performance.Besides, the study by Lechner and Gatzert (2018) examined the influence of ERM integration into strategic planning on the financial performance of Germany's financial services sector. The study by Lechner and Gatzert was conducted in Germany, whose financial services sector operates in a different environment to that in Kenya, hence leaving a contextual gap. Moreover, the study by Sofia and Augustine (2019) assessed the influence of ERM and hybrid strategy on the Organizational Performance of firms in the commercial service sector. This study left some methodological gaps as it was a survey that could not provide in-depth insights derived from a case study.

Additionally, Machini (2016) examined how ERM influences the financial performance of Commercial Banks in Kenya. The study found that ERM had a significant influence on the performance of commercial banks. This study, however, left some knowledge gaps as it only focused on commercial banks and did not include other firms in the financial services sector. This study pursued to fill these gaps by answering the question, what is the effect of integrating ERM in strategic planning on organizational performance at CPF Financial Services Ltd?

## 1.3 Research Objective

The study's objective was to establish the effect of ERM integration in strategic planning on the organizational performance of CPF Financial Services Ltd.

## 1.4 Value of the Study

The study findings will establish whether integrating ERM in strategic planning affects organizational performance. In terms of theoretical perspectives, the study will recontextualize and possibly validate the propositions of environmental complexity theory in the context of organizations in Kenya's financial services sector of Kenya. Additionally, the research findings are expected to add to the advances of the stakeholder theory by revealing how managing risks that emanate from all key stakeholders and having strategic plans that consider all organizational stakeholders could influence organizational performance. Furthermore, the research adds to the little local academic literature on ERM, strategic planning, and organization performance for medium and small entities in the financial services sector.

In light of the expected research outcomes, the research informs policy formulation on the methods to improve enterprise risk management adoption among financial services firms. This will accelerate the development of the financial sector and enhance the overall economic growth, which includes achieving sustainability, better performance, and service excellence among financial service firms. Therefore, the findings may inform policymakers and regulators such as the Central Bank of Kenya, Retirements Benefits Authority, and Capital Markets Authority, among others, on policies regarding ERM in the financial services sector. This would result in an improved regulatory and policy framework that will benefit the sector's development.

Lastly, the research results highlighted the significance of integrating ERM and organizational strategic planning activities and the need to balance risk-taking and taking advantage of investment opportunities. This will inform the management of the financial services firms in general and CPF Financial Services, particularly on the interventions required to ensure effective integration of ERM into strategic planning. Besides, the findings will generally inform top managers in other sectors of the value of integrating ERM in strategic planning for enhanced organizational performance.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

The chapter provides a review of empirical and theoretical literature on ERM integration in strategic planning. Besides, the chapter presents the expected influence of ERM integration in strategic planning on organizational performance. The chapter also discusses the two theories (environmental complexity theory and stakeholder theory) that anchored the study. The review culminates with a presentation of research gaps that the current study sought to fill.

## 2.2 Theoretical Foundations

This section provides the theoretical basis of the study. The environmental complexity theory by Thompson (1967) anchored the study and was supported by Freeman's stakeholder theory. These two theories are discussed in this section regarding their proponents, their key tenets, and their applicability to this study.

### 2.2.1 Environmental Complexity Theory

The environmental complexity theory was devised by Thompson (1967). Its key tenet is that the development of the risk management function in an entity is most closely related to, and a product of, the complexity of the environment that the individual organization faces. Therefore, the theory portends that the organization should advance the risk management function to enable the firm's strategy to fit its environment and lead to the expected performance outcomes. This entails integrating an organization's ERM process in its strategic planning process to enhance the possibility of the organization attaining its planned objectives (Kaplan & Mike, 2014).

However, the environmental complexity theory has been criticized as it does not prescribe how to address the competing values emanating from the various complex and dynamic environmental variables (Turner & Baker, 2019). However, within strategic management, organizational citizenship, and risk management circles, environment complexity theory has undergone various developments and has had a significant impact. From the inception as a theory that describes the organization's environmental complexity, it has been developed to be a theory that informs organizations on how to effectively design and execute strategic plans in the setting of complex artificial and natural systems to accomplish the desired goals.

The task environment that organizations confront is situated somewhere on the homogeneous-heterogeneous continuum and the stable-shifting continuum, according to Thompson (1967). However, today's environment has shifted to heterogeneous and shifting ends (Al-Nimer et al., 2021). Furthermore, certain organizational sub-parts may be classified as functioning internally, while others can be classified as boundary-spanning units. Boundary spanning units operate on the outskirts of an organization and assist the organization in regulating the adverse effects of the environment on the organization (Ha et al., 2016). Clients, regulators, competitors, and suppliers are the four components mentioned that places pressure on the organization. This theory is applicable in this study since when an organization operates in a complex environment, it has to integrate ERM in its strategic planning to harmonize its strategies with its internal and external environment. Therefore, the ERM function is a critical boundary-spanning unit designed to safeguard the organization against the risks presented by its environment (Kanu, 2020). Effective integration of ERM in strategic planning has become necessary for organizational performance as organizations operate in a dynamic and multifaceted environment.

### 2.2.2 Stakeholder Theory

Stakeholder theory by Freeman (1984) indicates that an entity's success depends on how effectively it satisfies its stakeholders. It further hypothesizes that the linked networks of stakeholders impact the decision-making process and the firm's overall efficacy and results. Neville et al. (2004) support this notion by noting that the organization is in a better position to attain its performance objectives by having a strategic plan to achieve the needs of its various stakeholders while at the same time effectively managing risks that emanate from those stakeholders. Besides, Ndlela (2019) posts that organizations must seek out and include stakeholders in the risk management process if they are to meet and satisfy the needs and requirements of its key constituents.

Though the stakeholder theory has been applied in various contexts in relation to strategic planning and ERM, the theory, according to critics, is void and provides an inaccurate depiction of how organizations operate (Ndlela, 2019). In this perspective, the organization is depicted as a shell that can be freely written on by the different parties who claim ownership of it. This provides management with an endless list of stakeholders who need to be involved, which is infeasible (Jardine, 2008). Besides, the theory is criticized as it does not prescribe what should be done to involve each type of stakeholder, and hence it is applied differently in different organizations. Despite these criticisms, the stakeholder theory has been developed to describe and recommend ways for management to consider the interests of its various stakeholders in the strategic planning process and in managing risks. The theory has thus become a pivotal foundation for future inquiry and development in the research in business ethics, corporate governance, strategic plaining and ERM.

The stakeholder theory was applied in the study to provide a stakeholder orientation of integrating ERM in strategic planning to attain organizational objectives. Throughout the many stages of strategic planning, organizations should continue to identify, communicate and manage risks that affect key stakeholders while involving the key stakeholders in ERM (Jardine, 2008). Further, Brunet and Houbaert (2007) posit that If companies want to be stakeholder-oriented, they must seek out and involve all of their major internal and external stakeholders in the ERM process. The involvement level will be determined by the risks identified and how the proposed decision-making processes and solutions are expected to affect stakeholders and the organization's strategic decisions.

## 2.3 Enterprise Risk Management Components in Strategic Planning

ERM is the process by which an organization in any sector evaluates, finances, manages, exploits, and monitors risks from all sources to enhance the firm's short– and long–term value to its stakeholders. The ERM journey offers chances for defining organizational goals and identifying risks, developing risk management approaches, and evaluating the organization's risk appetite and resilience (Malik et al., 2020). Most significantly, well-executed ERM offers reassurance to management and allows risk to be seen as an opportunity to accomplish the firm's objectives. The goal of ERM is to provide a comprehensive portfolio depiction of the most significant threats to the organization's most critical goals (Saeidi et al., 2020). The "e" in ERM denotes that ERM aims to develop a top-down enterprise perspective of all significant risks that may affect the organization's strategic goals. Trampert (2021) observes that because risk affects and aligns performance and strategy across all functions and departments, integrating ERM with strategy emphasizes the significance of ERM in strategic planning and embedding it across the entire entity.

For an organization's top leaders, a successful ERM process should be a critical strategic instrument. Risk insights gained through the ERM process should be included in the strategic plan of the organization (Silva et al., 2019). As management and the Board get a better understanding of possible risks on the horizon, they may utilize that information to develop strategic plans to agilely handle hazards that might derail their strategic direction (Hanggraeni et al., 2019). Proactively thinking about risks should enable the organization to attain its performance objectives by decreasing the probability of risks arising that could disrupt vital strategic choices (Hoyt & Liebenberg, 2011). Besides, ERM enhances the probability that the organization will be better prepared to mitigate the impact of adverse events if they occur, putting it in a better position to attain its planned organizational performance.

COSO offers a framework for integrating ERM into strategic planning for better organizational performance (COSO, 2017). This framework is made up of five parts: Strategy and goal-setting, performance, governance and culture, evaluation and modification, communication, information, and reporting. The organization's tone is established by governance from top leadership, which emphasizes the significance of ERM and establishes oversight over it (McShane et al., 2011). Culture refers to the entity's desirable actions, risk perception, and ethical principles. Because the objective of ERM is to establish a top-down, enterprise perspective of the entity's risks, senior management and the Board of directors are responsible for providing leadership for ERM and setting the tone (Hoyt & Liebenberg, 2011). They are the ones who have a holistic perspective of the enterprise and are eventually responsible for identifying, monitoring, and controlling the most important risks that impact the organization.

The ERM process for the organization is designed and implemented by top management. They are in charge of determining what process should be in place and how it should work and keeping the process active and alive (Ping & Muthuveloo, 2015). They define the risk management philosophy, ensure that the organization has the right quantity and quality of employees, and assign authority and responsibility to various units, departments and employees. The Board of directors, on the other hand, has the responsibility of providing risk supervision by understanding and approving the ERM process of top management, as well as monitoring the risks identified by the ERM process to ensure that management's risk-taking activities are within the risk appetite of the stakeholders (Ojeka et al., 2019).

In strategic planning and goal setting, ERM is integrated where a risk appetite is defined and linked with strategy. Strategic goals are applied to put the strategy into action by detecting, evaluating, and reacting to risk. According to Shah (2020), the Board of Directors owns risk appetite statements, and Board members are becoming more conscious of the advantages of having well-articulated risk appetites that are utilized to operate and manage the organization. COSO (2017) articulates that the most successful method of establishing risk appetites is to have a board workshop that allows for in-depth discussion to agree on and set the appetites. An independent third party can assist at any point in the process, assisting in the development of a draft risk appetite document for discussion, assisting in the clarification of issues, providing data and benchmarks, and assisting in the development of a draft risk appetite document for discussion (Deloitte, 2017). The risk appetite statements should be updated or reissued at least once a year, and they serve as a guide for current and future corporate strategies. McShane et al. (2011) observe that as the operational environment changes, the Board must anticipate changes that may affect risk appetite and, as a result, company strategy and respond accordingly.

Risks that may influence strategy and business goals must be recognized and evaluated in the performance component. In the framework of risk appetite, risks are ranked by severity (COSO, 2017). The organization then chooses risk responses and creates a portfolio perspective of the assumed risks. The outcome of this procedure is communicated to important risk stakeholders (Shah, 2020). The entity's performance is evaluated in the review and revision component. This allows the company to assess how effectively the ERM components are performing over time and in light of significant changes and what adjustments are required (Trampert, 2021). ERM needs a continuous process of collecting and sharing essential information from external and internal sources that flows across, down, and up the company in the information, communication, and reporting component.

## 2.4 Empirical Studies and Knowledge Gaps

Various studies have been conducted on ERM, strategic planning, and organizational performance. Sofia and Augustine (2019) conducted a study in Indonesia that examined the effect of ERM and hybrid strategies on organizational performance. The study findings indicated that implementing a hybrid approach substantially influences the business, whereas implementing ERM has no meaningful impact on organizational performance. According to the study, ERM adoption is unrelated to financial performance, and ERM adoption alone is insufficient to produce financial advantages, as predicted in the ERM literature. However, this study was conducted in the manufacturing sector and left some gaps as the focus of the current study was the financial services sector.

In Iran, Saeidi et al. (2020) investigated the influence of ERM integration in strategic planning on both non-financial and financial organizational performance. The study was conducted through a questionnaire survey sent to 84 Iranian financial institutions, and the gathered data was analyzed using structural equation modeling. Findings indicated that ERM had a significant effect on company performance. These findings, however, contradicted the findings by Kanu (2020). The study by Kanu (2020) investigated the influence of incorporating ERM into strategic planning on a company's financial performance when evaluating return on assets. The study was conducted in three African countries that included Kenya, Ghana, and Nigeria. The study determined that though ERM adoption has little bearing on business performance, business performance improves significantly when integrated into strategic planning. The study by Saeidi et al. (2020) leaves some contextual gaps as it was conducted in Iran. The study by Kanu (2020) was conducted on the manufacturing sector, which is contextually different from the financial services sector.

El-Dalabeeh and ALshbiel (2019) conducted a study in Jordan to assess the influence of ERM on organizational performance. The study was a countrywide survey of Jordanian Industrial Public Shareholding Companies. The study applied a questionnaire to collect the managers' views of the ERM concept and organizational performance. The data was analyzed using SEM. The findings from the study showed that using ERM may assist Jordanian industrial and public shareholding firms in enhancing their organizational performance. The study also determined that risk policies and governance, setting the risk appetite and culture, control environment, and measurement and evaluation of the ERM process were the most critical components of ERM. Though this study provided critical evidence on the role of ERM on organizational performance, it leaves methodological and contextual gaps. This is because it was conducted through a questionnaire survey and in the manufacturing sector of Jordan.

Otieno et al. (2020) evaluated the relationship between the performance of state corporations (SCs) in Kenya and their ERM. The research goal was to determine how ERM integration in strategic planning influenced the organizational performance of 92 SCs in

Kenya. Study findings determined that the organizational performance of the SCs was significantly affected by ERM. The study determined that ERM enables the SCs to manage risks within the risk tolerance levels set while also ensuring that an entity's objectives and goals are met. These findings agree with previous findings by Girangwa et al. (2020), which was also conducted on SCs in Kenya. The study determined that risk structure, governance, and ERM process practices significantly influenced organizational performance. These two studies were conducted on SCs, and they left some contextual gaps as the findings cannot be generalizable to the financial services sector.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

The research methodology used by the researcher in this study is described in this chapter. The study design, data collecting techniques, and data analysis methodologies are all covered in this chapter.

## 3.2 Research Design

This research applied a case study design. Unlike a wide statistical survey or a comprehensive comparative analysis, a case study is an in-depth exploration of a particular research topic (Saunders et al., 2019). It is often used to compress a big subject into a single or a few researchable entities. The case study research method may also be used to see whether a theory or model relates to real-life situations. According to Easterby-Smith et al. (2019), it is an excellent design to utilize when the researcher seeks to gain a comprehensive, multi-faceted knowledge of a complex problem in its real-world setting.

The case study design was appropriate for this study since the study focused only on one organization, seeking to get in-depth information on the process of integrating ERM with strategic planning and how this influences organizational performance at CPF Financial Services. According to Saunders et al. (2019), a case study design is appropriate to provide in-depth information of a single or fem entity under investigation. The focus on CPF Financial services enabled the study to provide deeper insights into the process of integrating ERM in strategic planning and how this links to the performance of the organization.

## 3.3 Data Collection Methods

According to Ngechu (2004), data can be collected using many methods. The characteristics of the participants, the research topic, the issue statement, the study's goals, the design, the anticipated data, and the outcomes all influence the data collecting method and instrument used. This is due to the fact that each tool and instrument gathers unique data. Primary and secondary data were recognized as two main forms of data used by respondents by Mugenda & Mugenda (2003). The researcher utilized primary data to accomplish the study's objectives collected using an unstructured interview guide. An interview guide, according to Tisdell and Merriam (2019), is preferred in a case study because it allows an in-depth study of the issues under investigation and allows the interviewer to seek clarifications to obtain a clear understanding of the issues.

The interviews were conducted face-to-face at CPF Financial Services Limited's head office, with all the COVID-19 health protocols observed. The respondents were drawn from top-level management personnel of CPF Financial Services Limited who were actively engaged in the strategic planning process. They comprised four senior managers: the Director of Strategy, Finance & Investments, Manager Strategy & Change, Group Head of Risk & Compliance, and the Group Finance Manager. Due to reservations about the interview recording, the researcher took short notes during the four interviews.

## 3.4 Data Analysis

Data analysis is the act of giving order, structure, and meaning to a large amount of data (Marshall and Rossman (1990). This study applied content analysis to examine the information gathered, which is a qualitative research technique for classifying, organizing, analyzing, and reporting findings (Nowell et al., 2017). Further, Lincoln and Guba (2018) outline the stages of content analysis, which allow for a systematic method of perceiving and processing qualitative data. These five stages include familiarizing with the data, coding, collecting codes into themes, refining themes, and generating the report.

# CHAPTER FOUR

# DATA ANALYSIS, RESULTS, AND DISCUSSION

## 4.1 Introduction

This chapter provides the process undertaken in data analysis, the study results, and the discussion of the findings related to the reviewed theoretical and empirical literature. The process of data analysis in this chapter was undertaken as proposed in the research methodology, and the study results were aimed at attaining the study objectives. The findings are thus directed towards establishing the effect of ERM integration in strategic planning on the organizational performance of CPF Financial Services Ltd.

## 4.2 Response Rate

The study used an unstructured interview guide to collect primary data from senior management personnel actively engaged in the strategic planning process at CPF Financial Services Limited. The interviews were conducted face-to-face at CPF Financial Services Limited's head office while observing all the COVID-19 health protocols. The study respondents were four senior managers who included the Director of Strategy, Finance & Investments, Manager Strategy & Change, Group Head of Risk & Compliance, and the Group Finance Manager. All four interviews were successfully conducted. Due to reservations about the interview recording and confidentiality of the study participants, the researcher took short notes during the four interviews and coded the respondents as Interviewee 1, Interviewee 2, Interviewee 3, and Interviewee 4. This study applied content analysis to analyze the collected data.

## 4.3 Respondents' Responsibilities and Roles in CPF

The study examined the roles and responsibilities of the study interviewees in risk management and strategic management at CPF Financial Services Limited. One of the interviewees who had worked in their current position for nine years, indicated their roles and responsibilities at CPF Financial Services Limited to include collecting, reviewing and evaluating financial data, reporting to top management and the Board of directors, forecasting future financial patterns, and advising on the effect of the company and future business actions. Additionally, the interviewee’s responsibilities included engaging in the development of strategies to mitigate financial risk, creating long-term business plans based on the financial risk management reports, producing financial reports related to accounts payables, budgets, account receivables, and expenses, reviewing, monitoring, and managing budgets, and analyzing market trends and competitors. These are vital responsibilities in ERM, strategic analysis and strategic review which are key components of strategic planning.

Further, one of the interviewees indicated to have the responsibilities for monitoring the organization's day-to-day financial activities such as invoicing, payroll, and other transactions, contracting for outside financial services as needed for tax preparation, auditing, banking, investments, and other financial requirements, and keeping track of the organization's financial performance and state to spot opportunities for improvement. These responsibilities were vital for strategic plan implementation and review. Others include supervising and motivating employees in the financial department, such as accountants and financial assistants, presenting financial reports to investors, board members, clients, and top executives informal meetings, establishing and maintaining financial processes and policies for the firm, and understanding and adhering to financial legislation and rules. These findings indicate that the interviewee had vital roles for strategic governance, strategic analysis, and ensuring that risks taken are commensurate with the organization's risk appetite.

Another interviewee indicated to have worked at CPF Financial Services Limited for six years and was responsible for providing high-level strategic direction on risk-related matters to the Group's senior management. Besides, the interviewee was also tasked with ensuring that business operations are compliant with all company policies and legal requirements and maintaining the company's ethical integrity. Further, the interviewee indicated to be responsible for designing, executing and leading a risk management strategy for the organization, assisting the Board in establishing a risk-aware culture, establishing and quantifying the organization's risk appetite. Further, other key responsibilities of the interviewee included ensuring that the risk approach adopted by the organization adheres to its risk appetite, conducting a horizon and environmental scan to increase awareness of risks affecting the organization, and ensuring compliance with regulatory obligations while taking a commercial and practical approach to risk-based challenges and offering appropriate solutions. These findings indicated that the targeted respondent had in-depth knowledge of ERM and strategic planning in the organization.

One of the study respondents also stated that they are responsible for driving continuous improvements in efficiency and client service in all risk and compliance processes, developing, leading, and motivating the risk and compliance team to maximize effectiveness, and ensuring that senior management is aware of regulatory, legislative, and best practice changes, as well as their responsibilities under these changes and how they affect the organization. In addition, the respondent indicated that they were in charge of providing regular reports to the Board and other relevant bodies detailing any current issues or information as needed, overseeing corporate governance involving external risk reporting to stakeholders, driving efficiency in all processes to most effectively adhere to the organization's risk appetite, and managing and coordinating the in-house legal team, internal audits, and external audits. The findings indicated that the targeted respondent could provide important information for the study due to their involvement in various aspects of strategic planning and ERM.

Another respondent in the study who had been working with CPF Financial Services Limited for nine years indicated that they were in charge of developing profitable and feasible long-term objectives for the organization. Hence, they indicated to be responsible for designing and presenting reports, discussing organizational progress and results with senior management and working with other top management employees and analysts to determine its overall purpose. Besides, the interviewee indicated to be tasked with identifying key risks and determining exceptional business opportunities. Further, the respondent indicated that they were tasked with assessing competitors and market trends, devising operational and marketing plans, and maintaining track of the law that governs the company's operations. The findings showed that the respondent was engaged in strategic analysis and risk identification which are key aspects in ERM and strategic planning.

Besides, another study respondent indicated that they assisted the chief executive officer in determining the strategy's direction by acting as a thinking partner and identifying the organization's primary strategic growth possibilities. Further, the respondent intimated that they were tasked with identifying critical strategic questions, allocating resources, scope analysis, overseeing strategy execution, and communicating results in collaboration with company executives. Further, the respondent said they played a vital role in developing analytics to provide well-supported solutions with specific recommendations that allow the senior management team to make important decisions. Additionally, the interviewee posited that they assisted in developing and implementing the company's strategy and served as an expert resource on innovation processes and growth.

A study respondent who had served the organization for six years was tasked with new market development, project management, change management, and strategy development and execution. The respondent indicated that their key roles included analyzing the market and consumer direction, identifying gaps that must be filled, and managing relationship management throughout the organizational investments, products, units, and processes distributor network. Besides, the respondent indicated that they were tasked with interacting with and championing projects across a broad functional array, forming alliances and influencing divisional implementation and execution of the planned strategy, and working directly with general managers and other functional business leaders, and the top management team to deliver planned outcomes throughout the organization.

The interviewee also indicated that they were responsible for developing and executing change management programs and strategies that optimize employee acceptance and utilization while reducing opposition. Besides, the respondent further posited that they participated in assessing and developing strategic goals, converting them to quantifiable and practical strategies, and assessing possible risks, and devising strategies to mitigate them. Moreover, the interviewee indicates that they participated in developing risk reports for senior management and company leadership and designing and offering plausible scenarios for minimizing any possible risks. Moreover, they were tasked with developing and monitoring key performance indicators and coaching department heads to assist them in effective strategy execution to attain corporate and business unit objectives. Other roles assigned to the interviewee included crisis management and managing partnerships and collaborations.

The respondent further differentiated ERM from the traditional risk management approach as a whole and integrated evaluation of all material hazards associated with operations, which provides a complete view of the company's entire risk profile, considering the correlations and interconnections between various risks classes, products, and services. The respondents also said they were responsible for presenting a rigorous methodology for risk management across business divisions that are objective and consistent and providing a uniform vocabulary and perspective on risk throughout the organization, creating a realistic risk profile that is in line with its business strategy and risk appetite. The respondent also indicated that they were involved in appraising the risks encountered by different business divisions, such as new products and services, using similar metrics and compared to strategic objectives. These findings indicated that the respondent was highly involved in various aspects of ERM and strategic planning in the firm.

## 4.4 ERM integration in Strategic Planning at CPF Financial Services

The study investigated the ERM process during strategic planning at CPF Financial Services Limited. One of the respondents indicated that at CPF, the ERM process encompasses promoting a positive risk culture, articulating risk management strategies, designing a risk governance structure, and enabling comprehensive and robust risk identification, assessment, and measurement. This is followed by formulating a spectrum of risk response options, implementing risk control processes and rules, and monitoring and reporting. The study found that ERM is a crucial component of corporate governance. ERM is a comprehensive approach to risk management that considers risk dependencies and correlations across all of CPF's primary operations. Further, one of the interviewees indicated that CPF could effectively identify, disclose, measure, manage, accept, and monitor all material risks using a solid ERM framework incorporated into the strategic planning process. Another respondent indicated that the ERM framework at CPF is effectively integrated into organizational operations and connected with the organization's strategic objectives and corporate culture.

The study established the value of ERM integration in strategic planning at CPF Financial Services Limited. One of the respondents indicated that ERM improves the organization's resilience to significant risk exposures and enables it to attain its strategic objectives. Another respondent stated that ERM focuses on the whole organization and applies an integrated strategy to protect clients' and investors' interests, increase shareholder value, and assure long-term viability. Moreover, another respondent added that ERM enables CPF to conduct a comprehensive review of its risk exposures. Further, the study established that ERM provides CPF with a consistent and objective strategy to understand better and manage its risk profile.

Stressing the value of ERM to CPF, one of the interviewees indicated that in today's complex and dynamic environment, financial services providers are required to identify their risks better and enhance their risk management capabilities. Another respondent posited that a well-implemented ERM program is no longer a choice but a need and indicated that at CPF, a complete and integrated evaluation of all material risks emerging from the organization's activities is provided by its ERM program. This provides a comprehensive view of the company's entire risk profile, considering the interconnections and associations between various risk services, products, and classes. The study also established from the respondents that ERM provides a rigorous framework for risk management across business divisions that is uniform and objective. Besides, the respondent indicated that ERM provides a uniform perspective and vocabulary on risk throughout the organization, allowing for creating a realistic risk profile. Another respondent supported this by demonstrating that ERM's risk profile is better aligned with

CPF's risk appetite and strategy. Besides, the study established that ERM at CPF takes into account a wide variety of risks and prospective occurrences to avoid surprises while allowing for measured risks to be made to take advantage of opportunities ahead of time.

### 4.4.1 Commitment to CPF's Core Values

The study assessed whether the Board and management of CPF were committed to the organization's core values. The study established that the core values of CPF were customer focus, innovativeness, stewardship, and collaboration. The respondents indicated that the Board and top management at CPF demonstrated commitment towards the core values and understand that the core values are an important part of any strategic planning process. The respondents also indicated that management and the Board understand that the ERM in the strategic planning process might not achieve its objectives if the core values are not lived. Moreover, the study established that management and the Board of directors at CPF live and operate by the organization's core values because they understand the crucial connection between embodying core values and the organization's long-term growth and financial performance.

### 4.4.2 Capacity of CPF to Attract, Develop and Retain Capable Employees

The study examined the capacity of CPF to attract, develop and retain talented employees to enable it to conduct ERM and strategic planning effectively. The study found from the respondents that CPF had an effective talent management system that enabled the firm to acquire, develop and retain top talent in the financial services sector. The interviewees also indicated that with the employee retention rate and the employee satisfaction surveys conducted every ear, most of the employees were committed to the purpose and mission of CPF. This has enabled the firm to continually be a leader in the financial pension service sector. The interviewees also indicated that employees at CPF are trained and developed to execute their responsibilities effectively. Besides, the study found from the respondents that CPF recruits employees based on their fit to the values and aspirations of the organization.

### 4.4.3 CPF Context Analysis

The study assessed how CPF conducted business context analysis. The study found that CPF used various strategic analysis tools to examine its operating environment. The various tools applied included SWOT analysis, trend analysis, scenario analysis, gap analysis, and Value-Rareness-Imitability-Organization analysis. Others tools applied included Value Chain Analysis, Porter's 5 Forces, and PESTEL Analysis. Further, the study found that though CPF conducted environmental scanning primarily concerned with a company's macro-environment, it also conducts context analysis (using SWOT analysis), which evaluates CPF's complete environment, both external and internal. The study established that context analysis by CPF enables the firm to examine its micro and macro environment to formulate a winning corporate strategy.

### 4.4.4 Communication and Involvement in ERM and Strategic Planning

The study assessed how stakeholders are involved in ERM and strategic planning and how communication and reporting are conducted. The study established that at CPF, all managers engaged in ERM are always advised to ensure that all the essential stakeholders are present while discussing risk and risk management. Further, the respondents indicated that the number of stakeholders involved at CPF varies from each unit, program, or project and program and may include internal stakeholders (compliance, HR, finance, strategy) and external partners from key investors and partners. The study further established that CPF has a formal and effective process of risk communication whose goal is to emphasize the importance of risk communication in informing all key stakeholders about the risks that have been identified, how they are being managed, and, as a result, managing expectations on how to share accountabilities and responsibilities related to various risks and their management.

The study also established that ERM integration in strategic planning at CPF is based on the notion of inclusivity. However, the study established that there are always challenges in determining who to involve the employees in risk discussions and when to do so throughout the company strategy formulation, execution, monitoring, and review process. The study determined that the choice regarding who to include in risk communication and consultation at CPF is based on fit-for-purpose logic and the manager's knowledge of stakeholders whom the risk would directly impact. Additionally, the study found that at CPF, all relevant stakeholders must be involved in risk identification, assessment, treatment, monitoring, review, and reporting. This ensures the accuracy of the risk profile, the buy-in of risk response measures among key stakeholders, and the overall effectiveness of the ERM initiatives.

### 4.4.5 Leveraging IT in ERM and Strategic Planning at CPF

The study investigated how CPF leveraged information technology when integrating ERM in strategic planning. The study established that at CPF, many promising ERM processes that were integrated into the strategic planning began as a disciplined procedure for the organization's understanding and mitigation of important exposures. However, the study established that at CPF, such processes were sometimes difficult to sustain after they had gone beyond the first stages since essential team members must concentrate on their core job tasks at CPF. This challenge is managed by automating most of the data-gathering and reporting parts that are crucial for continuous decision-making through technology. The study also established that technology-based solutions are effective due to the effective ERM procedures integrated into the strategic planning process and CPF's internal culture.

The respondents also indicated that CPF has a higher risk maturity level and has leveraged technology to support strategic decision-making and fulfill certain external and internal reporting requirements. Further, the respondents indicated that CPF had procured an advanced risk management program that is effective for multi-level reporting, data gathering and sharing, analytics, and workflow management. However, the respondents indicated that though most risk information technology systems perform well in terms of facilitating risk assessments and allowing users to input and retrieve data to address specific requirements, they differed in terms of the flexibility they provided in terms of configuring workflows based on the needs of individual business units or facilitating reporting. Therefore, CPF ensured careful analysis of the systems and technology providers to determine whether their functions and capabilities are compatible with the organization's enterprise-wide risk management requirements and strategic objectives.

### 4.4.6 Monitoring and Review of ERM during Strategic Planning at CPF

The study investigated how CPF monitors and reviews ERM during strategic planning to assess its effectiveness. The study established that enterprise-wide risk monitoring and evaluation are carried out regularly to inform management choices and changes in strategic plans, and thus allowing for adaptive management and course corrections. One of the respondents indicated that monitoring and review outcomes must be documented and reported as needed. They must be utilized as regular input to review strategic plans, organizational performance, audits, and management decisions. Another respondent indicated that though risk monitoring at CPF is tailored to the details of each risk, the manager responsible for risk must be updated whenever new information becomes available that has an impact on the identification, assessment, analysis, and treatment actions that have been identified.

Further, the study found that real-time monitoring of risks and opportunities is explored to allow proactive action and give an early-warning system in quickly changing situations. Furthermore, one respondent intimated that for insubstantial, moderate, and high-level risks at CPF, the efficacy and status of treatment actions must be assessed and incorporated in management monitoring budgets and plans. Additionally, another respondent posited that the overarching goal of the frequent monitoring and risk review is to verify that the ERM process at CPF is relevant, as well as the progress achieved in the treatment plan, and to see whether there is a need to amend the plan if the external and internal contexts surrounding the intervention change significantly.

## 4.5 Role of the Board and management in ERM During Strategic Planning

The role of the CPF Board in ERM during the strategic planning process was investigated in this study. The study established that though the Board depended completely on management to manage and supervise risk in the past, the crisis and complexity of the 21st century have brought failing enterprises and complicated legal challenges. One respondent indicated that the global financial crisis of 2007/2008 brought a financial collapse. The ensuing aftermath served as an urgent wake-up call for Boards of directors to examine their organization's risk management policies in more depth. Another respondent indicated that during the strategic planning process, the Board is involved in developing and sustaining a risk management culture, while another respondent indicated that the Board led ERM and determined the risk appetite of CPF.

### 4.5.1 Board Oversight Over ERM Integration into Strategic Planning

The respondents indicated that the Board directs the ERM integration in the strategic planning process. The study found that ERM integration into strategic planning at CPF encompasses the management identifying potential events that may affect the organization, managing risk to stay within the organization's risk appetite, and providing reasonable assurance that CPF's objectives will be accomplished. One respondent indicated that CPF's Board of directors executed their risk management role as part of their corporate governance frameworks and strategic oversight. Besides, another respondent supported this by indicating that the Board of directors at CPF is ultimately responsible for adopting ERM dependent on the complexity, scope, and nature of the organization's risk and strategic objectives. Further, another respondent intimated that the Board continually evaluates the efficacy of CPF's ERM towards enabling the firm to attain its strategic objectives since they have a thorough awareness of the risks associated with CPF's operations and the various risk profiles of the industry.

### 4.5.2 CPF's Culture Relating to ERM Integration in Strategic Planning

The study assessed whether CPF had a culture of integrating risk management in strategic planning. The study established that the Board of CPF is increasingly being held responsible for integrating risk management in strategic planning. Therefore, they are tasked to set the tone regarding risk management and how it should inform strategic planning. One respondent indicated that the Board of CPF does this by creating policies and procedures that address risk management and devising corporate governance rules that have to be adhered to by the whole organization in the process of strategic planning. Another respondent indicated that CPF has a risk culture where all the organizational members share understanding, attitudes, knowledge beliefs, and risk values.

### 4.5.3 Communicating Risk Appetite During Strategic Planning

The study examined how risk appetite at CPF is defined, communicated, and incorporated in strategic planning. One of the respondents indicated that the Board of directors determines the risk appetite of CPF and ensures that it is communicated to all internal stakeholders of the firm and incorporated in strategic planning. The study also found that communicating the risk appetite to all employees is done to enable them to realize that they must formulate strategic plans and pursue goals within the stated reasonable bounds. Further, the respondents indicated that the risk appetite enables the management to implement strategies and operational procedures that satisfy the Board and enable employees to pursue goals within realistic risk boundaries. Additionally, the study found that with clear articulation and communication of the risk appetite, the tone for risk management is successfully established, thus making it more likely to accomplish the strategic goals of CPF. One respondent indicated that the Board of directors had assessed the risk appetite of CPF in four areas: compliance/regulatory, operational, financial, strategic, and there are qualitative and quantitative criteria for all the three risk appetites.

## 4.6 Performance of CPF Financial Services Ltd

Respondents were asked to rate CPF's organizational performance in terms of various aspects, including the cost of financial services, profitability, service quality, and efficiency in internal operations. Other indicators of organizational performance used at CPF were employee development, innovation, customer satisfaction, and brand awareness. One respondent indicated that CPF is proud of its reputation as a reliable financial solutions provider regarding brand awareness and service quality. The study also found that CPF's emphasis has always been on servicing and caring for its clients throughout its lengthy history. Another respondent indicated that CPF's brand has not changed as the organization has evolved from a pension provider to a top supplier of innovative infrastructure, retirement, consultancy, and financial solutions. The study also established that CPF was among the industry leaders in pension scheme administration services. Besides, the study found that CPF was efficient in its operations, indicated by a cost to income ratio of 11.7%, which was done from 16.8% in 2016. This indicated that the company had improved its efficiency over the preceding five years.

Regarding employee development, growth, and innovation, the study established that the firm always engaged in training its employees and developing its management personnel to enhance their capacity, skills, and knowledge. Additionally, the study found that employees at CPF are empowered, developed, and motivated to enable them to be engaged and committed to attaining the organization's objectives. Further, one respondent indicated that on employee growth and development, CPF was a preferred employer compared to other financial services providers. Relating to customer satisfaction, another respondent indicated that many corporate clients, including the County governments, have continued to increase their business with the organization.

The financial performance of CPF Financial Services had been improving over the years as indicated by a return on assets of 20.9% in 2020, an improvement from a return on assets of 17.6% in 2016. This was according to one respondent, which was confirmed from the financial report of CPF for the 2020 financial year. Another respondent also indicated that the financial profitability of CPF is on an upward trend, supported by the results from the audited financial statements for 2020.

## 4.7 ERM in Strategic Planning and CPF's Organizational Performance

The study's objective was to establish the effect of ERM integration in strategic planning on the organizational performance of CPF Financial Services Ltd. To attain this objective, the respondents were asked to indicate how the ERM process incorporation in the strategic plan at CPF was linked to the organization's performance. The respondents indicated that CPF is subject to several hazards in today's changing world from many angles. The adopted ERM processes at CPF, according to the respondent, had a favorable link with the performance of the organization. Another respondent supported this notion by indicating that the ERM process enabled CPF to manage possible risks and hence reduce costly happenings or occurrences favorable to the firm's financial and non-financial indicators.

Regarding how ERM integration in strategic planning affects organizational performance, the respondents indicated that everyone at CPF must deal with risks while executing their units' objectives. Since every business confronts hazards and risks, taking risks is unavoidable to ensure success for the organization. The study also established that ERM at CPF reduces the risks of unfavorable consequences, thereby enhancing the expected returns from the projects or investments undertaken by CPF. ERM integration in strategic planning at CPF, according to the respondents, enables employees to make good risk choices with the help of risk managers, increasing their chances of being rewarded and thereby enhancing the organizational performance of the firm.

The respondents also indicated that ERM integration in strategic planning helps to keep CPF workers safe in the workplace. The respondents also indicated that ERM at CPF includes important aspects of safety and health measures. ERM enables management to identify and fix any occupational and health, and safety issues areas the organization. In the ERM process, managers at CPF employ data analysis to identify patterns in injuries, losses, cyber risks, and physical risks and devise ways to prevent them from happening again. This was supported by another respondent who indicated that this is especially beneficial to office workers at CPF through ergonomics. According to another respondent, ERM incorporation in strategic planning at CPF has a significant influence on making the workplace a safer place for everyone and thus enhancing employee productivity, which in turn enhances organizational performance.

The respondents also indicated that ERM integration in strategic planning enables project and process success at CPF, contributing to organizational performance. One of the respondents noted that risk managers at CPF assist staff in completing their assignments, regardless of their departments or business units. Another respondent also indicated that ERM integration in strategic planning enables business unit leaders to analyze risks and establish plans for individual projects and processes in the same way they assess risks and generate strategies for corporate success. Besides, the study established that employees at CPF can lessen the severity and probability of investment or project hazards by recognizing them early on during the risk identification stage of ERM. If anything goes wrong, there will already be a strategy in place to deal with the situation. Another respondent also supported this by indicating that employees at CPF are more prepared for unexpected investment outcomes through the integration of ERM in strategic planning. This enhances the success of risk responses, thus enhancing expected and actual investment returns.

Respondents also indicated that ERM integration in strategic planning affects organizational performance by lowering the likelihood of unanticipated occurrences. One respondent indicated that the purpose of ERM integration in strategic planning at CPF is to map out all potential hazards and then attempt to manage or avoid them. Though the respondent acknowledged that it is hard to anticipate and treat every conceivable risk situation, the ERM process integrated into the strategic planning process at CPF reduces the severity or likelihood of unpleasant shocks, thus enabling favorable outcomes to the organization's performance. The study also established that when anything significant seems to be going wrong at CPF, employees report to the risk manager or the heads of their department immediately. This enables CPF to execute a response plan that prevents the risk from causing losses, thus boosting the organization's returns on investment.

The respondents also indicated that ERM integration in strategic planning at CPF results in financial gains directly associated with organizational profitability. Specifically, one of the respondents posited that CPF's risk department is not considered a cost center. This is because it generates wealth immediately by enhancing gains and reducing the probability of losses. Another respondent supported this assertion who indicated that risk managers at CPF use trend analysis and other risk management tools to identify high-frequency incidents and seek to reduce repeat losses. Another respondent also supported that ERM integration in strategic planning makes loss incidents less likely to happen and, when they happen, to have a smaller effect, which saves the possible organization losses and thus improves its bottom-line.

ERM integration in strategic planning at CPF was also indicated to enable the organization to save resources and time. The study established that when events occurred at CPF before the incorporation of ERM in strategic planning, employees at all levels spent time providing data to the risk management department. These duties were often carried out in an ineffective and disorganized manner. ERM has been incorporated in the strategic planning process through the risk department and thus has relieved workers of the pressure of tiresome data input by simplifying these procedures, enabling them to focus their time and energy on their core jobs. One respondent indicated that it is simple for employees to buy into high-return ERM processes incorporated in strategic planning, facilitate risk managers' tasks, and enjoy the advantages of a formal ERM program when a sound procedure is in place. This improves coordination in the organization, which is beneficial for the performance of CPF.

ERM integration in strategic planning at CPF was also indicated to affect organizational performance through enabling better communication. The study found that through ERM incorporation in strategic planning, organizational and employee well-being at CPF and vertical and horizontal communication were enhanced. This helped employees at CPF comprehend external and internal concerns, thus enabling them to collaborate more effectively, enhancing the attainment of organizational objectives. One respondent supported this by noting that risk managers during the ERM process assist employees by facilitating horizontal communication by providing a single point of contact for all risk data and reporting and analysis. The respondent further indicated that by creating expectations and tying data to company objectives, ERM also encourages vertical communication, enabling employees to gain productivity from each extra mode of communication.

The study established that at CPF, ERM integration in strategic planning protects a company's reputation and hence the long-term performance and value. One respondent indicated that at CPF, a reputation factor is included in many risks because things occur that lead the public to have an unfavorable opinion of the company. Since reputational difficulties could affect individual workers even if they were not directly engaged, ERM incorporation strategic planning at CPF considerably reduces the chances of this happening. Another respondent indicated that when an unfavorable incident does occur, a systematic risk management program and methods are executed by CPF that help to immediately control the situation and reduce the danger of escalation and broad negative repercussions. This ensures that risks do not erode brand value of CPF.

The study also established that ERM incorporation in strategic planning at CPF is advantageous to the organization's culture. The study estbalished that risk managers, decision-makers, frontline staff, and the executives of CPF all benefit from a solid risk management culture engrained in the strategic process. A positive risk culture through ERM was also indicated to be critical for the organizational operations and brand by another respondent since they indicated that it fosters a culture of preventive and safety that permeates the business and impacts employee behavior. This hence establishes high-performance standards and projects a favorable image to the public.

The study also established that at CPF, ERM aids in making robust decisions that lead to improvement in service delivery, efficiency, return on investments, and client satisfaction. The respondents acknowledged that making decisions is difficult, particularly when they include major decisions that substantially influence future organizational performance. However, one respondent indicated that employees and management at CPF utilize risk management data and analytics to make sensible strategic choices that enable the organization to reach and surpass its goals. Besides, another respondent indicated that ERM directs management on which risks to pursue and which to avoid based on the strengths and weaknesses of a choice option. Employees in all departments of CPF benefit greatly from the advice and directions that emanate from ERM.

## 4.8 Discussion of Findings

The study findings indicated that CPF Financial Services Limited has an effective approach towards ERM incorporation in strategic planning that promotes a positive risk culture, articulates risk management strategies, enables designing of a risk governance structure, and enables a comprehensive and robust risk identification, assessment, and measurement. Besides, the study established that CPF has a robust system that ensures effective monitoring, review, and corrective actions to the risk response alternatives developed and implemented. These findings imply that they enable the firm to be better prepared to deal with chaos, dynamism, and complexity emanating from the environment. These findings support the environmental complexity theory by Thompson (1967), which indicates that the development of the risk management function in an entity is most closely related to, and a product of, the complexity of the environment which the individual organization faces. This hence necessitates the organization to integrate the ERM process in its strategic planning process to enhance the possibility of the organization attaining its planned objectives, as indicated by Kaplan and Mike (2014).

The study also established that CPF's Board and management are devoted to its fundamental values, recruiting and retaining a talented workforce to enable CPF to attain its organizational objectives. The study also established that CPF observes vital ERM best practices, including stakeholder involvement, communication, and enterprise-wide risk monitoring and assessment. The study also established that the Board of directors at CPF is active in building and maintaining a risk management culture and assessing CPF's risk appetite. These findings imply that the board has a key role in governance to ensure that ERM is integrated into the strategic planning process. These findings support the stakeholder theory by Freeman (1984), which indicates that an entity’s success depends on how effectively it incorporates its key stakeholders in decision making and thereby satisfying them.

The study established that ERM integration in strategic planning at CPF Financial Services Ltd has positively affected the organization's performance. This was accomplished by lowering the risks of undesirable outcomes and, as a result, increasing the projected profits from CPF's initiatives or investments. The study also established that ERM at CPF improved performance by informing decision making, assuring staff safety and health, allowing project and process success at CPF, safeguarding the company's image, and, as a result, long-term performance and value, and establishing the organization's positive risk culture. The implication of these findings is that the integration of ERM in strategic planning places the firm in a better position to attain its strategic performance objectives. These findings, however, disagree with the findings by Sofia and Augustine (2019), which determined that ERM adoption is unrelated to financial performance, and ERM adoption alone is insufficient to produce financial advantages. Another study with findings that contradict the findings from the current study was by Kanu (2020), which determined that ERM does not affect organizational performance. The contradictory findings between the current study and these two studies may be due to the contextual differences and the quality of the integration of ERM in strategic planning.

The findings from this study of the positive effect of ERM on the performance of CPF concurs with Saeidi et al. (2020) that ERM has a significant impact on company performance. The findings also agree with El-Dalabeeh and ALshbiel (2019) that ERM positively influences the performance of Jordanian industrial and public shareholding firms. Another study with similar findings to the current study was conducted by Otieno et al. (2020) and determined that ERM enables the SCs to manage risks within the risk tolerance levels set while also ensuring that the entities' objectives and goals are met. Another study with similar findings to the current study was by Girangwa et al. (2020), and it determined that ERM has a positive effect on organizational performance.

# CHAPTER FIVE

# SUMMARY, CONCLUSION, AND RECOMMENDATIONS

## 5.1 Introduction

This chapter presents the key findings from the study, the conclusions made after considering the key findings, and the study recommendations. Besides, the chapter encompasses the study's limitations and the suggestions for further research aimed at bridging the gaps left by the current study.

## 5.2 Summary

The study's objective was to establish the effect of ERM integration in strategic planning on the performance of CPF Financial Services Limited in Kenya. This section summarizes the findings, and their implications, which enables the study to satisfy this objective. First, the study established that the ERM process during strategic planning at CPF Financial Services Limited encompasses promoting a positive risk culture, articulating risk management strategies, and designing a risk governance structure. These findings imply that a firm needs to adopt a logical process in its ERM for it to have the desired outcomes for the firm. Besides, the Board must lead and govern ERM to set a tone for the whole organization.

The study also established that the Board and top management at CPF demonstrate commitment towards the core values (customer focus, innovativeness, integrity, stewardship, and collaboration) and understand that the core values are an important part of a successful strategic planning process. Regarding context analysis, the study established that CPF used various strategic analysis tools to examine its operating environment, including SWOT analysis, trend analysis, scenario analysis, gap analysis, and Value-Rareness-Imitability-Organization analysis. Others tools applied according to CPF included Value Chain Analysis, Porter's 5 Forces, and PESTEL Analysis. These findings imply the need to have an inclusive ERM process guided by formal policies, statements, and guidelines regarding ERM incorporation in strategic planning.

The study also established that at CPF, all managers engaged in ERM are always advised to ensure that all the essential stakeholders are present while discussing risk and risk management. Besides, the study established that CPF has a formal and effective risk communication process, leveraged information technology in ERM, and focuses on inclusivity. These findings imply that the firm has a risk culture that seeks communication among the key stakeholders and leveraging technology to ensure success.

The study established that the performance of CPF Financial Services Ltd has been above average for the past five years. The performance was assessed on efficiency and growth, employee development, customer satisfaction, and financial performance. The financial performance of CPF financial services has been improving over the years, as indicated by a return on assets of 20.9% in 2020, an improvement from a return on assets of 17.6% in 2016. The study established that ERM integration in strategic planning positively affected CPF's organizational performance. This was through reducing the risks of unfavorable consequences, thereby enhancing the expected returns from the projects or investments undertaken by CPF. ERM also affected performance by ensuring employee safety and health, enabling project and process success at CPF, lowering the likelihood of unanticipated occurrences, and resulting in financial gains, which is directly associated with organizational profitability. The implication of these findings is that ERM integration in strategic planning at CPF enabled the organization to save resources and time, enabling better communication, protecting the company's reputation and hence the long-term performance and value, and cementing the organization's risk culture.

## 5.3 Conclusion

The study concludes that ERM integration in strategic planning at CPF Financial Services Ltd has positively affected the organization's performance. This was accomplished by lowering the risks of undesirable outcomes and, as a result, increasing the projected profits from CPF's initiatives or investments. The study also concludes that ERM at CPF improved performance by informing decision making, assuring staff safety and health, allowing project and process success at CPF, safeguarding the company's image, and, as a result, long-term performance and value, and establishing the organization's positive risk culture.

## 5.4 Recommendations

Based on the findings and the conclusions from the study, the following recommendations are made. First, the management and the Board should continue playing their oversight and leadership roles regarding ERM integration in strategic planning. Management is ultimately in charge of risk management, while the Board is responsible for supervising management's process of identifying, monitoring, and reducing risks. The Board should always ensure that there is an effective risk management framework in place, which is developed by management under its supervision. Therefore, the Board should ensure that the managers and the Board member selected to lead ERM integration in strategic planning have the requisite skills and capacity.

Secondly, it is recommended that firms should enhance risk intelligence in the ERM process. The Board of directors should encourage risk transparency at all levels of the business so that day-to-day decision-makers are aware of the strategic objectives and how their actions may affect them. To enable other employees to follow, management should convey and exude a risk-aware culture by clearly expressing obligations and holding accountable those who are responsible, creating a system for lower-level staff to report emergent concerns, and encouraging all employees to raise concerns about new investments and projects that might have a detrimental influence on the firm as a whole. Besides, the Board can set the tone for a successful risk culture by allowing workers to express their concerns without fear of losing their jobs. They may also assist in developing a strategy for measuring risk intelligence that management can monitor regularly, and they should provide management with tools, training, and corporate data.

The study also recommends that the Board, regulators, and policymakers ensure that firms in the financial services sector have an acceptable risk appetite to ensure that investors' money is not lost by taking too much risk. The Board should also be in charge of assisting management in developing a strategy that is in line with the company's objective. This will aid the company in identifying risks that might jeopardize its capacity to compete. To do so, the Board should question management's assumptions by asking the relevant questions, starting a conversation, and suggesting alternatives.

## 5.5 Limitations of the Study

Though this study provides critical empirical evidence on the effect of integrating ERM in strategic planning on the organizational performance of CPF Financial Services Limited in Kenya, it has some limitations. These findings should be interpreted, applied, and generalized with these limitations in mind. First, the study was a case study of CPF Financial Services conducted through unstructured in-depth interviews. Though this enabled the study to have an in-depth feel of how ERM affects the organizational performance of CPF financial services, the findings can only be generalizable to firms in the financial services sector that are comparable to CPF financial services.

Besides, the study only relied on one data collection methodology (interviews), which could not provide a holistic feel of how ERM affects the organizational performance of CPF Financial Services Limited. Moreover, the study did not include other employees of CPF who could provide a different perspective of how they are involved in ERM and their perspective on how ERM affects the organizational performance of the organization. Including only the top management employees in the study provides in-depth information about the ERM process at CPF and how it affects performance, but this can also introduce bias in the study findings.

## 5.6 Implications for Policy and Practice

The findings from this study have several implications for policy and practice. The study informs policy formulation and review regarding approaches to promote ERM incorporation in strategic planning not just in CPF but in other financial firms. This would hasten the development of the sectors and boost overall economic growth by ensuring sustainability, improved performance, and service quality. As a result, the study has implications for policymakers and regulators such as the Central Bank of Kenya, the Retirements Benefits Authority, and the Capital Markets Authority, which can apply the results to influence policies relating to ERM incorporation in strategic planning in the financial services industry. This would result in a better regulatory and policy framework, which would benefit the sector's growth.

The findings of the study have demonstrated the need to integrate ERM and organizational strategic planning activities and the necessity to strike a balance between risk-taking and capitalizing on investment possibilities. This has implications for practice as it guides financial services companies’ management in general and CPF Financial Services on the interventions needed to achieve successful ERM integration into strategic planning. Furthermore, the results have implications for senior executives in other industries regarding the need to incorporate ERM into strategic planning for improved organizational performance.

## 5.7 Suggestions for Further Study

This research offers important empirical data on the impact of integrating ERM in strategic planning on CPF Financial Services Limited's organizational performance in Kenya. However, the study has documented limitations, leaving some knowledge gaps that require further research. First, the research was done using unstructured in-depth interviews as a CPF Financial Services Limited case study. Though this allowed the researcher to understand better how ERM influences CPF financial services' organizational performance, the results can only be applied to organizations in the financial pension services industry similar to CPF Financial Services. Therefore, another study should be conducted in other sectors such as manufacturing, commercial and services, and the petroleum sectors to show how ERM affects organizational performance in these sectors.

Furthermore, since the research only used one data collecting approach (interviews), it could not offer a comprehensive picture of how ERM influences CPF Financial Services Limited's organizational performance. Another study should be conducted to bridge these gaps and use other data collection instruments to test hypotheses, such as questionnaires or historical secondary data. Furthermore, other CPF employees who may give a different viewpoint on how they are engaged in ERM and how ERM impacts the organization's performance were not included in the research. Therefore, the study recommends that a further study be conducted in CPF and include all employees to have a holistic view of how ERM affects the performance of CPF from all perspectives.

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# APPENDIX: Interview Guide

1) What are your responsibilities and role in CPF?

2) How long have you worked in your current role?

3) How would you rate CPF's performance in terms of;

    i. Cost of financial services
    ii. Profitability
    iii. Service quality
    iv. Efficiency in internal operations
    v. Employee development
    vi. Innovation
    vii. Customer satisfaction
    viii. Brand awareness

4) Regarding ERM in this entity, how does the board exercise oversight over ERM?

5) Does this organization have a culture relating to risk management? Kindly explain

6) Does the organization's leadership demonstrate commitment to core values? Kindly explain

7) What is the capacity of CPF to attract, develop and retain capable employees?

8) To what extent does CPF analyze its business context

9) Has CPF clearly defined and communicated its risk appetite to its key personnel? Kindly explain

10) In strategic planning, does CPF evaluate alternative strategies? Kindly explain?

11) What process does CPF follow in risk identification, risk assessment, risk prioritization, and risk response?

12) Does CPF develop a portfolio view of risks? Kindly explain.

13) To what extent does CPF review the performance of ERM? Does it pursue improvement in ERM?

14) How does CPF conduct handle information, communication, and reporting relating to ERM?

15) In ERM, how does CPF leverage information and technology?

16) How does CPF ensure effective reporting on risk, culture, and performance of ERM to the various stakeholders?

17) How does CPF ensure integration of ERM in strategic planning is effective?

18) How does the integration of ERM in strategic planning influence CPF's organizational performance?

***Thank you for your participation***