# RISK MANAGEMENT STRATEGIES USED BY NATIONAL BANK OF KENYA TO ENHANCE ITS CORPORATE IMAGE

**GABRIEL KAIRU KIAMA**

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# DECLARATION

This research project is my original work and has not been submitted for examination to any other university.

Signature …………………….……… Date………………….…………

**GABRIEL KAIRU**

**D61/63348/2011**

This research project has been submitted for examination with my approval as the University Supervisor.

Signature ………………………………… Date……………………………….

**C. B. ANGIMA**

**LECTURER**

**SCHOOL OF BUSINESS**

**UNIVERSITY OF NAIROBI**

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# DEDICATION

This research project is dedicated to parents, two loving brothers and my close friends, for their inspiration, support, encouragement and understanding throughout my Masters Programme. God bless you all.

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# LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| **AML** | Anti-Money Laundering |
| **ATM** | Automatic Teller Machines |
| **BBK** | Barclays Bank of Kenya |
| **CBK** | Central Bank of Kenya |
| **CEO** | Chief Executive Officer |
| **KYC** | Know Your Customer |
| **NBK** | National Bank of Kenya |
| **ROA** | Return On Asset |
| **RTGS** | Real Time Gross Settlement |
| **SME** | Small and Medium Enterprises |

# ABSTRACT

Over the last few decades, risk management has become an area of development in improving organization performance as well as creating good image of any organization. The area of financial services has been a business sector related to conditions of uncertainty where it is mostly exposed to risk. Every organization has a corporate image, whether it wants one or not. When properly positioned and managed, the corporate image will accurately reflect the organization's commitment to quality, excellence and its relationships with its key constituents. Due to the understanding of risk management strategies to corporate image, this study aimed to establish risk management strategies used by NBK to enhance its corporate image. This was a case study since the unit of analysis was one organization. Primary data was collected using self-administered interview guides where the researcher booked an appointment with each manager upon where interviews on market segmentation strategies were conducted using an interview guide. The open-ended questions enabled the researcher to collect qualitative data. This was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the study. The respondents of this study were staff working at NBK where the study targeted 4 respondents. A content analysis and qualitative analysis were employed. The data was then presented in a continuous prose as a qualitative report on risk management strategies used by NBK to enhance its corporate image. The study established that risk control approaches have been adopted by the bank, such as technological application which include Real Time Gross Settlement (RTGS) mode of payment and Know Your Customers and that RTGS is associated with less frauds compared to manual methods of payments and that Pre-printed cheques and customized cheques are less associated with fraud compared to manual cheques. The study further found that the risk financing and risk control strategies enhance the bank's image where customers gain confidence with the NBK as well as developing positive attitude towards the bank. The study further found that the corporate image of the bank has improved significantly due to management commitment on implementation of risk management strategies adopted by the bank. The study concludes that banks have adopted risk management strategies such as risk financing and risk control that aim to mitigate risk occurrences and to enhance corporate image. The study further concludes that the risk financing and risk control strategies enhance the bank's image where customers gain confidence with the NBK as well as developing positive attitude towards the bank.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Over the last few decades, risk management has become an area of development in improving organization performance as well as creating good image of any organization. The area of financial services has been a business sector related to conditions of uncertainty where it is mostly exposed to risk. The financial sector is the most volatile in this phenomenon of risk exposure. Activities within the financial sector are exposed to a large number of risks. For this reason, risk management is more important in the financial sector than in any other sectors as it create confidence among the customers (Carey, 2001).

The main aim of risk management is to make the risks visible and measurable for decision-making parties, and to reduce subjectivity. Every organization has a corporate image, whether it wants one or not. When properly positioned and managed, the corporate image will accurately reflect the organization's commitment to quality, excellence and its relationships with its key constituents (both internally and externally). The corporate image communicates the organization's mission, the professionalism of its leadership, the caliber of its employees, and its roles within the marketing environment and the business landscape (Murray, 2003). This makes the corporate image a critical concern for every organization one deserving the same attention and commitment by senior management as any other vital issue.

The theories upon which this study is premised include; agency theory, stakeholder theory and contingency theory. Agency theory provides strong support for hedging as a response to mismatch between managerial incentives and shareholder interests. Stakeholder theory provides a new insight into possible rationale for risk management. Contingency theory advocates that at the top level of the control system, the basic structures of risk management appear to be common across large organizations (Collier & Mark, 2006). The theory asserts that external political uncertainty acts as an important driver of risk management because national policy influences how risks are prioritized, while locally elected members determine the resources available for control of risks.

The National Bank of Kenya notably is prone to a number of risks which need proper risk management strategies such as risk control and risk financing. Risks such as reputational risks where the image of the bank may be affected negatively at NBK can be mitigated by using risk mitigation techniques or imposing limits to transactions that may generate risk, depending on the variability of controllable risks over time (Porter, 2008).

### 1.1.1 Concept of Strategy

Strategy is the direction and scope of the organization over the long term which deliver a competitive edge for the firm amidst an ever changing business environment. Effective strategy configures a firm's resources and core competencies so as to adequately meet the firm's goals and objectives. Strategy creates a culture in the firm in which the firm only focuses on the value adding priorities in its mission and vision (Johnson, Scholes & Whittington, 2008). Competitive strategy is aimed as creating a goodness of fit between the firm's internal resources capabilities and the environmental challenges faced (Aosa,

1992). At the core of strategic management is the concept of strategy (Ansoff and McDonnell, 1991). There is no universally accepted definition of strategy (Mintzberg & Quinn, 1991). In the military context, strategy has been associated with how war is conducted. In general application, strategy has been taken as a plan for attaining a goal. Mintzberg and Quinn (1991) have defined strategy using five dimensions (also referred to as 5 Ps). This dimensions view strategy as a plan, a ploy, a pattern, a position and a perspective. The most basic definition of strategy regards strategy as the long term direction of an organization (Johnson & Scholes, 2004). Ansoff and McDonnels (1990) typify the view that firm's strategy formulation processes are either deliberate or emergent. Consequently, the norm has been a separate strategy formulation into deliberate and emergent categories. Grant (2003) asserts that business managers exhibiting substantial autonomy and flexibility in strategy making reap successful performance. At the same time the structure of the planning systems allows corporate management establish constraints and guidelines in the form of vision and mission statements, corporate initiatives and performance expectations.

### 1.1.2 Risk Management Strategies

Risk is the possibility of undergoing a lost or harm, and not achieving a targeted result in a given period of time. It indicates future potential problems, threats or dangers. Risk is generally not known or predicted thoroughly and clearly, and it changes due to time. It is an event having negative effects on the results, but can be managed. The main components of risk are its possibility of occurring and how much it will affect the result if occurs. Risk management strategy is therefore a technique involving all the stages

beginning from the idea of product and to the presentation of it to the consumer. This systematic technique comprises the stage of detecting of the risks through rapid decisions and activities, and developing and plans to cope with these risks. In addition, risk management strategy is a discipline aiming at reducing uncertainties and the negative effects of these uncertainties into a reasonable level. It also involves determining and reducing the problems before they turn into a threat, as well as planning and carrying out related activities. The main aim of risk management is to make the risks visible and measurable for decision-making parties, and to reduce subjectivity (Murray, 2003).

Effective risk management strategies involves a comprehensive procedure undertaken by the financial institutions to avert the effects of risk factors in the organization(Hubbard and Douglas, 2009), there are myriad of risk management strategies that will influence on the organization performance, these includes risk control which can be achieved through avoidance or reducing the effects of risk in case of an occurrence, risk financing which involves transfers and risk retention (Hunghey and Erik, 2007). Any event or condition resulting from any product, service, activity and relations and leading to the weakness of trust or image of the corporation is accepted as reputation risk (Larkin, 2003). Risk management process is handled in six steps; in the first step, statements, related with the subject, of the board of directors/managers and their point of view on the subject are taken on the agenda. Secondly, definition of the risk is made. The risks for the company are determined. The risk topics having the high possibility of encountering are put into groups and evaluated according to the priority order.

### 1.1.3 Corporate Image

Every organization has a corporate image, whether it wants one or not. Corporate image is what the public is supposed to see when the corporation is mentioned, (Wheeler, 2006). According to (Van den Bosch, 2005), it is the mental picture that springs up at the mention of a firm's name. It is a composite psychological impression that continually changes with the firm's circumstances, media coverage, performance, pronouncements (Dowling, 2003). Similar to a firm's reputation or goodwill, it is the public perception of the firm rather than a reflection of its actual state or position (Dowling, 2003). Unlike corporate identity, it is fluid and can change overnight from positive to negative to neutral.

Large firms use various corporate advertising techniques to enhance their image in order to improve their desirability as a supplier, employer, customer, borrower, etc. The image of Apple computer, for example, as a successful business has dimmed and brightened several times in the last 30 years. But its identity (conveyed by its name and multicolored bitten-off-apple logo) as an innovative and path breaking firm has survived almost intact during the same period, (Dowling, 2003). When properly positioned and managed, the corporate image will accurately reflect the organization’s commitment to quality, excellence and its relationships with its key constituents (both internally and externally), (Wheeler, 2006). The corporate image communicates the organization’s mission, the professionalism of its leadership, the caliber of its employees, and its roles within the marketing environment and the business landscape (Murray, 2003). This makes the corporate image a critical concern for every organization one deserving the same attention and commitment by senior management as any other vital issue.

A traditional definition of image is: “the name, associated with one or more items in the product line, which is used to identify the source of character of the item(s)” (Kotler 2000). Image takes a shape according to the negative or positive experiences of the stakeholders about the company. For this reason, company managers should give necessary value and respect to the stakeholders both from and out of the company, and take their wishes, requests and complaints into consideration. Holding and surviving a permanent image makes it a prerequisite not only to manage reputation but also to be ready against events that may harm it.

Corporate image is gained in a long period, but lost in a short time, so it is always under risk (Alsop, 2006). This means that companies should be ready as if it would happen and if possible should prevent it before it comes. If it is not possible to prevent it because of unexpected conditions resulting from external or internal events, companies should make effort to reduce and manage the reputation risk as much as possible. It shouldn’t be forgotten that measures taken in advance may save the lives. It is at this point that the board directors, CEOs and the other managers with the help of public relations department should handle the situation and manage the relations in an order. Thus, they may be aware of the problems affecting the running, and, of course, the image of the company earlier, and they may have the possibility of intervening rapidly by establishing a sound structure against risks. By establishing a sound structure and reputation, a high prestige can be conferred on the company by the public, the stock market prices will rise, and as a result it would be possible to prevent crisis by warding off negative attitudes of the staff, clients, and investors against the company (Healy-Griffen, 2004).

### 1.1.4 Banking sector in Kenya

Modern banking has been practiced in Kenya for the last 100 years. Since independence, the commercial banks in Kenya have grown both in number, branches, and the variety of services they offer like loans, credit and debit card services, and introduction of automatic teller machines (ATMs), electronic banking and other services (Lyaga, 2006). In this period the banking sector, has experienced several upheavals that have led to several reforms in the industry. This reforms are reflected in the 1994 Banking Act (and its amendments), Central Bank Act 1994, and other CBK regulations. As at March 31, 2009, the Kenyan banking sector comprised 43 commercial banks, 2 mortgage finance companies and 123 foreign exchange bureaus (Central Bank of Kenya, 2009). Kenya also witnessed the licensing of two new Islamic banks; Gulf African Bank and First Community Bank. In 2009, Nigeria's United Bank of Africa also obtained a license to operate in Kenya.

The banking industry in Kenya has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges. There has been increased competition from local banks as well as international banks, some of which are new players in the country. This has served the Kenyan economy well as the customers and shareholder are the ones who have benefited the most. To gain a competitive edge, Barclays Bank of Kenya endeavored to posture themselves a high quality bank in Kenya (BBK, 2011). The bank held that output standards must be based on quality and customer-service requirements which arise from its organizational and process levels. These standards include requirements for accuracy,

completeness, innovation, timeliness and cost. This level called for all its employees to understand the roles and responsibilities in their jobs in the ultimate pursuit of quality.

High quality products and services create strong brands and reputation, which in turn permits the company to charge higher prices for their products (Jeyarathmm, 2008). Equity bank on the other hand, has positioned itself as a bank for the unbanked; the bank minimized the requirements for becoming a customer by encouraging small denomination deposits and withdrawal. Later, the bank characterized its clients not as customers but as members, a strategy that saw its clients identifies more with it. Kenya Commercial bank strategies are in full concentration with their resources and thus tend more to use the inside-out approach in which they use their strength and maximize this synergy to attract different individuals to bank with them. They are also dependent on their public image and enhance their branding image which depicts how aggressive and tiger competitors they are as they compete throughout the year and maximize on market intelligence and aggressively use advertising as their key element of competition.

### 1.1.5 National Bank of Kenya

National Bank of Kenya (NBK), also known as National Bank, is a commercial bank in Kenya. It is one of the commercial banks licensed by the Central Bank of Kenya, the country's banking regulator. NBK is a large financial services provider in Kenya, serving individuals, small-to-medium companies and businesses (SMEs) and large corporations. Headquartered in Nairobi, the bank owns one subsidiary company: National Bank Trustee and Investment Services Limited. As of December 2012, National Bank of Kenya's asset base was valued at approximately US$780 million (KES:67.1 billion), with

shareholders' equity valued at about US$121.4 million (KES:10.55 billion) (NBK, 2012). In May 2013, National Bank of Kenya was ranked number twelve, by assets, among the forty-four licensed commercial banks in the country at the time. The stock of National Bank of Kenya is listed on the Nairobi Stock Exchange, where it trades under the symbol: NBK (NBK, 2012).

The National Bank of Kenya just like any other financial institution inherently faces risks. Therefore the institution's decisions on business objectives and strategies must be made in the light of decisions taken regarding the nature and degree of risks the institution is prepared to assume and the measures it will use to manage and control those risks. As such it has developed integrated policies that, taken together, apply to the organization's significant activities regarding the corporate philosophy on risk management, the institution's permissible exposure to risk, objectives of risk management, delegation of authorities and responsibilities, and processes for identifying, monitoring and controlling/managing risk. This approach is tailored to the particular nature of the institution and can, for example, have different degrees of centralization or decentralization and be organized in various ways. It enables the board of directors and senior management to meet their organization-wide responsibilities. Comprehensiveness is a key attribute of effective risk management.

## 1.2 Research Problem

Risks can be turned to an opportunity, as in the case of crisis, if they are effectively managed. A strategy, in other words a response planning, is made against the risk, and is discussed with a proactive approach, and then it is put into a report. Finally, decisions and

improving information are put forward. Image risks may lead to destructive effects on corporations, even on the sector, and as a result their costs are remarkably high. Image fails to achieve their value-creating potential where managers pursue strategies that are not orientated to maximizing the shareholder value (Doyle, 2001). Given the importance of risk management in a company's functioning, the efficiency of a company's risk management is expected to significantly influence on organization corporate image (Harker & Satvros, 2008).

National Bank of Kenya is one of the oldest banks in Kenya that has operated under the same brand since its inception. After its current CEO took over, the bank endeavored to change its image to improve its competitiveness. It is this deliberate effort by the bank to rebrand that necessitated the need to undertake this study. Draghi, Giavazzi and Merton, (2009) presents a novel framework for evaluating and managing financial risk contending that it is the unintended or unanticipated accumulation of risk on the balance sheets of individuals, institutions and governments and not risk perse that is at the root of many financial crises.

Internationally, Carey (2001) did a study on role of risk management in the financial sector, he revealed that risk management is an important in financial sector since the financial sector operates in uncertain environment. Petersen and Thiagarajan (2006) did a study on adoption of risk management on organization performance, he found that risk management is a central part of any organization's strategic management, Harker and Satvros (2008) did a study on influence of risk management organization performance.

He revealed that risk management enhance company's functioning and efficiency. Arendt and Brettel (2010) investigated the relationship between corporate reputation and profitability of life insurers in Taiwan. Locally, Kagai (2009) did a survey of foreign exchange risk management practices by textile and apparel firms in export processing zone in Kenya, Ndungu (2010) revealed that the commercial banking sector in Kenya has become more visibly competitive that anything that negatively affects any bank's image gives advantage to its competitors, Musyoki and Adano (2011) studied the impact of credit risk management on the financial performance of banks in Kenya while Cheruiyot (2011) conducted a study on the assessment of credit risk management in credit provision for small and medium enterprises.

Despite the importance of risk management to any organization no study has been carried out to investigate risk management strategies employed by the banks to enhance corporate image. The study aimed to answer the following research question, that is, what are the risk management strategies used by National Bank of Kenya to enhance it is corporate image?

## 1.3 Study Objectives

The objectives of this study were to:-

i. Determine the risk management strategies employed by National Bank of Kenya
ii. Determine the effects of these strategies on National Bank of Kenya's corporate image.

### 1.4 Value of the study

The study is to be of value to future researchers by acting as a point of reference in future research in the area of risk management strategies and corporate image. The study will also highlight important relationships that require further research on the risk management strategies and how it influences corporate image. The study will further contribute to the theories already put down on risk management and the traditional methods to risk management where banks have successfully applied modern theories to manage their operations which would otherwise enhance exposures to risks.

The research findings are expected to contribute to a better understanding of risk management strategies in any given organization and more specifically on the relationship between risk management and corporate image. This would enable the formulation of reputation risk management strategies with the view of facilitating image crisis and success of banks.

The study will be useful to the government and other stakeholders. The development partners who are usually interested at helping the corporate image, would have an understanding on the role banks play towards contributing to the economy. The findings will also benefit investors who buy stock in Nairobi Securities Exchange in informing decision to invest in such companies that have good image. The documented report of this study will be easily acquired in the library and it will equip the learners with more knowledge and skills on risk management strategies adopted by banks in Kenya to enhance corporate image. The study will further make a myriad contribution to the

literature on risk management which will be part of articles that will be useful to researchers who want to further in this study and to other wider stakeholders in academic circles.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter presents literature reviewed on the risk management strategies used by the banking institutions and corporate image. The first section gives the theoretical foundations of the study. The second section discusses the risk management strategies, risk management drivers and corporate image.

## 2.2 Theoretical Foundations

The theories upon which this study is premised include; agency theory, stakeholder theory and contingency theory.

### 2.2.1 Agency Theory

Agency theory extends the analysis of the firm to include separation of ownership and control, and managerial motivation. In the field of corporate risk management agency issues have been shown to influence managerial attitudes toward risk taking and hedging (Smith and Stulz, 1985). Theory also explains a possible mismatch of interest between shareholders, management and debt holders due to asymmetries in earning distribution, which can result in the firm taking too much risk or not engaging in positive net value projects (Mayers and Smith, 1987). Consequently, agency theory implies that defined hedging policies can have important influence on firm value (Fite and Pfleiderer, 1995). The latter hypotheses are associated with financing structure, and give predictions similar to financial theory.

### 2.2.2 Stakeholder Theory

Stakeholder theory, developed originally by Freeman (1984) as a managerial instrument, has since evolved into a theory of the firm with high explanatory potential. Stakeholder theory focuses explicitly on equilibrium of stakeholder interests as the main determinant of corporate policy. The most promising contribution to risk management is the extension of implicit contracts theory from employment to other contracts, including sales and financing (Cornell and Shapiro, 1987). In certain industries, particularly high-tech and services, consumer trust in the company being able to continue offering its services in the future can substantially contribute to company value. However, the value of these implicit claims is highly sensitive to expected costs of financial distress and bankruptcy. Since corporate risk management practices lead to a decrease in these expected costs, company value rises (Klimczak, 2005). Therefore stakeholder theory provides a new insight into possible rationale for risk management. However, it has not yet been tested directly. Investigations of financial distress hypothesis provide only indirect evidence (Judge, 2006).

### 2.2.3 Contingency Theory

The main proponents of the theory are Collier and Mark (2006). Contingency theory suggests that at the top level of the control system, the basic structures of risk management appear to be common across large organisations. At the detailed level, however, the structures are fine tuned to respond to specific risk management needs and environmental pressures. Further the theory suggests that external political uncertainty acts as an important driver of risk management because national policy influences how

risks are prioritised, while locally elected members determine the resources available for control of risks.

## 2.3 Concept of Risk Management

Risk management is defined as the process that an organization puts in place to control its financial exposures. The process of risk management comprises the fundamental steps of risk identification, risk analysis and assessment, risk audit monitoring, and risk treatment or control (Bikker and Metzmakers, 2005). Whereas a risk in simple terms can be measured using standard deviation, some risks may be difficult to measure requiring more complex methods of risk measurement.

Good risk management is not only a defensive mechanism, but also an offensive weapon for commercial banks, financial institutions and this is heavily dependent on the quality of leadership and governance. Risk is highly multifaceted, complex and often interlinked making it necessary to manage, rather than fear. While not avoidable, risk is manageable as a matter of fact most banks live reasonably well by incurring risks, especially "intelligent risks (Greuning and Bratanovic, 1999).

Poorly managed risk can lead to losses and thus endanger the safety of a bank's deposits. The key principles in credit risk management are; firstly, establishment of a clear structure, allocation of responsibility and accountability, processes have to be prioritized and disciplined, responsibilities should be clearly communicated and accountability assigned thereto (Lindergren, 1987). Xenomorph (2007) argues that effective risk

management is impossible without effective information technology and described that IT architectures are necessary for risk management. Risk management requires the acknowledgement that risk is a reality and top management commitment to identify and manage risk. These concepts refer to the highly needed support and approval from top management for risk management. The essence of commitment and support from top management supports the effective decision-making process in order to manage risk.

## 2.4 Risk Management Strategies

Risk management has become an important topic for financial institutes, especially since the business sector of financial services is related to conditions of uncertainty. The turmoil of the financial industry emphasizes the importance of effective risk management procedures. Financial institutions (FIs) are very important in any economy. These institutions must balance risks as well as returns. Risk often comes in investing and in the allocation of capital. The risks must be assessed so as to derive a sound investment decision. In business today, awareness of risk is growing and risk management is increasingly seen as a critical practical discipline (Teach, 2002). According to Petersen and Thiagarajan (2000) risk management is a central part of any organization's strategic management. It is the process whereby organizations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

Organizations have come to recognize the importance of managing all risks and their interactions, not just the familiar risks, or the ones that are easy to quantify. Even seemingly insignificant risks on their own have the potential, as they interact with other events and conditions, to cause great damage. According to Saunders and Cornett (2006) suggested that modern institutions are in the risk management business as they undertake the functions of bearing and managing risks on behalf of their customers through the pooling of risks and the sale of their services as risk specialists. Given the importance of risk management in a company's functioning, the efficiency of a company's risk management is expected to significantly influence its performance (Harker & Satvros, 2008).

Risk financing involves a deliberate effort to manage and provide a budgetary allocation for all risks that the organization anticipates occurring, risks financing covers lows risks which do not pose more financial challenge to the organization Collier and Mark (2006). It involves risks retentions and risk transfers; Retention is the deliberate acceptance of the risk because it is low enough in probability and or consequence to be reasonably assumed without impacting the development effort. Key techniques for handling accepted risk are budget and schedule reserves for unplanned activities and continuous assessment to assure accepted risks are maintained at acceptance level. The strong budgetary strain and tight schedules on programs tends to reduce the organizations management capability to provide reserve. By identifying a risk as acceptable, the worst-case outcome is being declared acceptable. Accordingly, the level of risk considered acceptable should be chosen very carefully in the acquisition program (Crockford, 2006).

The transfer can be used to reduce risk by moving the risk from one area of design to another where a design solution is less risky (Crockford, 2006). Examples of this include; assignment to hardware versus software or vice versa; and Use of functional partitioning to allocate performance based on risk factors. Transfer is most associated with the act of assigning, delegating, or paying someone to assume the risk. To some extent transfer always occurs when contracting or tasking another activity. The contract or tasking document sets up agreements that can transfer risk from the government to contractor, program office to agency, and vice versa. Typical methods include insurance, warranties, and incentive clauses. Risk is never truly transferred. If the risk isn't mitigated by the delegated activity it still affects the normal functioning of the organization.

Covello, et al., (2008) suggests that risk control involves incremental development, such as pre planned product improvement, to dissociate the design from high-risk components that can be developed separately; technology maturation allows high-risk components to be developed separately while the basic development uses a less risky and lower performance temporary substitute. Test, analyse and fix that allows understanding to lead to lower risk design changes. Test can be replaced by demonstration, inspection, early prototyping, reviews, metric tracking, experimentation, models and mock-ups, simulation, or any other input or set of inputs that gives a better understanding of the risk, robust design that produces a design with substantial margin such that risk is reduced, and the open system approach that emphasizes use of generally accepted interface standards that provide proven solutions to component design problem.

Hambrick and Cannella (1989) state without successful implementation, a strategy is but a fantasy”. In many companies the main focus in regard to strategy is put on the formulation of a new strategy. However, a good formulated strategy does not automatically mean that the company achieves the objectives as set in the strategy. To ensure achievement of organizational objectives, the formulated strategy needs to be implemented at all levels of the organization. Implementing a strategy means putting the strategy to action (Hill and Jones, 2009).

Risk management framework is important for financial institutions all over the world. In conjunction with the underlying frameworks, basic risk management process that is generally accepted is the practice of identifying, analyzing, measuring, and defining the desired risk level through risk control and risk transfer. Lookman (2004) hold that risk management processes; require supervisors to be satisfied that the financial institutions have in place a comprehensive risk management process. This would include the Board and senior management to identify, evaluate, monitor and control or mitigate all material risks and to assess their overall capital adequacy in relation to their risk profile.

## 2.5 Corporate Image

Corporate image is the perception of a company (Zinknan, Ganesh, Jaju, & Hayes, 2001; Corporate image can also be defined as the impression of an organization created through corporate communication, e.g. mission statements and advertising and the name, symbols or reputation to give just a few (Gray & Balmer, 1998). Further, corporate image is the mental picture of the corporation and include value judgments of the companies

attributes. No company can ignore corporate image since every organization has an image. Whether the image is created consciously or unconsciously, it affects the behavior of people. Knowledge of the corporate image helps managers direct their communication effort in a more efficient way (Bernstein, 1986).

Bromley (2001) also defines an organization's image as the internal collective state of mind that underlies its corporate communications efforts to present itself to others. According to Argenti and Druckenmiller (2004) corporate image is a reflection of an organization's identity and its corporate brand. From the foregoing definitions, it can be deduced that corporate image is influenced by factors. These factors are corporate identity, reputation, corporate quality, physical quality and interactive quality (Fill, 2006).

Corporate identity is associated with the character and distinguishing attributes of a corporation. As a regulation its key elements such as company name, logo, and prices charged for services, level and quality of advertising are easily familiar by consumers. These fundamentals play a key step for the customers well build perception and helps in evaluating corporate image place in positioning the service firm in its competitive surroundings. Gronroos (2001) argues that corporate image is the organization as seen from the viewpoint of one constituency, and as such, depending on which constituency is involved, an organization can have many different images.

Corporate quality is the ability of a firm's management to maximize the productivity of its assets through provision of quality services. Gronroos (2001) describe that the main characteristic of service is their process nature. Hence, a service is a process that leads to an outcome during partly simultaneous production and consumption processes. Thus, it is more difficult for customers to evaluate service quality than goods quality. Service quality is therefore the consumer's judgment about the corporate overall Image.

Corporate image has become a prominent paradigm and has begun to be linked to strategic management decisions of organizations including banks. The concept is based on the recognition that clients buy brand products not because of their inherent physical qualities but also because of a bias, a disposition towards the providers. Bayton (1959), points out that people tend to "humanize" companies, attribute personality characteristics to them, see them much as they do to humans in terms of being "mature," "liberal," "friendly," and such other related attributes. Banks that have positioned themselves as quality service providers have attained a positive image from their clientele.

### 2.6 Risk Management Strategies and Corporate Image

An event or crisis will, in most cases, cause investors to overreact, resulting in serious implications for the value of the firm. Therefore, a company must be aware of the depths to which investors' capricious behaviour can manifest itself as jitters in the financial market, thereby impairing one of the company's most valuable assets "corporate image". Thus, one of the primary concerns of any company is for that company to protect itself from the risk that may result on tarnishing corporate image (Fombrun, 2006). Businesses

that offer consumables or services, work hard to build consumer loyalty. When these businesses succeed in their ventures, consumer goodwill generates repeat business and referrals. However, due to the fact that most firms operate through a goldfish-bowl effect through the media's consistent and persistent glares any incident can cause a dent in a company's image.

Gitman (2004) pointed that the ability of a company to maintain a good reputation is directly linked to that company's ability to retain its stakeholders and to keep them optimistic. During an event or crisis situation, a company must demonstrate that it has the correct systems and resources in place, and that responsibilities and priorities are clear. A crisis reveals management's ability to deal with the situation: they have to deliver effective management during the crisis, because an inability to do so will be exposed, via the media, to all stakeholders concerned. If management is able to manage the crisis or event successfully, this is reflected in the share price: it often occurs that in the aftermath of the situation the company fairs better (Petersen, 2005).

Companies must also strive to develop a social conscience, and to contribute to society by developing and maintaining quality products and services. In addition, companies should also implement proper governance principles. A company should have integrity in the eyes of its shareholders and should not intentionally let shareholders down, nor mislead them (Mayo, 2001). It must continually work towards enhancing its overall reputation. In this day and age, it is imperative for a company to do the right thing and

have a good reputation, particularly in light of all the rather unfortunate incidents which have plagued the commerce industry in recent years, such as the incidents involving risk exposure (Arnold, 2005).

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

Research methodology is a general approach towards studying a research topic. This chapter, therefore, outlines how the research was carried out. The chapter describes the research design and explains the research instruments that were used in the study, the type and source of data and how the data was analyzed.

## 3.2 Research Design

This study used a case study approach. A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when boundaries between phenomenon and context are not clearly evident (exploratory studies) (Yin and Robert, 2002). Case study research can be positivist, interpretive, or critical, depending upon the underlying philosophical assumptions of the researcher.

In this case, a qualitative approach was employed with the aim of investigating the effects of risk management strategies on corporate image on NBK. Thus, this approach was appropriate for this study, since the researcher intended to collect detailed information through descriptions and the method is also useful for identification of variables and hypothetical constructs.

## 3.3 Data Collection

The study collected primary data for the purpose of investigating risk management strategies on enhancing corporate image. Primary data for this study was collected using an interview guide personally administered to six managers at the head office picked from the business growth and development department, operations, finance department, corporate strategy and planning, risk management and internal audit department. The respondents were targeted since they were thought to have reliable information that the study sought; Nairobi was selected due to its accessibility.

## 3.4 Data Analysis

The data collected from the respondents was qualitative in nature. The researcher used content analysis to analyze the data through describing phenomena, classifying it and seeing how the concepts interconnect as indicated by the respondents. This approach of analysis was preferred because it gives results that are predictable, directed, or comprehensive. According to Weber (1980) content analysis enabled the researcher to shift through large volumes of data with relative ease in a systematic fashion.

# CHAPTER FOUR

# DATA ANALYSIS, FINDINGS, INTERPRETATION AND DISCUSSION

## 4.1 Introduction

This chapter presents the findings and interpretations of the data from the field. It presents analysis and findings of the study as set out in the research methodology on risk management strategies used by national bank of Kenya to enhance its corporate image. The data was gathered through use of an interview guide as the research instrument. The interview guide was designed in line with the objectives of the study. To enhance the quality of data obtained, unstructured questions were used whereby respondents indicated their views and opinions on risk management strategies adopted by organizations to enhance corporate image.

## 4.2 Response Rate

The researcher targeted 6 interviewees; however 5 out of the 6 respondents targeted completed the interview guide making a response rate of 83%. This complied with Mugenda and Mugenda (2003) who suggested that for generalization a response rate of 50% is adequate for analysis and reporting, 60% is good and a response rate of 70% and over is excellent. This commendable response rate was made a reality after the researcher personally interviewed the respondents as well as insisting the importance of the respondents participating in the study.

### 4.3 General Information

The study sought to investigate the level of the education of the respondents. This was to determine the capacity of respondents to understand strategies that the organization formulate in order to compete in the market. From the findings majority had attained post graduate degree, followed by those who had bachelor degrees as their academic qualification. This reveals that most of the managers at National Bank of Kenya have capacity to understand strategies that can be reliable and competitive in the market.

Further the study requested respondents to indicate their designation in the organization, majority of the interviewees held positions such as business growth and development managers, operations managers, finance managers, corporate strategy and planning managers, risk management managers, and internal audit officers. This implies that the study aimed the targeted respondent in terms of position they held in the organization and that the result can be reliable as they were conversant to the strategies that the organization applies to enhance organization corporate image.

Finally, the study requested respondents to indicate the duration they had worked in the organization. According to the interviewees' response, all of them had worked for the organization for at an average of four years as most promotions are internal, within the organization. Those who had worked for shorter duration had 3 years while those who had served for longer durations had 8 years. The interviewees' responses hence had the advantage of good command of the operations of the bank and their responsibility being that they were head of departments and had experience and aptitude owing to their years of experience in the organization.

## 4.4 General Information on Risk Management at NBK

The study requested the interviewees whether the bank had a specific department dealing with risk management. Majority of the respondents unanimously indicated that the bank had a risk management department that is mandated on dealing with risk mitigation. Interviewees purported that recent restructuring of the risk department has given the department more and clear policies that guide the bank in handling risk.

### Risks Faced by the Bank

On the main risks that the bank is prone to, the study found that fraud and money laundering are the main financial risk that the bank is prone to. Likewise defaulting is another type of risk that the bank is prone to since customers who borrow money sometime fails to honor the agreement between them and the bank. A few of the interviewees pointed that though financial system instability and inflation are other risks that the bank experiences, it happens in rare case as the bank ensures that the system is effective and efficient.

### Effects of Risk on Bank Reputation

With regard to the above mentioned risks that affect the banks reputation, interviewees pointed that once negative information reaches the targeted customer, customers become suspicious of the security of their accounts and investment as well hence they disassociate with the bank which results to slow growth in customer base. On whether organization ensure effective risk management to protect its corporate image, the study established that the bank ensures risk management policies are effective and that it

protects the corporate image. Interviewees pointed that the bank is aware of the depths to which investors' capricious behaviour can manifest itself as jitters in the financial market, thereby impairing on corporate image. Further interviewees indicated that risk management is one of the primary concerns of the company where it protect itself from risks that may result on tarnishing corporate image leading to negative altitude to the bank. Also interviewees pointed that the bank strategizes to build consumer loyalty. When these businesses succeed in their ventures, consumer goodwill generates repeat business and referrals.

On whether there is immediate feedback on any breakdown the study established that the bank operates through a goldfish-bowl effect through the media's consistent and persistent glares any incident that can cause a dent in a company's image. Further interviewees pointed out that the ability of a company to maintain a good reputation is directly linked to that bank ability to retain its stakeholders and to keep them optimistic. During an event of any risk such account hacking through ATM, the bank demonstrates that it has the correct systems and resources in place, and that responsibilities and priorities are clear.

A crisis reveals management's ability to deal with the situation: they have to deliver effective management during the crisis, because an inability to do so will be exposed, via the media, to all stakeholders concerned. On the extent to which the bank ensures risk does not affect corporate image, interviewees pointed out that they ensure that strategies adopted are effective in protecting the image of the company by ensuring safety of the customers' accounts. The bank also strives to develop a social conscience where it

engage customers on open discussion through on measure that can effectively ensure risks occurrence are mitigated, and to contribute to society by developing and maintaining quality products and services such Linda Jamii that ensures health services through insurance reaches the common citizen. In addition, the bank also has implemented proper governance principles governance principles through ensuring management and safety.

**4.5 Risk Management Strategies Adopted by NBK**

The study further sought to find out the risk management strategies adopted by the bank. On risk control and especially risk avoidance procedure, interviewees pointed that procedure, set regulations and system controls were some of the risk avoidance procedures adopted by the bank in combating fraud where Central Bank of Kenya collaborate with the banks in controlling fraud and money laundering fully by giving guidelines and procedures that controls money transaction and other rules that enables the bank to control any fraud or any financial risk. This ensures that there are no cases of risk associated with the customers' interference with the account and that there are financial systems which operate effectively to meet the customers' expectation of the service. Further interviewees pointed that risk control approaches have been adopted by the bank, such as technological application which include Real Time Gross Settlement (RTGS) mode of payment and Know Your Customers. The interviewees pointed out that RTGS is associated with less frauds compared to manual methods of payments and that Pre-printed cheques and customized cheques are less associated with fraud compared to manual cheques.

Interviewees indicated that the bank reputation has grown as it supports growth of common man by supporting Sacco's, having good return on investment (ROI) and its stability and being locally owned. On risk reduction, interviewees indicated that NBK has a set process to review and where appropriate, update customer information relating to high risk client information. On the same, the study established that there was set legal and regulatory compliance program that includes a designated officer that is responsible for coordinating and overseeing the AML framework and that there are written policies documenting the processes that they have in place to prevent detect and report suspicious transactions. This risk handling procedures have boosted both existing and potential customers confidence.

On risk financing the interviewees indicated that the bank provides a budgetary allocation for all risks that the organization anticipates occurring. For instance the bank has budgetary allocation for risks involved in fraud both internally which involve employee and externally by having structures of insurance whereby premium are paid. They also pointed out that on risk retention the bank covers only low risks which do not pose more financial challenge and which would not impact on the development effort. This is done for example through retention of securities when disbursing loans. On risk transfer the interviewees indicated that the bank has for example insured its loans where the insurer covers for a defaulted loan for example where customers in the bank do not service payment of loans and in case a customer is deceased.

### 4.6 Relationship of Risk Management Strategies to Corporate Image

The study sought to establish whether there is a relationship between risk management strategies and corporate image. On whether risk management strategies adopted by the bank effectively enhance the banks' image, interviewees unanimously indicated that the risk financing and risk control strategies enhance the bank's image where customers gain confidence with the NBK as well as developing positive attitude towards the bank. On rating of corporate image as a result of risk management strategies employed by the bank, most of the interviewees pointed out that the corporate image of the bank has improved significantly due to management commitment on implementation of risk management strategies adopted by the bank. Under risk control on avoidance and reduction, anti-money laundering framework has ensured that illegal money which could have adverse effects on the economy does not circulate, thereby ensuring that NBK retains the image of a trusted financial institution in the eyes of the stakeholders and the regulator. The existence of the Real Time Gross Settlement (RTGS) mode of payment with minimal fraud occurrences has enhanced customers' confidence and hence improved the bank's corporate image.

The study established that the management of the bank has a fiduciary responsibility to protect the interests of shareholders, employees and creditors; this is a responsibility that is also at the heart of managing the reputation of the company. In disposing fiduciary responsibility, a company has to tread between legal obligation and ethical practices. This entails situations such us where professional duty conflict with bank demand and individual responsibility can wither under the demands of the client, which may be legal but not ethical, thereby placing the reputation of the company at risk. On whether

consumer loyalty through managing risk associated to the service offered, interviewees pointed out that risk occurrence can cause liquidity constraints and significant depreciation in market capitalization, due to an erosion of customer loyalty. Interviewees explained that a company's reputation is a critical component of its value, and is monitored by customers and prospective customers, business partners, investors, rating agencies, regulators, employees and legislators. Further interviewees pointed out that management communicate consistently, openly and honestly with its constituents, in order to ensure that an individual's or a company's reputation is not irreparably damaged during a crisis.

### 4.7 Discussion of Findings

The main aim of the study was to establish the risk management strategies used by the National bank of Kenya. On risk management strategies adopted by NBK, the study established that the bank had a risk management department that is mandated with dealing with risk mitigation. The study further found that fraud and money laundering are the main financial risk that the bank is prone. This conforms to the views of Teach (2002) that awareness of risk is growing and risk management is increasingly seen as a critical practical discipline and those of Petersen and Thiagarajan (2000) who found that risk management is a central part of any organization's strategic management.

The study further found out that procedure, set regulations and system controls were some of the risk avoidance procedures adopted by the bank in combating fraud. This conforms to the views of Hunghey and Erik (2007) who found that risk management strategies includes risk control which can be achieved through avoidance of risk. Central

Bank of Kenya collaborate with the bank in controlling fraud and money laundering fully by giving guidelines and procedures that controls money transaction and other rules that enables the bank to control any fraud or any financial risk. This ensures that there is no cases of risk associated with the customers' interference with the account and that there are financial systems which operate effectively to meet the customers' expectation of the service.

The study further established that risk control approaches have been adopted by the bank, such as technological application which include Real Time Gross Settlement (RTGS) mode of payment and Know Your Customers and that RTGS is associated with less frauds compared to manual methods of payments and that Pre-printed cheques and customized cheques are less associated with fraud compared to manual cheques.

The study also found that NBK has a set process to review and where appropriate, update customer information relating to high risk client information. On the same, the study established that there was set legal and regulatory compliance program that includes a designated officer that is responsible for coordinating and overseeing the AML framework and that there are written policies documenting the processes that they have in place to prevent detect and report suspicious transactions.

The study further found that the risk financing and risk control strategies enhance the bank's image where customers gain confidence with the NBK as well as developing positive attitude towards the bank. This agrees with Gitman (2004) who pointed that the ability of a company to maintain a good reputation is directly linked to that company's ability to retain its stakeholders and to keep them optimistic.

Good risk management system such as customer personal identification, know your customer strategy, detect and report suspicious transactions has encouraged customers to invest at NBK. Further the study established that the bank accesses personal and private information such as the driving license, customer personal identification such as full names, date of birth, ID number, mobile number, Pin & address of all partners to mitigate fraud. Further, the study established that “know your customer strategy” assists in combating fraud to a great extent.

The study further found that the corporate image of the bank has improved significantly due to management commitment on implementation of risk management strategies adopted by the bank. This conforms to Petersen (2005) that if management is able to manage the crisis or event successfully, this is reflected in the share price: it often occurs that in the aftermath of the situation the company fairs better.

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This chapter presents the summary of the data findings on the analysis of risk management strategies used by national bank of Kenya to enhance its corporate image, the conclusions and recommendations are drawn there to. The chapter is structured into summary of findings, conclusions, recommendations and area for further research.

## 5.2 Summary of the Findings

The study established that banks have adopted risk management strategies such as risk financing and risk control that aim to mitigate risk occurrences and to enhance corporate image where the bank has a specific department that ensure risk is controlled. The study also established that fraud and money laundering are the main financial risk that the bank is prone to. Default is another type of risk that the bank is prone to since customers who borrow money sometime fails to honor the agreement between them and the bank.

Such risk affects the banks performance and also the growth as the customers fails to open accounts with the banks as they feel that their investment and saving with the bank are at risk. The bank has a set process to review and, where appropriate, update customer information relating to high risk client information. The study also noted that there was set legal and regulatory compliance program that includes a designated officer that is responsible for coordinating and overseeing the AML framework and that there are

written policies documenting the processes that they have in place to prevent detect and report suspicious transactions.

On risk control and especially risk avoidance procedure, the study established that procedure, set regulations and system controls were some of the risk avoidance procedures adopted by the bank in combating fraud where Central Bank of Kenya collaborate with the banks in controlling fraud and money laundering fully by giving guidelines and procedures that controls money transaction and other rules that enables the bank to control any fraud or any financial risk. This ensures that there are no cases of risk associated with the customers' interference with the account and that there are financial systems which operate effectively to meet the customers' expectation of the service. Further the study found that risk control approaches have been adopted by the bank, such as technological application which include Real Time Gross Settlement (RTGS) mode of payment and Know Your Customers. The study established out that RTGS is associated with less fraud compared to manual methods of payments and that Pre-printed cheques and customized cheques are less associated with fraud compared to manual cheques.

On risk financing the study found out that the bank provides a budgetary allocation for all risks that the organization anticipates occurring. The study also found that on risk retention the bank covers only low risks which do not pose more financial challenge and which would not impact on the development effort. This is done for example through retention of securities when disbursing loans. On risk transfer the study established that the bank has for example insured its loans where the insurer covers for a defaulted loan.

On the corporate image, the study established that the bank effectively enhances its image, through the risk financing and risk control strategies where customers gain confidence with the NBK as well as developing positive attitude towards the bank. The bank is aware of the depths to which investors' capricious behaviour can manifest itself as jitters in the financial market, thereby impairing on corporate image. The primary concern of the bank is to protect itself from the risk that may result in tarnishing corporate image that may lead to negative attitude towards the bank. During an event or crisis situation, the bank demonstrates that it has the correct systems and resources in place, and that responsibilities and priorities are clear. A crisis reveals management's ability to deal with the situation: they have to deliver effective management during the crisis, because an inability to do so will be exposed, via the media, to all stakeholders concerned.

The bank also strives to develop a social conscience, and to contribute to society by developing and maintaining quality products and services. In addition, the bank also has implemented proper governance principles. It also has integrity in the eyes of its shareholders and does not intentionally let shareholders down, nor mislead them.

## 5.3 Conclusion

Based on the study findings, the study concludes NBK has adopted risk management strategies such as risk financing and risk control that aim to mitigate risk occurrences and to enhance corporate image where the bank has specific department that ensure risk is controlled. The study also concludes that fraud and money laundering are the main

financial risk that the bank is prone to. Default is another type of risk that the bank is prone to since customers who borrow money sometime fails to honor the agreement between them and the bank.

The study further concludes that the bank in collaboration with Central Bank of Kenya has adopted risk avoidance procedures through setting up regulations and system controls in combating fraud. The Central Bank of Kenya plays a key role in controlling fraud and money laundering by giving guidelines and procedures to the bank which enable the bank to control any financial risk. These guidelines and procedures ensure that there is no cases of risk associated with interference of customers' account and hence create confidence to the customer over their investment in the bank where they feel their expectations are met. Likewise, the study concludes the bank has adopted Real Time Gross Settlement (RTGS) mode of payment and Know Your Customers to ensure risk associated with any transaction is mitigated.

The study further concludes that NBK has a set process to review and where appropriate, update customer information relating to high risk client information. On the same, the study concludes that there is set legal and regulatory compliance program that includes a designated officer that is responsible for coordinating and overseeing the AML framework and that there are written policies documenting the processes that they have in place to prevent detect and report suspicious transactions. This risk handling procedures have boosted both existing and potential customers confidence.

The study concluded that the bank provides a budgetary allocation for all risks that the organization anticipates occurring when it comes to risk financing. Risks associated to

frauds are catered for through insurance premium allocation and funding. Risks are also transferred and loans are insured whereby loans are at default in cases where customers do not service loan thereby rendering them as bad debts and in case where a customer is deceased. The study further concludes that risk retention is done by the bank but is covers only low risks which do not pose more financial challenges and which would not impact on development effort, like retention of securities when disbursing loans.

The study further concludes that the corporate image of the bank has improved significantly due to the management commitment on implementation of risk management strategies adopted by the bank. Customers' confidence has been gained in NBK as well as positive attitude towards the bank due to strategies of risk financing and risk control adopted to enhance the banks image. The AML framework under avoidance and reduction when it comes to risk control has ensured that NBK as financial institution spearheads the fight against illegal money within the economy and retaining an image of trusted financial institution both to the shareholders and regulator.

## 5.4 Recommendations

From the study finding, the study recommends that banks should emphasize the importance of effective risk management procedures. These institutions must balance risks as well as returns. The risks must be assessed so as to derive a sound investment decision. Organizations have come to recognize the importance of managing all risks and their interactions, not just the familiar risks, or the ones that are easy to quantify. Even seemingly insignificant risks on their own have the potential, as they interact with other events and conditions, to cause great damage. The study recommends that prior measures

to be set to ensure that relevant risk related to IT are mitigated as ignorance to this advancement in implementation of critical strategy such as risk management will led to low performance of the organization.

The study also recommends that all staff more particular senior staff should commit on implementation of risk management process so as to give directives on any adopted strategies. Further the study recommends that rather than leaving the role of implementing risk management strategies to particular senior personnel all other responsible team should also mandated with the role to ensure implementation of risk management strategies is realized to the entire organization. The study recommends that the management embraces communication of any intended strategy that the organization set in order to ensure smooth implementation without any resistance from the employees who are key implementer and hence results to development of good corporate image.

## 5.5 Suggestions for Further Studies

This study investigated on risk management strategies used by National Bank of Kenya to enhance its corporate image. The study suggests that further research be done on risk management strategies employed by commercial banks in Kenya to enhance their corporate image this will give reliable findings that reflects the real situations in banking sector in Kenya. The study also suggests that further study be done on the impacts of risk management strategies adopted on performance of banks in Kenya.

## 5.6 Implications for Policy and Practice

The research findings are expected to contribute to a better understanding of risk management strategies in any given organization and more specifically on the relationship between risk management and corporate image. This would enable the formulation of reputation risk management strategies with the view of facilitating image crisis and success of banks.

The study is useful to the government and other stakeholders. The development partners, who are usually interested in helping the corporate image, would have an understanding on the role banks play towards contributing to the economy. The findings also benefit investors who buy stock in Nairobi Securities Exchange in informing decision to invest in such companies that have good image. The finding of this study is of great important to the CBK as the regulators of financial institution since it will adopt the recommendation of the study in coming up with policies that will guide the financial institution in mitigating risk hence enhancing their corporate image.

The study recommends that the ability of a company to maintain a good reputation is directly linked to that company's ability to retain its stakeholders and to keep them optimistic. During an event or crisis situation, a company must demonstrate that it has the correct systems and resources in place, and that responsibilities and priorities are clear. A crisis reveals management's ability to deal with the situation: they have to deliver effective management during the crisis, because an inability to do so will be exposed, via the media, to all stakeholders concerned. If management is able to manage the crisis or

event successfully, this is reflected in the share price: it often occurs that in the aftermath of the situation the company fairs better

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# APPENDIX 1: INTERVIEW GUIDE

## SECTION A: GENERAL INFORMATION

1. What is your highest level of education?
2. What is your designation at National Bank of Kenya?
3. How long have you worked for National Bank of Kenya?

## SECTION B: RISK MANAGEMENT STRATEGIES ADOPTED AND THEIR EFFECTS ON THE BANKS REPUTATION

4. Does the bank have a department dealing with risk mitigation?
5. What are the main risks that your Bank is prone to (Inflation, money laundering, reputation, financial system stability, fraud)?
6. How do these risks affect the banks reputation?
7. What are some of the risk handling procedures adopted by your bank?
8. Have the risk handling procedures adopted by the bank had an impact on the image of the bank? Explain
9. What are some of the risk avoidance procedures adopted by your bank?
10. By avoiding risks, has the image of the bank been affected?
11. What are some of the risk financing approaches adopted by the bank in risk control?
12. What has been the impact of controlling these risks on the image of the bank?
13. Under what circumstances has the bank used risk transfer to avert risk successfully?
14. What was the impact of this move on the image of the bank?
15. Does risk management strategies in your bank effective in enhancing the banks' image?

16. How would you rate corporate image in your organization as a result of risk management strategies employed by your organization?

**SECTION C: CORPORATE IMAGE**

17. Does your organization ensure effective risk management to protect its corporate image? Explain.
18. Do you ensure consumer loyalty managing risk associated to the service you offer in order to protect your organization reputation? Explain your answer.
19. Do you give immediate feedback in case of any breakdown on our system to ensure corporate image is protected?
20. Does your organization demonstrate correctness of systems and resources in place, and that responsibilities and priorities are clear during the event of crisis? Explain
21. To what extent does your organization ensure any risk does not affect its corporate image? Explain.

**THANKS FOR YOUR COOPERATION!!**