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Risk Management Practices and Organizational Performance in Mobile Telecommunications Firms in Kenya

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ABSTRACT: Mobile telecommunication companies operate within a competitive industry that is distinguished by swiftly evolving technology, escalating customer demands, and fierce rivalry. These firms have to progressively and systemically think about all possible outcomes before they happen and define procedures to accept, avoid, or minimize the impact of risks in projects they undertake in a competitive digital space. The implementation of risk management practices assumes a pivotal role in influencing the performance outcomes of these corporations, due to their ability to furnish a structured framework for decision-making processes and facilitating the alignment of all stakeholders towards shared objectives. This capability empowers the organisation to make well-informed and efficient decisions regarding resource allocation, product development, and market positioning. This study focused on examining the role of risk Management practises on organizational performance of Telecommunications Firms in Kenya. The specific objectives included investigation of the effects of risk identification and assessment; risk mitigation and monitoring and control strategies. Out of the 24 telecommunications firms in Kenya, 10 firms were selected with a sampled population of 50 respondents. Findings showed that risk management practices had a positive and significant relationship with the firms' performance. The study recommended that the firms adopt regulatory compliance with focus on ethical considerations in their operations to improve and sustain their overall performance.

KEYWORDS: Risk; Management, Practises, Strategies, Performance

I. INTRODUCTION

In order to maintain competitiveness within the dynamic mobile telecommunication industry, it is imperative for companies to consistently monitor and adjust their corporate governance practices [1]. The implementation of corporate governance practises plays a crucial role in determining the strategic trajectory and extent of an organization's operations in order to effectively attain its desired goals and objectives, [2]. Corporate Governance Practices encompass a range of practices, policies, and behaviours that companies adopt in their daily operations, [3]. The primary components of corporate governance encompass accountability, regulatory compliance, directors training and risk management practices.

Risk management practices involve a methodical process of recognising, evaluating, and minimising potential risks that could impact an organization's goals, [4].The implementation of these practices assumes a significant role within the realm of corporate governance, as they serve to ensure that companies conduct their operations in a responsible and sustainable manner, while simultaneously protecting the interests of stakeholders, [5]. By implementing efficient risk management strategies, organisations are able to effectively navigate unpredictable circumstances, make well-informed choices, and bolster their overall capacity to withstand challenges. Risk management practices play a pivotal role in corporate governance, which encompasses the mechanisms and procedures through which companies are guided, supervised, and held responsible, [6]. The implementation of effective risk management practices plays a crucial role in promoting robust corporate governance through the cultivation of transparency, accountability, and ethical conduct within organisational structures. The inclusion of a comprehensive understanding of risks in decision-making processes aids in the alignment of choices made by boards and senior executives with stakeholder interests, thus enabling informed decision-making, [7].

[8]. The limited implementation of corporate governance practises in mobile telecommunication companies in Africa can be ascribed to various factors, including regulatory limitations, resource constraints, and a dearth of cross-industry expertise. [9]. Furthermore, it is worth noting that a significant proportion of mobile

telecommunication companies in Kenya have yet to engage in business diversification by venturing into new sectors beyond their primary operations The study further, indicates that the majority of businesses have not effectively utilised differentiation strategies to distinguish themselves from competitors, despite making limited investments in developing proprietary technology or providing superior customer service as means of differentiation. This study examined the role of risk management practices on the performance of these firms in Kenya.

II. LITERATURE REVIEW

In their study, [10]. Indicated that that the implementation of effective risk management practises is associated with a favourable influence on the performance of organisations. [11]. Findings indicate a statistically significant and positive correlation between the implementation of risk management practises and the overall performance of organisations and opined that organisations that adopted formal risk management procedures, actively participated in risk identification and evaluation endeavours, and implemented well-defined risk mitigation strategies experienced enhanced financial performance, increased market value, and improved overall organisational effectiveness.

[12]. The study revealed that financial institutions that adopted extensive risk management frameworks, encompassing the identification, assessment, monitoring, and mitigation of risks, observed enhanced financial performance, diminished losses, and heightened levels of customer satisfaction. Additionally, the study indicated that the implementation of efficient risk management strategies had a positive impact on the reputation of banks, their adherence to regulatory requirements, and their overall competitiveness within the market.

[13]. Study findings showed a statistically significant and positive correlation between the implementation of risk management strategies and the overall performance of the organisation. Organisations that successfully implemented risk management practises demonstrated elevated profitability, heightened customer satisfaction, and improved operational efficiency.

The scholarly literature emphasises the significance of implementing risk management strategies to guarantee the long-term stability and viability of organisations. Organisations that implement effective risk management practises were found to experience decreased exposure to financial and operational risks. This enabled them to effectively mitigate potential losses and improve overall performance. The findings underscored the necessity for organisations to incorporate comprehensive risk management frameworks into their corporate governance structures.

III. RESEARCH METHODOLOGY

The research study utilized a descriptive research design in order to present an accurate depiction of various situations. [14]. The descriptive research design is a scientific approach that entails the objective observation and description of a subject's behaviour, without any intentional manipulation or influence, [15]. The study intended to acquire additional knowledge regarding different variables within a specific academic discipline.

The target population was the 24 mobile telecommunication firms in Kenya. The unit of analysis selected were 10 mobile telecommunication firms in Kenya chosen on the basis on size and age. Respondents included one manager in 5 different departments among the 10 selected firms to make a total of 50 respondents as shown in Table 1 below.

This study used census technique where the entire population of 50 respondents were used in the study. According to [16]. A census is a study where all members, objects or things in the population take part in the research. Census design is suitable when the levels of accuracy and reliability required in the study are very high and the members of population are limited. [17].

Table 1: Target Population

Category	No.	Number of Manufacturing Firms	Total
General manager	1	10	10
Finance manager	1	10	10
Risk compliance manager/legal officer	1	10	10
Innovation team leader	1	10	10
Corporate manager	1	10	10
Total			50

Both primary and secondary data were used in the study. The primary data utilized a questionnaire since it facilitates the efficient gathering of data from a large number of respondents within a limited timeframe. This method also encourages respondents to provide pertinent information, as they are guaranteed anonymity, as highlighted by [18]. Secondary data was collected by way of literature review and the firm's annual reports.

The data was subjected to analysis employing both descriptive and inferential statistical methods. The analysis of quantitative data obtained through a questionnaire involved the utilisation of descriptive statistics, specifically employing the Statistical Package for Social Sciences (SPSS). The resulting findings was presented in the form of percentages, means, standard deviations, and frequencies. A regression analysis was employed to ascertain the impact of corporate governance Practices on the performance of organisations. This facilitated the assessment of the associations between the dependent and independent variables in the study. The regression was:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where;

Y = Organizational Performance

X_1 = Risk Management practices

β_0= Constant Term;

β_1, = Beta coefficients;

ε = Error Term.

IV. FINDINGS

The aim of this research was to examine the effect of risk management practices on organizational performance of mobile telecommunication firms in Kenya. The research assessed the degree of agreement among the participants on the claims pertaining to risk management practices. The results are shown in Table 1I

Table 11: Descriptive Statistics Outputs on risk management practices

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	S.D
The company conducts regular risk assessments to identify potential threats and vulnerabilities.	6.4%	4.3%	17.0%	40.4%	31.9%	3.87	1.12
The company has a systematic process for identifying and evaluating risks.	10.6%	10.6%	8.5%	34.0%	36.2%	3.74	1.34
The company has well-defined strategies and	6.4%	14.9%	4.3%	51.1%	23.4%	3.7	1.18

controls in place to mitigate identified risks.							
The company proactively implements measures to reduce the impact of potential risks.	8.5%	6.4%	6.4%	55.3%	23.4%	3.79	1.14
The company has effective systems and procedures in place to monitor risks on an ongoing basis.	4.3%	10.6%	4.3%	46.8%	34.0%	3.96	1.10
The company conducts regular internal audits to assess the effectiveness of risk management controls.	4.3%	10.6%	4.3%	40.4%	40.4%	4.02	1.13
Average						3.85	1.17

Under the first statement, most participants either agreed (40.4%) or strongly agreed (31.9%) that their companies conduct regular risk assessments to identify potential threats and vulnerabilities. The mean score for this statement is 3.87 out of 5, and the standard deviation is 1.12. This suggests that most companies are proactive in assessing risks, but there's still some variation in responses. For the second statement, there was slightly less consensus. A total of 34% agreed and 36.2% strongly agreed that their companies have a systematic process for identifying and evaluating risks. The mean score for this statement was 3.74 with a higher standard deviation of 1.34, indicating more spread in the opinions compared to the first statement.

Regarding the third statement, more than half of the respondents (51.1%) agreed that their companies have well-defined strategies and controls in place to lessen identified risks. The mean score here is 3.7 with a standard deviation of 1.18, showing that while many agree, there's also a significant percentage who don't feel the same way. The fourth statement showed that a majority of participants (55.3% agreed and 23.4% strongly agreed) believe their companies actively put in place measures to reduce the impact of potential risks. The mean score of 3.79 and standard deviation of 1.14 reveal a general sense of confidence in proactive risk management among most firms.

The fifth statement revealed strong agreement among respondents. About 46.8% agreed and 34% strongly agreed that their companies have effective systems and procedures to continuously monitor risks. The mean score is 3.96, the highest among all the statements, with a standard deviation of 1.10, indicating that this is a well-accepted practice.

Lastly, participants were mostly in agreement (40.4% agreed and 40.4% strongly agreed) that their companies conduct regular internal audits to check how effective their risk management controls are. The mean score here was 4.02, the highest of all the statements, with a standard deviation of 1.13. On average, across all the statements, the mean score was 3.85 with a standard deviation of 1.17. This suggests that most of the mobile telecommunication firms in Kenya are generally good at managing risks. The findings are in line with [11] whose results revealed that organisations that adopted formal risk management procedures. [[12]. established a robust and affirmative correlation between the implementation of risk management strategies and the overall performance of organisations. [13]. corporations that do not implement efficient corporate governance practices face the potential consequences of decreased market share and lagging behind their rivals.

The dependent objective was to examine the organizational performance of mobile telecommunication firms in Kenya. The research assessed the degree of agreement among the participants on the claims pertaining to organizational performance. The results are shown Table 3.

Table 3: Descriptive Statistics Outputs on organizational performance

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	S.D
Our mobile telecommunication firm has consistently achieved strong sales revenue.	6.4%	29.8%	42.6%	12.8%	8.5%	2.87	1.01
Our mobile telecommunication firm prioritizes delivering excellent customer satisfaction.	2.1%	40.4%	31.9%	12.8%	12.8%	2.94	1.07
Our mobile telecommunication firm consistently achieves high levels of productivity.	6.4%	34.0%	36.2%	12.8%	10.6%	2.87	1.08
Our mobile telecommunication firm has experienced consistent growth in sales revenue over the past year.	4.3%	38.3%	34.0%	12.8%	10.6%	2.87	1.06
Our mobile telecommunication firm receives positive feedback and high ratings from our customers.	6.4%	38.3%	29.8%	19.1%	6.4%	2.81	1.04
Our mobile telecommunication firm consistently meets or exceeds productivity targets.	4.3%	42.6%	27.7%	8.5%	17.0%	2.91	1.18
Average						2.88	1.07

Starting with the first statement about achieving strong sales revenue, it seems that the average opinion leans towards neutrality with a mean score of 2.87. The standard deviation of 1.01 indicates that the responses are somewhat spread out but not drastically so. A notable 42.6% of participants selected 'Neutral,' showing that a large proportion of respondents neither agree nor disagree that their firms have consistently strong sales revenue. The second statement focuses on customer satisfaction. With a mean score of 2.94 and a standard deviation of 1.07, the general feeling is also close to neutral. However, a considerable 40.4% of respondents disagreed that their firm prioritizes delivering excellent customer satisfaction, warranting further investigation into customer service practices.

Regarding the third statement on achieving high levels of productivity, the mean score of 2.87 is similar to the first statement. The standard deviation of 1.08 suggests that there is a similar level of variation in the responses. The majority (36.2%) were neutral, suggesting that respondents are uncertain about their firms' productivity levels. The fourth statement deals with consistent growth in sales revenue over the past year. It has a mean score of 2.87, which once again indicates a neutral stance. The standard deviation of 1.06 shows that the opinions are not widely dispersed. A significant 38.3% disagreed with the statement, indicating concerns over sales growth. For the fifth statement on positive feedback and high ratings from customers, the mean score is 2.81, the lowest among the six statements. The standard deviation of 1.04 shows that opinions are somewhat closely packed, and 38.3% of respondents disagreed, indicating potential areas for improvement in customer relations.

The last statement talks about meeting or exceeding productivity targets. The mean score is 2.91, and the standard deviation is 1.18, the highest among all. This suggests more variability in the responses. Remarkably, 17.0% strongly agree, indicating some participants are highly positive about their firms meeting productivity goals. On average, across all statements, the mean score is 2.88 with a standard deviation of 1.07. This suggests that the general attitude toward organizational performance is neutral to slightly below neutral.

V. CONCLUSION & RECOMMENDATIONS

Correlation results indicated risk management practices, had a value of 0.871, and again the p-value is zero (p=0.000). This shows an exceptionally strong link between good risk management and high organizational performance. A company that effectively manages its risks is very likely to perform better than a company that does not. Regression results indicated that risk management practices had a coefficient of 0.629. With a t-value of 6.698 and a p-value almost at zero, the relationship between risk management practices and organizational performance is both positive and highly significant. This suggests that efficient risk management is extremely beneficial for improving organizational performance.

The findings are in line with [11]. [12. [13]. whose results revealed that organisations that adopted formal risk management procedures, actively participated in risk identification and evaluation endeavours, and implemented well-defined risk mitigation strategies experienced enhanced financial performance, increased market value, and improved overall organisational effectiveness.

The study concludes that effective risk management is highly beneficial for the organizational performance of mobile telecommunication companies in Kenya. Firms that actively identify, assess, and mitigate risks tend to outperform those that don't. This finding is particularly crucial in the volatile, uncertain, and complex business environment in which telecommunication companies operate. Risk management should be a cornerstone of corporate governance and strategic planning for these firms to ensure long-term sustainability and success.

The study recommends that risk management should be made a central part of the corporate governance structure. Companies should establish a dedicated risk management team responsible for identifying, assessing, and mitigating risks. Moreover, risk management practices should be integrated into the strategic planning process to ensure a holistic approach to organizational performance. Given the high significance of risk management for performance, firms could benefit from adopting advanced methods like predictive analytics to foresee potential risks and mitigate them proactively.

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