

**STRATEGIES ADOPTED BY THE STANDARD  
CHARTERED BANK IN KENYA TO MITIGATE  
OPERATIONAL RISKS**

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## DECLARATION

I declare that this research project is my original work and has not been submitted to any other university for the award of a degree.

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

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## **DEDICATION**

This research project is dedicated to my wonderful husband Evans; your encouragement through this journey and your many prayers for my success has made us celebrate this victory. To our precious daughter Emma; your smile has motivated me every single day that I sat down to write this project paper. To all my relatives thank you for believing in me and encouraging me through my studies.

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## **ABSTRACT**

The banking industry faces a very turbulent and dynamic environment, this therefore affects the industry posing both controllable and uncontrollable risks. Banks are exposed to various risks which if not managed would result in revenue leakages, directly impacting their profits. The banks have faced a number of financial crises as a result of mismanaged risks. This raises critical questions about the way banks manage their risks. From the different studies done, it is clear that a lot of focus has been given to the traditional risks; credit, liquidity, reputation risks. Little attention is given to operational risks and the role they play in such a crisis. Operational risks are inherent in all business lines in banks and due to this operational risk management is a vastly underrated discipline that needs more research. Proper operational risk mitigation, would help to protect business performance ensuring sustainable results. This study focused to exhibit how the strategic use of robust risk management practices can cushion the banking sector from losses. More specifically, the study looked at the strategies used in managing operational risks of Standard Chartered Bank in Kenya. The key operational risks that Standard Chartered Bank in Kenya faces were noted to be transactional errors, system failures, process failure, failure to comply with regulations and risks emanating from staff. The study identified the operational risk mitigation strategies adopted by the bank as centralisation and specialization of process development and operational risk management, continual and consistent communication of the code of conduct to staff, server replication across different markets, Disaster Recovery sites and Business Continuity Planning and investing in robust reporting systems. The study further indicated that these strategies had been effective in the area of addressing operational risks of the bank. However, the study noted that the strategies had not been effective in addressing the risk of potential loss of experienced talent to competitors and the market. Impliedly therefore, the management of the bank in Kenya would have to review the strategies adopted to address this risk.

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## **ACRONYMS AND ABBREVIATIONS**

ATM:	Automatic Teller Machine
CBK:	Central Bank of Kenya
IT:	Information Technology
KBA:	Kenya Bankers Association
KCB:	Kenya Commercial Bank
SCB:	Standard Chartered Bank
SME:	Small and Medium Enterprises
UORM:	Unit Operational Risk Manager



# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

McKeown (2011) argues that strategy is all about influencing the future and it is the human effort to get to some desired ends within available means. He reasons that for a firm to be stable, strategy has to include looking into managing risks inherent in the firm. Kenneth & Jack (1991) notes that every firm faces exposure to losses; unforeseen circumstances which may impair its operational capability or its financial integrity. He notes that the losses might never occur, but a firm must plan for the possibility of the occurrence of the losses. Risk management and mitigation is concerned with the protection of the firm's assets and also profits through a systematic method of utilizing its resources to realize certain objectives concerning loss exposures.

In the corporate risk management field, it has been proven that agency issues influence managerial attitudes and motivation factors toward risk management (Smith & Stulz, 1985). This in turn affects risk management and as such is considered a key factor in risk management fraternity. He argues that there should be clear separation of ownership and control to ensure credible strategy implementation in any firm due to conflict of interest that may exist if ownership and management. Freeman (2010) puts forth that the main aim of a company is to create value for the stakeholders. It is important that company directors preserve the interests of the shareholders, clients, employees and the societies where they are based united and in unison for it to succeed and remain sustainable.

Standard chartered bank is an international bank present in five continents namely; Asia, Africa, Middle East, Europe and America. It was established by the merging of Standard Bank with Chartered Bank of India, Australia and China in 1969. SCB Kenya is an outlet of the Standard Chartered Group that was formed in 1911 and had the first branch (Treasury Square) in Mombasa. SCB is one of the top banks in Kenya today 105 years later (SCB Annual Report, 2015).

The world has witnessed a number of financial meltdowns. One of the major ones was experienced between the years 2008 and 2010, which was by far the most devastating economic disasters after the great depression. The effects were widespread and touched on almost every sector of the global business. The most affected sector however, was the financial service industry, especially the banking sector (Mason, 2009). The banking sector experienced the loss of the eminent institutions like the Lehman-Brothers. More recently we have seen locally the sale out of Barclays bank's Africa segment, Dubai bank and Chase bank being placed under receivership by CBK. These scenarios point out to a need to relook at the risks inherent in the financial sector and how strategy as a concept can be used to mitigate them.

### **1.1.1 Concept of strategy**

Strategy is a technique used to realise a desirable outcome. It could be an achievement of a goal or attainment of a solution to a problem. It is about achieving and sustaining a position of advantage over opponents through the successive utilisation of known or upcoming possibilities rather than constraining oneself to a fixed designed plan (Porter, 1980). Porter argues that strategy is all about competition and it is the means by which a business tries to acquire and retain competitive advantage. Lower costs and differentiation are the two main strategies. A firm may choose to apply one strategy at a time to have competitive advantage, either via lowering the costs of the products and services than its competitors or by differentiating its products and services along the dimensions valued by customers so as to command a higher pricing for the products and services.

In accordance to Porter (1980), strategy depends on the unique mix of the values or the services a business offers. A good way to determine if customers value what a company offers is if they are willing to pay a sensible fee for the products or the services offered. This removes the business from the commodity market whose main focus is pricing. A combination of several value offerings in such a way that it gives unique value to the end users and is also difficult for the competitors copy.

Strategy is both an art and a science. It is an art since it calls for imagination, capability to envisage the future and sensitive thinking in order to inspire and unite those who will apply the strategy. On the other hand it is a science because it needs one to have analytical skills; the capability to organize and analyse information and to make well-informed decisions. Without a strategy, a firm is meaningless and fragile to changes in the business environment. Strategy is a guidepost for a firm's ongoing advancement. It provides a direction for the firm and specifies what must be done to grow, be profitable and survive.

### **1.1.2 Operational Risks**

Risk is the potential that an activity may lead to a loss or an undesirable outcome. It includes choice of inaction that may lead to an unwanted outcome. Doherty (2000), termed risk as the measurable likelihood of loss or less-than-expected returns. There is some risk inherent in any human endeavour, but some are much more risky than others. It is also a likelihood of damage, loss or any other undesirable incidence that can be brought about by exposures that are internal or external to the company that are avoidable through proactive action. There are many different types of risks and some types are relatively more or relatively less important in different situations and organisations.

The type of risks in any organisation depends on the type of industry, the nature of business and the environment in which the organisation is set up. The common risks types are Market, Liquidity, Reputation, Credit and Operational risk. In this study, the researcher focused on the Operational risks; the loss potential rising from the inadequate or failure of process, people, technology or effects of external events (Basel II committee, 2009). It is that remaining risk after determining financing and systematic risks, and as such they are risks resulting from failures in internal procedures, people and systems used in companies.

Risk management is the systematic development and execution of a plan to cater for the inherent potential losses. To limit a company's exposure to losses and to protect its assets are the main purposes of risk management (Mark S. Dorfman, 2009). It is a great strategic tool and has turned out to be more predominant in the recent decades. Risk avoidance, risk transfer and reducing the risk impact are some of the strategies to manage risk. It is a continuous cyclical process that commences with drawing a plan and following it through to implementation phase. The core aim of this plan is to foresee risks before they happen. It also outlines the strategies to be used to manage the risks in prevention or in case they actualize. There is no impeccable risk management plan but its success relies on apt management policies, risk analysis, proper planning and execution of activities.

Strategy is the general approach an organization will follow to achieve its goals. Strategy may be considered in different spheres of the organization, risk management being one of them. Koontz and O'Donnel (1968) described Planning, Organizing, Staffing, Directing and Controlling as the five key functions of management. Strategic planning is a cyclic process used for improving company performance by coming up with strategies aimed at producing good results (National Child Welfare Resource Center website). It encompasses reviewing where the firm's targets, gauging its current position, and then developing and implementing systems to move forward. This is done through a framework of four main stages: Preparing, planning, implementing, reviewing/revising.

Risk management falls in the planning function of management. The use of strategy in risk management is the process of managing risks while considering environmental changes with an overall goal of minimizing the impact of such risks. To develop a plan, one must institute priorities by taking into consideration the needs, strengths, and resources of the firm. Three crucial questions must be answered. What are we looking to accomplish? What do we need to do to get there? How can we measure progress? Once these have been answered, they provide a framework for the strategic plan.

### **1.1.3 The banking industry in Kenya**

The banking sector in Kenya is regulated by the Banking Act, the Central Bank of Kenya Act, the Companies Act among other guidelines issued by the CBK (Mwende, 2015). The banking sector in Kenya was liberalized back in 1995 and the exchange controls lifted. CBK bears the responsibility of developing and implementing monetary policies and promoting liquidity solvency within the sector. There are currently 42 licensed commercial banks in Kenya. The banks are united under the Kenya Bankers Association, which lobbies for the banks' interests and also addresses the many issues that affect the members. The CBK publishes information on the status of the Kenya's commercial banks and nonbanking financial institutions. It also gives focus to interest rates and other publication on banking in general (Charles, 2007).

A few large banks dominate the industry e.g. National Bank of Kenya, Commercial Bank of Kenya, Standard Chartered Bank, Barclays Bank of Kenya etc. most of which are foreign owned. The Kenyan banking industry is the most diverse in East Africa with Kenya Commercial Bank being the largest of all indigenous banks in Kenya and East Africa as a whole. The industry is a key sector in improving the economy of the country. This industry has cut-through competition and is obvious from the erratic changes implemented by banks and the different strategies they have employed in order to remain competitive (Mugweru, 2008).

The banking sector has witnessed stiff competition forcing banks to repackaging their services and products to satisfy the needs of the customers and retain market share (Charles, 2007). The main change is deeper tracking of banking cost by CBK so as to educate customers on banking costs. The industry has faced several issues such as change in regulatory framework, decreasing interest rate margins due to customer move to non-traditional services and start of entities who were not known to deal with financial services who are now in the financial services market (Mugweru, 2008). Over the recent eras there has been fundamental transformation of the banking industries of most industrialized countries.

This has spread to developing countries like Kenya. Such transformations have been necessitated by change in the environment (Porter, 1980). In the recent past we have witnessed impressive asset growth in the banking sector which can be ascribed to the rise in deposits and capital injection as well as profit retention by the banks (Mugweru, 2008). CBK has on a few occasions put certain commercial banks under statutory management and some have resulted to closure. Smaller banks merge in a bid for survival as they are faced with an increase in high operational cost due to cutthroat competition from bigger players. In the 1990's many banks closed their branches in a bid to cut cost and others merged, but the same banks later opened more branches just to capture markets, which they had earlier ignored. According to Mutua (2006) the banking industry is set for substantial product and market development that will lead to further consolidation of the industry.

#### **1.1.4 Standard Chartered Bank in Kenya**

A bank is a financial institution whose core duties is to safe keep cash deposits for its clients and also lends money to borrowers. Standard chartered bank is an international bank present in five continents namely; Asia, Africa, Middle East, Europe and America. It was established by the merging of two banks; Standard Bank with Chartered Bank of India, Australia and China in 1969. The bank has over 89,000 staff from 130 nationalities and nearly half are women, this is in line with diversity's values (Standard Chartered Bank website).

SCB Kenya is an outlet of the Standard Chartered Group that was formed in 1911 with the first branch being set up at Treasury Square in Mombasa. Now, 105 years later, SCB is one of the top Banks in the country. It has a total of 37 branches, 95 ATMs and 2,048 employees (SCB Annual Report, 2015). It has a local shareholding of approximately 26%, covering around 32,000 shareholders. It has been a public quoted company on the NSE from 1989.

The bank has a varied portfolio of clients across selected sectors. This comprises of business services, agriculture, manufacturing, real estate, wholesale and retail trade, energy and water, transport and communication. Further reinforcing its worth, SCB Kenya holds the Africa regional Shared Service Centre in Nairobi. This a whole unit that gives technical and operational support for Uganda, Tanzania, Zambia, Botswana and South Africa SCB markets on a real time basis.

SCB was the first Kenyan Bank that was awarded ISO 9002 certification in technology systems. It was the first bank in Kenya to launch ATMs (Automatic Teller Machines) in 1989 in Nairobi and introduced the first utility bill payment over ATM. The bank was also the first bank in Kenya to introduce priority-banking facilities for the affluent customers as a competitive edge. The bank has also been the first to introduce new products in the markets like the unsecured Personal Loans, Mobile Top-Ups, scheme loans and Banking Business Solutions for corporate customers.

## **1.2 Research Problem**

There are numerous explanations on the cause of the financial crisis in 2008. Risk management discourse, however received considerable attention during this crisis. It is therefore viewed that risk management is a vital tool, from which banks draw legitimacy in the eyes of its clients and regulators. The banking industry usually faces a very turbulent and dynamic environment, posing numerous challenges, which manifest themselves as inherent risks (SCB report, 2015). Thus, proper risk management, and more specifically operational risk mitigation, helps protect business performance ensuring sustainable results.

The main objective of Standard Chartered Bank's on risk management is to implant the process into their daily operational activities in a practical mode. This requires constant proactive risk identification and analysis of the risk factors and actions that may have a bearing on the overall business objectives.

It also calls for development of appropriate response strategies and continuous monitoring and reporting of any risks. This is achieved through the execution of risk management strategies with measurement of the degree of implementation by the Unit Operations Risk Managers (UORM) and governance managers, enculturating the risk management procedures into daily business activities and finally reassurance from the internal audit department on the status of the internal control environment ([www.sc.com](http://www.sc.com)).

Operational risks affects commercial banks worldwide in their efforts to grow. When these risks are not managed lead to their fall instead. Carey (2001) noted that effective risk management is the differentiator between survivors and losers in the financial institution industry. He further explains that little attention is given to operational risks and the role they play in the crisis. It is a vastly underrated discipline that needs more focus. Ongechi (2009) studied risk management strategies used by Fina Bank Limited in lending to SMEs. He concluded that it calls for a good definition of the outputs and concrete performance measures that necessitates a well-defined training program for the employees. He recommended regular evaluations and audits of the pros and cons of the implemented policies in order to learn from the experiences.

Abuya (2008) on the other hand studied strategic risk management practices among state corporations in Kenya and found that risks restrain achievement of any organization's goals. He concluded that state corporations do not manage risks in an enterprise-wide model, albeit effective risk management being vital in achieving the organisation goals. Onzere (2012) also studied Risk Management Strategies Adopted by Barclays Bank of Kenya Limited where he outlined the strategies in use in the bank. However, the study was broad and covered all kinds of risks faced by the bank and gave little focus on operational risks.



Most of the studies already done on risk management have all focused on state corporations and other financial institutions other than Standard Chartered Bank. SCB has exhibited a risk framework, which has enabled it to stay afloat in this shaky era of the banking industry. This creates a research gap considering the dynamic nature of the industry, particularly the threat of new entrants, financial developments and market regulation. These dynamics pose considerable risks to the industry operators'. The researcher aims at closing the existing gap by carrying out this study given no study has been done in terms of case studies looking into the operational risk management strategies of Standard Chartered Bank. This study sought to close the gap by pursuing the answers to the question: what are the strategies that SCB has used in operational risk management?

### **1.3 Research objective**

The objective of this study is to determine the strategies that Standard Chartered Bank, Kenya has adopted in mitigating operational risks.

### **1.4 Value of the Study**

This aim of the study was to contribute to the development of the banking sector by providing a roadmap of how successful banks use strategy in managing operational risks. It brings to focus the fact that the risk question should be addressed strategically and considered to be a continuous phenomenon rather than specific events. The expectation was that the research findings would give contribution to a better understanding of upholding strategic thinking culture among the management staff of Standard Chartered Bank Kenya whenever they are addressing operational risk issues impacting the bank.

Secondly, the findings of this study are insightful in enhancing formulation of policies as regards to operational risk management of financial institutions as it highlights the use of strategy in managing operational risks. The risk management fraternity can draw knowledge from the findings of the study on specific operational risk management methods that have worked for Standard Chartered Bank in Kenya.

The study is significant to policy makers who can draw information on the various risks that are faced by banks in general and the strategies that have been formulated to mitigate these risks. This research is instrumental to the policy makers as they draft various regulations and guidelines that govern the operations of financial services firms.

The study also contributes to the existing literature, and is therefore be of value for further research by students and academicians through either validating or disputing the existing ideas about the use of strategy in management of operational risk management, thus forming a basis for further research in this area. This is useful as a point of reference in their studies and acts as a basis for further research in the risk management space.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a review of the literature on the topic of strategies adopted by organizations in mitigating risks as carried out by some previous researchers. The chapter covers the theoretical foundations that inform the study, operational risks in banks and risk mitigation strategies adopted by these organizations.

#### **2.2 Theoretical Foundations**

Risk Management (Gentzoglani, 2005) is defined as the distribution of potential deviations from anticipated results due to events of uncertainties. The uncertainties could be internal or external to the firm. Due to this, the impact of risk factors could have positive or negative implications and does the risk to be a producer of both potential losses and opportunities (Cleary and Malleret, 2007). The theories that were considered were the risk management models that are developed within the confines of the following theories of the firm: agency theory and stakeholder theory.

##### **2.2.1 Agency Theory**

The agency theory is a presupposition that describes the relationship between the principals and agents in any company. Its main concern is the resolution of problems that may exist in agency relationships; between principals (like shareholders) and agents of the principals (such as company management). Agency theory extends the analysis of the company to include separation of ownership and control of a firm and the motivation of management to deliver. In corporate risk management field, agency issues are known to influence attitudes of managers and motivation factors toward risk management (Smith and Stulz, 1985).

This theory also describes a probable disparity of interests between the shareholders, management of the company and debt holders due to the imbalances in the distribution of the earnings. This can lead to the company taking too much risks than it can handle or not engaging in positive net worth projects due to having too much risk averse culture (Mayers and Smith, 1987).

### **2.2.2 Stakeholder Theory**

Stakeholder theory was developed as a management tool by Freeman in 1984. It has over time evolved into a theory of the firm. It is a theory on how to manage an organisation and adoption of business ethics that addresses morals and values in the management of any firm. Its main focus is overtly on the upholding of stakeholder interests as the core element of corporate policy. The most promising impact on risk management is the extension of implied contracts theory, from employment to other contracts, including sales and financing contracts (Cornell & Shapiro, 1987).

These theories are used to define different risks within the banking industry: Credit, Market, liquidity and operational risks. The Basel Committee defined operational risk as the risk of losses arising from inadequate or failed internal controls, people, systems and external events. (Cruz, 2002) argues that most financial institutions are not properly structured to deal with operational risks and the challenges that are currently faced are enormously demanding due to lack of preparation.

### **2.3 Operational Risks**

Operational risk has been in existence for a long time, but its concept was not given the due attention up until the year 1995 when one of the oldest and biggest banks in London; Barings bank collapsed. The bank collapsed when Nick Leeson, one of the traders performed unauthorized speculations (Karam and Planchet, 2012). There is a wide variety of definitions of operational risk. Below descriptions are just a sample. The first description is that it entails all types of risk other than credit and market risk. It can also be described as the risk of loss due to human error or deficiencies in systems or controls.

It is also the risk that a company's internal practices, systems and policies are not arduous or sophisticated enough to cope with unpredicted market conditions or human or technological errors. And finally it is the risk of loss ensuing from errors in the processing of transactions, breakdown in controls, and errors or failures in system support

The Basel II Committee, however, defined operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. For instance, an operational risk could cause losses due to an IT failure; transactions errors; external events like a flood, an earthquake, or a fire such as the one at Crédit Lyonnais in 1996. In 2001, the Basel Committee started a series of surveys and statistics regarding operational risks that most banks encounter. The idea was to develop a database and come up with correct measurements and calculation methods for operational risks. Additionally, the European Commission also started preparing for the new Solvency II Accord, taking into consideration the operational risk for insurance and reinsurance companies. This formed a basis of many studies on operational risk mitigation.

There are a number of operational risks faced by banks. The common one is risk of failure of internal processes. This is the potential for loss due to failure of an established process or to a process design weakness (SCB Annual report, 2012). Every bank has processes and procedures that guide each and every activity that is carried out. The processes, which more often than not are documented, should be designed in such a way that they do not have gaps or risks of failure. For example a process should have embedded controls to avert risks e.g. internal frauds and errors. Any process with such control gaps poses a risk in the operations of a bank.

Another common operational risk faced in the banking sector emanates from people. By people here the researcher looks at the risk caused by the staff/employees of the banks. This is by far the most critical operational risk and causes huge losses in financial institutions. The latest case is KCB Group, which has sacked about 90 employees in the past one year over fraud and professional negligence (Herbling, 2016). The bank disclosed that 8% of its 2013 employees or 431 workers left the group in the year 2015 and 22% of the ex-staff were fired because of fraud, highlighting the rising cases of economic crime in corporate Kenya.

This risk may take different forms. Primarily, it may be caused by staff who are not properly trained or skilled to be able to handle specific processes. This may cause staff to perform costly transactional errors due to ignorance. This form of operation risk may also take the form of employees' intentionally colluding to defraud the bank by passing illegal transactions in the system that lead to financial losses to the bank.

Another operational risk faced in the banking sector is system failure. Merna & Al-Thani (2008) observed that the IT industry is one of the fastest growing industries and attracts huge investments from organizations. The pressures to maintain a competitive edge necessitated this level of investment. System failure is a common risk across organizations due to reliance on systems to operate. Merna & Al-Thani (2008) further note that commonly identified IT risks include the inadequate skills and knowledge as well as lack of experience in using or supporting systems. This means that a malfunction of the system may not be detected or even resolved if detected.

Organizations have to keep abreast with changes occurring in the environment so as to adapt to these changes in a competitive way. Advances in technology have meant that these organizations are continually exposed to potential system frauds and hackings. The risk can also manifest in a form of information loss due to system failure. Organizations have to invest in backup systems and alternative servers in case of system crashes. Failure to mitigate these risks could result in the stalling of operations and potential loss of revenue for these organizations. This would then lead to financial losses and thus failure of the organizations to meet their goals and objectives.

Another operational risk that is mostly given minor attention is the risk emanating from external events. External events vary from natural calamities like earthquakes and floods, to political unrest, regulatory changes, economic crisis and competition. This kind of operational risk manifests itself in many varied forms and is mostly forgotten but possess a huge risk because its impact is of huge magnitude. This risk is the hardest to deal with as it is most of the time out of control of the firm. Merna and Al-Thani (2008) many risks originate from sources external to the business environment and although they might be predictable, their effect on the outcome may not always be controllable within the elements of the business.

Njagi (2013) noted that political uncertainty and risk more generally is often cited as a barrier to investment in Africa. However, although political risk clearly remains an important consideration in Africa, it should not be overstated or seen as unique to Africa. She went further to state that to some degree, political risk has become a part of most markets around the world, and certainly is a risk of doing business in all emerging markets. She highlighted that the organizations that succeed are those that are best prepared to identify the challenges early and navigate their way through the evolving political landscape. The advance of democratization in Africa has provided political stability and reduced conflict while resulting in social instability and fragility in some states

A critical challenge to banks growing operations across the world is the sheer complexity of managing regulatory compliance across multiple sovereign states, with sometimes very different frameworks existing at varying levels of maturity. There exists a gap between sophisticated frameworks and actual interpretation and implementation. Companies must also anticipate that regulations will inevitably become more comprehensive and complex, and this should be factored into the risk planning process.

Merna & Al-Thani (2008) note that it is only by keeping abreast of potential changes in the environment that a business would expect to manage regulatory risks. Organizations need to develop a core competence to manage regulatory compliance at a relatively low cost coupled with the ability to influence the development of regulatory maturity in each country in which they operate and to do so in an ethical manner that is not only for their own good, but also clearly for the good of the country and its citizens.

#### **2.4 Strategies Adopted by Organizations to Mitigate Operational Risks**

Risk mitigation refers to the systematic reduction of the extent of exposure to a risk and/or the likelihood of its occurrence. Risk mitigation planning is the process of developing options and actions to enhance opportunities to reduce the threat of failure to achieve project objectives whereas risk mitigation implementation refers to the process of executing risk mitigation actions. According to Menoni & Margottini (2011), risk mitigation strategies are those specific action plans intended to reduce the impact or extent of exposure to the specified risks while still managing to maintain the optimum output and delivery of labour, goods, services. They are basically action plans specifically designed to reduce the impact of loss should the identified risk actualize. They are of significant importance to organizations and organizational members aiming at achieving organizational objectives.



Brealey and Myers (1998) observe that business risk mitigation may be defined as a concept used by stakeholders, management, employees or auditors to express concern about the probable material effects of an uncertain environment on business goals. Business risk mitigation helps us find ways to manage events that will negatively impact the financial, physical or human capital of an organization or institution. Risk management protects business performance and helps sustain results. It is about achieving a clear understanding of risks and developing plans to manage them. Ernst & Young (2012) noted that banks achieve results from risk in three interrelated ways. They noted that some focus on mitigating overall enterprise risk, while others focus on efficiency, reducing the overall cost of controls and others look to create value through a combination of risk mitigation and cost reduction.

The primary strategy adopted by most banks in addressing the operational risk issue is that in their structures, they have set out a specific department or unit to deal with risk matters; commonly referred to as risk department, risk and compliance department or risk management department. Other strategies commonly used by banks include the design and implementation of business continuity plans and disaster recovery plans so as to ensure there are no interruptions to business operations, thorough scrutiny of legally binding agreements and contracts to ensure minimization of risks and exposures, aggressive marketing activities to ensure maintenance of strong brands in the market so as to beat competition as well as design and implementation of policies and procedures that address various operational risk issues.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the research design and methodology applied in this study. It discusses the research design with respect to the choice of the design and justification of why the particular design was chosen. It also discusses the mode of data collection methods that were utilized as well as data analysis and data presentation methods.

#### **3.2 Research Design**

To achieve the objective, the study made use of a case study. A case study is a research design that investigates existing phenomenon in the confines of real-life context when the boundaries between the phenomenon and the context are not clearly outlined and in which multiple sources of evidence are used (Yin, 1984). A case study enabled the researcher to collect in depth information about the population that is under study. Kothari (2004) states that a case study fundamentally entails an intensive research of the particular unit that is under consideration. Through a case study, the researcher will be able to give proper and concise recommendations. A case study is usually applicable where a detailed analysis of a single unit of study is anticipated because it provides a focused and comprehensive insight to phenomenon that may otherwise be unclear. This study falls in this category since it aims at giving an in depth focus on how SCB has managed operational risks.

#### **3.3 Data Collection Methods**

The study mainly made use of primary data. Primary data was obtained from managers at Standard Chartered Bank in Kenya on the strategies that have been implemented to mitigate operational risks in the bank using face-to-face interviews. The respondents in the study were 3 Operations Managers, 2 Unit Operation Risk Managers (UORM's), 2 Fraud managers and 1 Internal Audit manager.

These respondents were selected based on the fact that they play a key role in mitigating operational risks either by formulation or implementation of strategies used. These respondents were all based in the SCB head office in Nairobi Kenya where the bank's strategic decisions are made. The research made use of a focused discussion using an interview guide. The interview guide was designed on the premise of the operational risks faced by Standard Chartered Bank in Kenya as well as the strategies adopted to mitigate these risks.

The study also made use of secondary sources of data by examining the various publications, journals and training materials by Standard Chartered Bank Senior Risk management team. It was beneficial to make use of secondary sources of data in addition to the primary sources since it was both time saving and cheaper in terms of resource requirements and usually a mix of the two sources gives a good mix and an unbiased view of the subject matter.

### **3.4 Data Analysis**

The data of this study was analysed through content analysis. Kothari (2004) notes that content analysis entails analysing the contents of documentary materials like books, journals, newspapers, magazines and verbal recordings, which can be in spoken word or in printed format. He further noted that the analysis of the content is a vital activity whenever anyone is interested with the study of the nature and type of the verbal materials or interviews.

The rationale for selecting content analysis as the preferred analysis method was due to nature of study. It allows for analysis of both qualitative and quantitative data as well as the insights into complex models of human thoughts. Since the study mainly constituted the review of secondary sources of data and interviews with the identified respondents, it thus meant that content analysis would be the best method of analysis.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter presents the results and findings of the research on the strategies adopted by SCB in Kenya to mitigate operational risks. It covers general information relating to the study as obtained from the secondary sources which were, publications, journals and training materials by SCB Senior Risk management team. It also discusses the findings from the primary data collected from the respondents: Operations Managers, UORM's, Fraud managers and Internal Audit managers. The responses are as per the questions in the interview guide in the Appendix I of this research study.

#### **4.2 Research Findings**

This study set out to determine the strategies that Standard Chartered Bank, Kenya has adopted in mitigating operational risks. First, the researcher sought to understand the background of the respondents interviewed in terms of their designation and the department in which they were based. The researcher further wanted to establish the duration of time within which the respondents had worked for the bank. This was aimed at checking whether the respondents had a clear understanding of the business focus of the bank as well as its strategies. From the interviews conducted, the researcher established that their work experience with the bank ranged between three and fifteen years.

The researcher also sought to establish the level of the respondent's involvement in decision making within the bank. It was clear that the operational managers were involved in making operational decisions within their departments and rarely involved in making strategic decisions of the bank whereas the risk managers were basically implementers of strategic decisions passed down to the different departments.

The Fraud managers were highly involved in making strategic decisions based on the risk identified and internal auditors acted as a level of check to ensure all strategies are effectively implemented. These gave a good mix of results due to the fact that all parties were either involved in decision making, implementation or in ensuring that the strategies have been implementation.

The following were the findings as per responses received after the interviews conducted. First, the bank normally assesses the risk profile then subsequently considers the bank's risk policy. Assessment of the risk profile involves the following four steps; first, a list is populated of all the possible risks from whichever source regardless of the type of risk. These risks are then categorized into broad groups then the exposure to each risk is analysed in the third step. In the fourth step, the alternatives available in mitigating each type of risk are analysed and the expertise available within the company to mitigate the risk is considered.

### **4.3 Operational Risks Faced by Standard Chartered Bank in Kenya**

The study sought to establish the operational risks faced by Standard Chartered Bank in Kenya. The respondents indicated that the bank considered various risks to be the key risks facing the organization and these are as outlined below.

#### **4.3.1 Transactional errors**

Most transactions in a bank relate to cash deposit, transfer, withdrawal, change of personal details. Transactional errors are very costly in the banking sector due to the fact that almost all transactions are attached to a monetary value. Errors in transaction posting by bank staff span from posting the wrong cash amount, posting into the wrong account, updating wrong email or telephone number in the account. The transactional errors could lead to direct financial losses if the bank fails to recover the amount involved or lead to reputational risk if it entails disclosure of financial status to the wrong recipient. Over the years the bank has seen a few cases of losses emanating from transactional errors and this directly hit the bank's profit and loss account.

### **4.3.2 Process Failure**

Any function that the bank does has a predefined set of activities to be followed to fulfil the function. The predefined set of activities is called a process note or diagram. It outlines what activity is done by who, at what time, end to end up to fulfilment of the client's request. When the processes are built, they ought to have inbuilt controls to ensure there are no gaps that can cause risk exposures. When this is not well done, anything could go wrong. The gaps can be, transactional errors going through the systems, frauds being committed by employees or clients (external or internal frauds), delays in processing that may lead to aggrieved clients who may in turn sue the bank etc. From the interview, the researcher got to learn that this is a key operational risk that could happen at any department, any time and due to this, process development is taken seriously in SCB.

### **4.3.3 People**

People are the key resource any firm can have. Having good employees, well skilled, whose integrity is high is the best asset a financial company can enjoy. The people can break or build any company. For SCB people risk are in two main facets: The first one is, the staff lacking basic skills that their roles require leading to serious transactional or decision making errors. Lack of skills may be caused lack of good training programs or by high levels of attrition within the work force. When the levels of attrition are high, especially within technical roles, there is a knowledge gap created because it takes long for the new entrants to exhaustively grasp the job. This directly impacts operations in terms of delays and error rates which may lead to customer complaints or losses due to breach of regulations.

The second and most common operational risk issue related to people is internal fraud. This is when the integrity of the employees is compromised. The staff may single handily or jointly collude to defraud the bank through their own day to day activities, by the mere fact that they are entrusted with access to customer money though the nature of their jobs. This is the biggest exposure to any financial institution due to the fact that almost every activity handled by any staff has a monetary value attached to it. SCB has faced a number of such internal frauds over the years, the worst being an exposure of over three hundred million Kenyan Shillings in the year 2013 that ended up in the local courts.

#### **4.3.4 System Failures**

According to the respondents, system failure has a lot of impact in the overall service offered by the bank and directly affects the revenue numbers. Standard Chartered Bank is viewed as a pacesetter in the market in the digitization platform. Currently, 80% of the customers in the bank transact using digital platforms; online banking, mobile banking, ATM etc. Due to this, system failures cause a lot of inconvenience to the clients and can lead to client exists, clients suing the bank due to failure to meet their obligations on time and as such encountering financial loses. System failures sometimes also delay internal processing that lead to overall service delivery delays or to meet regulatory requirements. This also leads to hefty amounts of fines to the bank.

#### **4.3.5 Regulation and Compliance Risks**

The respondents noted that the banking environment in Kenya keeps changing and as such new regulations are set every now and then by the Central Bank of Kenya. SCB being international, SCB group would also set regulations periodically that have to be complied to. Non-compliance of any regulations in the operations undertaken in SCB Kenya could lead to hefty amounts of losses through sanctions that may be imposed on the bank. This therefore is a big risk within the bank given recent rise in activity from the Central bank of Kenya. CBK issues regulations that have to be complied with even if detrimental to the bank's profit. This poses a delicate balance between compliance and the struggle to stay in the market.

#### **4.3.6 Other External Events**

From the respondents, it came out clear that external events also pose a risk in the operations of the bank. External events in this case are: Floods, Political unrest and fire. The impact of these is closure of business due to employees or premises being affected. The worst example in this case being political unrest experienced in 2008 in Kenya that led to several businesses being shut down in Kenya. Thanks to robust operational risk management plans in SCB the impact was much less and the bank remain in operating mode through the crisis.

#### **4.4 Operational Risk Mitigation Strategies adopted by SCB**

The study was aimed at identifying the strategies used by SCB to mitigate operational risks. From the interviews conducted, a number of strategies were noted. Of importance to note is that respondents felt that there was a proper framework in place for identification and anticipation of risks and this led to proper development of strategies that mitigate the risks. From the study findings, it was established that several strategies have been adopted by SCB in Kenya to mitigate the operational risks identified.

##### **4.4.1 Process Development Unit**

Processes in SCB were initially developed by the department managers and handed down to their staff for adoption. Due to this, they would be done to the convenience of the department manager. SCB has adopted a model of centralising process development in one unit. It has a specific department that is tasked to independently review policies and develop processes ensuring there is no risk exposures. The independence and expertise of the unit ensures high standards are observed in process developments and also that mitigants are put in process to avoid losses. Key controls built into the processes are: Maker-checker functionality; this ensures any transaction is authorised before being posted in the system, this therefore reduces cases of internal fraud. Another key factor observed is quality assessment, conducted by independent parties periodically to ensure activities are done as expected. The developed processes are reviewed periodically to ensure they are in line with the changing policies and regulations.



#### **4.4.2 Global Code of conduct**

SCB has a global code of conduct that governs how the organizational employees are to conduct themselves both within the bank's premises and while away from work. These have ensured that employees live up to the standards of the bank and uphold its good reputation. The interviewees noted that SCB brand is and has been a strong brand. The code of conduct is continually and consistently communicated to all organizational employees, right from the time of engagement, through induction into full absorption into the bank. New employees sign a code of conduct oath at point of entry and there are annual e-learning undertaken by all staff as a refresher course for conduct. The conduct of employees is so key that is embedded in all staff's performance objectives and adversely affects the employee's career if flaunted. The code of conduct mainly talks of integrity which is a very important aspect in a financial institution. Any staff found to flaunt the code of conduct risks immediate dismissal.

#### **4.4.3 Server replication**

SCB takes advantage of being an international bank with representation around the globe. It has a number of servers around the globe that are replications of each other. This ensure that at any moment when a server goes down, another one is switched on automatically without interrupting the services of the clients. The servers are real time servers that can be switched on at any time.

#### **4.4.4 Legal and Compliance Department**

The study sought to determine how the risk of regulation and compliance had been mitigated and the specific strategies adopted to mitigate this risk. On this, the interviewees pointed out that the bank has a legal and compliance department that handles all risk matters relating to regulation including compliance to global company requirements. They noted that several requirements had been imposed on SCB in Kenya to ensure consistency in quality and service delivery across the globe. All matters relating to these compliances were noted to be handled by the Legal department.

The interviewees also noted that this department was charged with handling all legal matters. In line with this, they noted that all legal contracts and agreements of the firm with external entities had to be reviewed by the department prior to signing. On local compliance, the interviewees noted that the firm is subject to upholding high professional standards. As a result of this, the department is charged with ensuring quality is delivered to clients and all other parties that interact with the bank. On taxation matters, the interviewees noted that the finance department was charged with the responsibility of ensuring that the various taxes are remitted to the revenue authority on a timely basis.

#### **4.4.5 Operational risk job specialization**

There is a formal operational risk structure in SCB with employees dedicated to mitigation of operational risks within the bank. The Group Operational Risk Committee supervises the management and mitigation of the operational risks across the SCB Group. They are supported by business line, functional and country-level committees. The formal structure of risk governance provide the bank comfort that the operational risks are proactively identified and effectively managed. The committee is responsible for designing and sustaining standards for operational risk management and quantification.

Over and above that, there are also specialist operational Risk Control Owners who have responsibility of management of operational risks arising from processes, people, technology, vendors, property, security, accounting and financial control, tax management, corporate authorities and structure and regulatory compliance. Each Risk Control Owner is responsible for detecting material risks and maintaining an effective risk control environment, which includes strategically designing appropriate policies and procedures for review and approval by the authorised risk committees. At department level, each department has a Unit Operational Risk Manager who is tasked to identify and mitigate any operational risks that may arise. The UORM's perform self-assessment checks periodically and escalate any exceptions noted up the operational risk structure.

#### **4.4.6 Disaster recovery sites and Business continuity plans**

SCB has clear plans on emergency situation handling. This is documented in a business continuity plan document. Such a document is maintained for each department. For example if for any reason a premise is inaccessible, there is an alternate site where the employees can work from; this can be from another building or working from home. A periodic test is done to ensure that alternate working venues have all the necessary tools required to replicate a normal working day. It is also mandatory to ensure that all staff are reachable at all times, this is done by maintaining a database of all staff numbers in a department and a dry run is randomly done to ensure the lines are always open and staff can be reached.

#### **4.4.7 Robust reporting Systems**

SCB has a robust reporting channels that lead to fast resolution of any kind of anomaly. There are systems in place for rapid reporting of any system failures and anomalies. The same applies to risks and losses identified, they are reported all the way to group operational risk managers. This ensures all matters are given the due attention they require and leads to effective policy formulation based on the issues reported. This also ensures fast resolution of any open or pending issues which saves time and money.

#### **4.5 Discussion**

All organizations must continually be geared towards improving their products and services in order to survive. This is because the consumers are becoming more and more dynamic and require to do things differently with improved efficiency and convenience. Due to this shift, the banks are now exposed to greater risks than the traditional times. The current generation for example is very informed with matters that involve IT and this leads to more exposure to online/internet fraud for the bank. From the study it was evident that SCB Kenya has given more attention to operational risks in the last five years more than any other period before. Strategies have been formulated that are targeted to specifically deal with the operational risks using a very elaborate and systematic method.

The bank has effective risk identification process using a specific team that reviews the processes and the operations of the various departments periodically. Once the risks have been identified, they are given the attention they require by rapid escalation systems right all the way to group SCB level. At the group level, the Risk Committees then discuss the risks identified and define policies and procedures to mitigate the identified the risks. The policies are then communicated back to the ground for adoption. The exercise is cyclic and continuous and due to this the bank has had a one on one mapping of the risk and mitigating strategy which has proved effective.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents a summary of the key findings from the study, the conclusions drawn from the findings and the recommendations from these findings. The conclusions and recommendations drawn were in pursuit of the research objective of the study which was to determine the operational risk mitigation strategies adopted by SCB in Kenya.

#### **5.2 Summary of Findings**

From the findings in chapter four, the study noted that the interviewees had different levels of involvement in operational risk mitigation in the bank. The Operations Managers and Unit Operation Risk Managers (UORM's) had worked in the firm for at least three years and were mainly involved in decision making at operational level. They therefore were not involved in strategy formulation at the corporate level. They worked in the departments under Lending and Liabilities Operations Unit. The Fraud managers and the Internal Audit manager on the other hand were directly involved in strategy formulation and had worked in the bank for at least ten years.

From the interviews, it was clear that the bank had a structured way of handling operational risks. This is done in four main stages. The first step was risk identification. One of the respondents said that the risk management process begins when we seek to find what kind of events can damage the bank. Identifying the risks in SCB is done at the source level or at the level of the problem itself. Source analysis refers to analysing the source of the risks identified and the proper measures required for the mitigation being placed to control the risks. This step is mainly handled by the Operational Risk Managers on a day to day basis.

The second step was risk assessment that involves measuring the potential loss exposures that can be caused by the risk events. From the responses, the researcher learnt this is a very important step because it guides an organization on what level of operational risks can be accepted and steps to be taken to mitigate the high-level risks that cannot be absorbed. This is done at corporate level by respective risk owners and the decisions are then cascaded down to the operations teams.

The third stage was risk mitigation and control. In SCB, this step is mainly handled by the operational managers and their staff. It involves the process of selecting the most efficient methods of controlling loss exposure and implementing them. This mostly takes the biggest chunk of resources in risk management. And finally the fourth and last stage was risk monitoring. This involved reviewing all the outcomes and proactively planning for any foreseen risks through rapid monitoring of identified risks and follow-through of the risks to closure. The fraud managers and the Audit managers are the key players in this stage. An important thing that the researcher learnt was that the process was cyclic and at this point the cycle could begin again.

The key operational risks that Standard Chartered Bank in Kenya faces were noted as transactional errors, people risks, system failures, process failure, failure to comply with regulations and risks emanating from staff. The study thus attests to the fact that indeed SCB in Kenya is faced with the risks similar to those generally facing most Banks locally and that it has adopted similar strategies as identified in the study. The study went ahead to highlight the importance of identification of these risks and their consideration in decision making. By the nature of business operations, it was important for the bank to continually identify the risks and take them into consideration in decision making. Additionally, risk identification and consideration in decision making was noted as important due to the competitive business environment within which the bank operates as well as the fact the bank is governed by central bank of Kenya and other foreign regulatory bodies which place various requirements.

The study identified the operational risk mitigation strategies adopted by Standard Chartered bank in Kenya as centralisation and specialization of process development and operational risk management, continual and consistent communication of the code of conduct to staff, whose main message is integrity, server replication across the different markets in the world where SCB has footprint, Disaster Recovery sites and Business Continuity Planning and finally investing in robust reporting systems. The study further indicated that these strategies had been effective in the area of addressing operational risks of the bank. However, the study noted that some of the strategies had not been effective in addressing the potential loss of experienced talent to competitors and the market. Impliedly therefore the management of SCB in Kenya would have to review the strategies adopted to address this risk.

### **5.3 Conclusions of the study**

Based on the findings from the study, the study concludes that there are various operational risks that Standard Chartered Bank in Kenya faces and that the bank has adopted various strategies to mitigate these risks. The study concludes that identification of operational risks and their consideration in decision making is of paramount importance due to the nature of the business that banks do, as well as the business environment in which it operates. The study noted that operational risk was given prime attention in the bank over other risks due to the fact that operational risks span across every department of the bank. The study also concludes that the risk mitigation strategies adopted by SCB in Kenya have been effective to a big extent but it also highlights that some of the strategies have not been effective in mitigating some of the risks identified.

#### **5.4 Limitations of the study**

There were a number of limitations that were experienced during the study. To begin with, this was a case study that entailed the study of only one bank. Due to this, the data collected may differ from that collected from other financial institutions. Additionally, the operating environment and organizational culture of Standard Chartered Bank differs from any other organizations, including the other financial institutions in Kenya. Hence the results may not be generalized for all financial institutions. However, the study was based on an effective research instrument that sought to elicit both general and specific information on strategies adopted to mitigate operational risks of banks in Kenya.

#### **5.5 Suggestion for Further Research**

The study recommends that there should be a replica study in other financial service providers in Kenya so as to determine whether the same conclusions would hold as well and to gain an understanding of the operational risks that they face and the strategies adopted to mitigate these risks. The study has emphasized that the practice of risks identification and consideration has become a key focus area and would thus recommend that similar studies be conducted in other organizations. The study specifically recommends that a survey be conducted on banks in Kenya to investigate the operational risks that they face and the strategies adopted to mitigate these risks. This would form a good pointer of the specific risks that they face, the strategies they adopt and the level of effectiveness of these strategies. The results of such a study would then be a better reference of operational risk mitigation strategies adopted by Banks in Kenya.



## **5.6 Recommendations for Policy and Practice**

The study is valuable to the Standard Chartered Bank in Kenya as it highlights the operational risks that are faced by the bank as well as the strategies adopted by the bank to mitigate these risks. The study goes ahead to outline the importance of a structured way of dealing with operational risks. This entails operational risk identification, assessment, mitigation and consideration of these risks in decision making. Thereafter monitoring of the risks to review if the strategies implemented are of help is of key importance. The study notes that some of the strategies have not been effective in mitigating the identified risks.

The study would thus be of importance to the partnership in addressing the reasons why this is the case and to come up with strategies to address loss of talent to competitors. It also informs players in the same industry of the various operational risks faced and strategies adopted to mitigate these risks. Government and policy makers at various levels will also benefit from the study as it will guide them in developing policies that relate to banks as well as operational risk mitigation measures adopted by these banks. Researchers and academicians also benefit from this study and can use it as a basis of further research in the area of operational risk identification and mitigation. The findings will thus contribute to the professional extension of existing knowledge on risk mitigation in financial service industry in Kenya.

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## **APPENDIX I: INTRODUCTION LETTER**

**EVELYNE ABUYA**

**P.O BOX 30003-00100,**

**NAIROBI.**

Dear respondent,

### **RE: INTRODUCTION LETTER**

I am a postgraduate student pursuing a Master of Business Administration (MBA) degree at the University of Nairobi, School of Business. As part of the requirement for the award of the degree, I am expected to carry out and submit a research project. I am conducting a study on Strategies used by Standard Chartered Bank in Kenya to mitigate operational risks. The findings of this study will be insightful in enhancing policy formulation with regard to operational risk management of financial institutions as it highlights the use of strategy in managing operational risks. I kindly request you to provide objective answers to the following questions that will be vital information for this study. The information provided will be kept confidential and it will only be used for the intended purpose of the study.

Thanking you in advance.

Yours faithfully,

Evelyne Abuya

## **APPENDIX II: INTERVIEW GUIDE**

Please answer the questions below:

1. Name (optional) .....
2. Department/Unit.....
3. Designation.....
4. Years worked with the bank.....
5. What is your level of involvement in operational risks management?
6. Are all employees involved in operational risk management regardless of their positions? If yes, How?
7. What is your level of involvement in making strategic decisions in the bank?
8. What are the key operational risks faced by Standard Chartered Bank in Kenya?
9. Why are these risks of significant importance to the bank?
10. Of these risks, which is the most significant operational risk to the bank?
11. To what extent does Standard Chartered Bank in Kenya take into account the risks identified in making strategic decisions relating to the bank?
12. What are the risk mitigation strategies that Standard Chartered Bank in Kenya has adopted to mitigate the identified operational risks?
13. Do government policies influence the formulation of operational risk management strategies? If yes, illustrate how.
14. Does change of management or restructuring affect operational risk management in the bank?
15. What are the broad parameters that Standard Chartered Bank considers in executing its operational risk management strategies?
16. How has competition affected operational risk management in the bank?
17. What is the relation between operational risk management and profits in the bank?
18. How does management get feedback on risks?
19. Are there occasions when SCB has developed risk management strategies as a response to what has occurred?

20. Are there regular analyses of risk events to provide data that can inform development of new operational risk management strategies?
21. How effective have the operational risk strategies in SCB been, in addressing the risks identified?
22. Have these operational risk mitigation strategies led to the firm remaining a leader in the banking sector? Kindly illustrate.

Thank you

### **APPENDIX III: LIST OF COMMERCIAL BANKS IN KENYA**

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. CfC Stanbic Holdings
7. Chase Bank Kenya (In Receivership)
8. Citibank
9. Commercial Bank of Africa
10. Consolidated Bank of Kenya
11. Cooperative Bank of Kenya
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Ecobank Kenya
16. Equatorial Commercial Bank
17. Equity Bank
18. Family Bank
19. Fidelity Commercial Bank Limited
20. First Community Bank
21. Giro Commercial Bank
22. Guaranty Trust Bank Kenya
23. Guardian Bank
24. Gulf African Bank
25. Habib Bank
26. Habib Bank AG Zurich
27. Housing Finance Company of Kenya



28. I&M Bank
29. Imperial Bank Kenya (In receivership)
30. Jamii Bora Bank
31. Kenya Commercial Bank
32. Middle East Bank Kenya
33. National Bank of Kenya
34. NIC Bank
35. Oriental Commercial Bank
36. Paramount Universal Bank
37. Prime Bank (Kenya)
38. Sidian Bank
39. Standard Chartered Kenya
40. Trans National Bank Kenya
41. United Bank for Africa
42. Victoria Commercial Bank