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Factors Affecting Successful Implementation of Enterprise Risk Management in Kenyan Parastatals (A Case Study of Kenya Revenue Authority)

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Abstract:
Uncertainties present both risks and opportunities that enhance or reduce value. Enterprise Risk Management (ERM) seeks a balance to enhance value and has since become a key phenomenon in organizations in recent times. This study was carried out to investigate the factors affecting successful implementation of ERM in Kenyan parastatals a case study of KRA. Various studies have shown that implementation is not highly considered when organizations are looking at ERM. Most focus on it as part of social responsibility to their stakeholders and not as an integral part of strategic management. The general objective of the study was factors affecting successful implementation of ERM in Kenyan parastatals a case study of KRA. The specific objectives were; governance, organizational culture, organizational resources and communication. The theories used to build up literature review on ERM were; systems theory; organizational culture theory: stakeholder theory and communication theory. The conceptual framework indicated in a diagram how the dependent variable was related to the independent variables. The research was conducted using descriptive research design to explain the variables that affect the implementation of ERM. The target population was 210 KRA staff working in the ERM department at the head-office. The sample size was 136 KRA ERM staff. Stratified sampling was used to select relevant respondents from various sections of the ERM department of the organization. The questionnaire was administered using a drop and pick method and data collected was processed and analysed using SPSS version 22 and information generated presented in forms of graphs, charts and tables. To establish the relationship between the independent variables and the dependent variable the study conducted Karl Pearson's coefficient of correlation (r) in trying to show the relationship between the study variables and their findings. According to the findings, it was clear that there was a positive correlation between governance, organizational culture, organizational resources and communication shown by a correlation value of 0.966, 0.955, 0.943, and 0.881 respectively. This indicates that independent variables and dependent variable move in the same direction, that is, as one increases the other one also increases. From the findings R2 has a value of 0.947 meaning that the 94.7 % of the dependent variable can be explained or attributed to a combination of the four independent factors investigated in this study. A further 5.3 % of the successful implementation of ERM is attributed to other factors not investigated here. According to the regression equation established, taking all factors constant at zero, decision making as a result of these independent factors will be 9.845. The data shows that taking all other independent variables at zero, a unit increase in governance will lead to a 0.345 increase in the scores of successful implementation of ERM among Kenyan parastatals; a unit increase in organizational culture will lead to a 0.131 increase in successful implementation among Kenyan parastatals, a unit increase in organizational resources will lead to a 0.154 increase in the scores of successful implementation of ERM among Kenyan parastatals; and a unit increase in communication will lead to a 0.094 successful implementation of ERM among Kenyan parastatals. This therefore implies that all the four variables have a positive relationship with successful implementation of ERM with governance contributing most to the dependent variable. The study recommended that KRA should allocate adequate financial and human resources to help implement ERM.

1. Introduction

1.1. Background

Risk refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives (Integrated Risk Management Framework, Treasury Board of Canada Secretariat, April 2001). Risk can assume any dimension it could be a security breach, a cholera outbreak, crashing of servers, communication breakdown to earthquakes, volcanos, fires, floods to regulatory regimes and the business environment's dynamism. All this are things that can happen to any organization including the state corporations handed the mandate to provide government services. There is therefore need to pre-empt and prepare for them when and if they eventually occur. This is where risk management comes in, changing the perception about risks being threats to them being opportunities to develop value in the organization.

Traditional risk management viewed risk as a single element, not related to others where individual risk was categorised and managed separately" (Wolf, 2008; Hoyt and Liebenberg, 2011). Traditional Risk Management was departmentalised, functional, divisional and uncoordinated. The focus was on pure risks like financial and insurable hazards. Risks were viewed as threats to the organization. It did not consider shareholder's wealth when risk management decisions were made (Meier, 2000). A paradigm shift to ERM has occurred occasioned by challenges in managing risks using the Traditional Risk Management model. These include increased corporate fraud, increased focus on corporate governance issues and preservation of shareholder value.

DeLoach J.W (2000) defines Enterprise Risk Management as a structured and disciplined approach aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties the enterprise faces as it creates value". This definition encompasses all factors that drive ERM to build value. Casualty Actuarial Society (2003) defines ERM as a discipline by which an organization in any industry assesses, controls, exploits, finances and monitors risks from all sources for the purposes of increasing the organizations short term and long term value to its stakeholders. Building on the evolution of risk management, ERM recognizes that risks can be threats and opportunities, and are a corporate-wide daily concern that is embedded in the operations of the organization. ERM transforms risk management from a silo approach to a holistic approach that is coordinated at the highest level within the organization and that recognizes the value of tangible and intangible assets. Historically, organizations focused on hazard risk management and insurable financial risks. Today, the practice is much more encompassing, covering operational, strategic, financial, and reputation risks (Breul & Rabun 2010).

Despite increased popularity of ERM globally, there is a debate whether ERM creates value for firms. Empirical studies by Hoyt, Liebenberg (2011) and Baxter, Bedard *et al* (2010) support that ERM creates value, Lin, Wen *et al* (2010) show that it's reducing value in firms. Other studies for example Pagach, Warr (2008) have largely remained inconclusive regarding value creation by ERM instead focusing on other variables. This research paper will focus on government institutions specifically state parastatals that face risks like all other organizations but have shown a slow uptake of ERM. Most parastatals have not put in place measures to anticipate and deal with risks opting to remain largely reactive to risk incidents.

State entities remain immune to market pressures due to their monopolistic tendencies in provision of service but are hugely affected by political decisions and pressure. Politics tends to shape the operations of state entities since they are created by legislative laws.

ERM delivers benefits through a more effective and efficient way of managing risk, it enables the alignment of risks, goals and objectives ensuring improved performance of the organization. It improves risk culture; knowledge and understanding within the organization ensuring decisions are made with risk components incorporated. It gives the organization an opportunity to integrate risk management as part of the core practices in the organizations operations. ERM in government faces challenges like risk planning; design, development, operation and implementation which are done in a challenging context with inflexible human resource and procurement procedures and in a rigid framework of operations. Decision making in public entities is very slow aided by complex procedures that slow down implementation of risk management programs.

1.1.1. Enterprise Risk Management

According to COSO 2004 Enterprise Risk Management is defined as: "a process, effected by an entity's management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives". This presents ERM as a co-ordinated approach that seeks to be embedded in the organizations culture and operations driving the goals, strategies and objectives proactively. Uncertainties present both risks and opportunities with the potential to erode or enhance value, ERM seeks to balance opportunity and risk and maximise the benefits accruing in the public environment.

ERM describes the set of activities that entities undertake to deal with all the diverse risks that face it in an integrated way. These risks include financial, strategic, operational, hazardous, and compliance risks, spanning through the organization. Many such risks have significant impact on the profitability, effectiveness, and reputation of entities. In the 21st century, there are several checkpoints that have considerably driven the need for enterprise risk management, which today are referred to as drivers of ERM; this include increase in the following: Greater transparency (Corporate Governance); Financial disclosures with more strict reporting and control requirement; Security and technology issues; Business continuity and disaster preparedness; Focus from rating agencies; Regulatory compliance (laws and regulations) and Globalization in a continuously competitive environment.

The government focuses on service delivery as opposed to profitability and therefore its implementation of ERM must be cognisant of this fact. The responsibility for managing risks is placed on the various governmental service providers. ERM theoretically is easy to discuss and write about however the implementation part is the most challenging. For it to succeed the people component must be brought on board from the Board of Directors, senior executives to the junior staffers, contract employees and casuals. It must be philosophized to create awareness, adoption and change transition. They must understand how it can create value and be motivated to see it through to its success. Managers must understand ERM is not an academic exercise but a critical tool for executing the firm's strategy and must seek to implement it fully knowing what benefits will accrue from it.

Risk management has been a cornerstone of the private sector. However due to accountability and governance issues the public sector has had to adopt some of this practices. Managing risk in the public sector is uniquely shaped by influences emanating from political and societal spheres. This has led some to caution against the adoption of private-sector, organisationally-based risk management frameworks to public services (Fone and Young, 2000; Hood and Miller, 2009).

Public sector management is unique in a way that gives rise to challenges that may not fit into the private sector risk models. It also faces the inability to opt out of risks unlike the private sector and faces constant scrutiny and expectations from the public which it serves. The public sector context differs from the private sector context with regard to the need for public accountability and transparency which means that there are differences in how the risk management principles are applied (Standards Australia/Standards New Zealand, 1999).

1.1.2. Profile of Kenya Revenue Authority

KRA is a semi-autonomous State Corporation under the Ministry of Finance established in 1995 by the State Corporates Act Cap 469 of the Laws of Kenya. The Board of Directors is the governing body of KRA as set out in the KRA Act. It is responsible for review and approval of policies and monitoring the functions of KRA. Day to day management of the authority is the responsibility of the Commissioner General assisted by five commissioners in charge of Customs Services Department, Domestic Tax Department, Large Taxpayers Office, Medium and Small Taxpayer, Investigations and Enforcement and Support Services Department. KRA is responsible for collection of taxes in Kenya, trade facilitation, border security, and promoting regional integration.
KRA will be the focus of our study in this research project.

1.2. Statement of the Problem

Enterprise risk management is a fairly new phenomenon in the world of risk management. Integration of all risks from all areas of the organization so that management can have a single view of the risk and its effects is what Enterprise risk management champions.
Merton (1995) argued that the central function of a financial institution is its ability to distribute risk across different participants. According to Saunders and Cornett (2006), 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.
The performance of the public sector in Kenya has been wanting for ages. But with the reforms in the public sector from the Kibaki administration, things have changed. While some of the parastatals have performed better, others have not. A number of factors could be attributed to this success or failure including its risk management environment. Enterprise risk management for public sector institution should be assessed to determine whether it is well structured to ensure its successful implementation. At the moment, no such study has been carried out.
A search on studies on enterprise risk management in Kenya yielded studies done on credit risk management (Njiru, 2003; Kioko, 2008; Ngare, 2008; Simiyu, 2008; and Wambugu, 2008), information systems risk management (Weru, 2008), foreign exchange risk management (Kipchirchir, 2008), Enterprise Risk Management implementation in financial services sector (Deloitte and Touche, 2012), in strategic management (Cheruiyot, 2013) and impact of ERM on company performance (Waweru and Kisaka, 2013). A search on regulation of enterprise risk management have yielded regulation of commercial banks by the Central Bank of Kenya introduced in 2007 and regulation of insurance companies introduced in 2010 by the IRA requiring establishment and implementation of risk management.
The public sector organisations had not been studied with regard to factors affecting successful implementation of enterprise risk management. There had therefore been a gap as far as studying the factors affecting successful implementation of enterprise risk management in Kenyan parastatals is concerned. The study was therefore conducted to determine the factors affecting successful implementation of Enterprise Risk Management in Kenyan parastatals, specifically at the Kenya Revenue Authority.

1.3. Research Objectives

This research proposal was guided by general and specific objectives as follows:

1.3.1. General Objective

The general objective was to establish factors affecting successful implementation of Enterprise risk management at the Kenya Revenue Authority.

1.3.2. Specific Objectives

i. To determine the extent to which governance structures affect successful ERM implementation at KRA.
ii. To determine the extent to which organizational culture affects successful ERM implementation at KRA.
iii. To establish the extent to which organizational resources affects successful ERM implementation at KRA.
iv. To determine the extent to which communication of risk management process affects successful ERM implementation at KRA.

1.4. Research questions

i. How does the governance structure affect successful ERM implementation at KRA?
ii. How does organizational culture affect successful ERM implementation at KRA?
iii. How do organizational resources affect successful ERM implementation at KRA?
iv. How does the communication of the risk management process affect successful implementation of ERM at KRA?

1.5. Justification of Studies

This study is important to KRA management and staff as it gives feedback on the effectiveness of the implemented ERM strategies in achieving the intended goals and objectives. The study enriches the theory of enterprise risk management and how such practices are important in enhancing the performance of public sector organisations. This study is important to public sector firms as it shows the value of having and implementing enterprise-wide risk management measures in their organisations for purposes of better firm performance.

Policy makers will be able to obtain knowledge of the public sector dynamics as regards enterprise risk management in Kenya. They will therefore obtain guidance from this study in designing appropriate enterprise risk management requirements and policies that may regulate the sector. The study provides information to potential and current scholars on enterprise risk management among public sector firms or any other firm in Kenya. They can use the study as a guide and for purposes of furthering future research.

1.6. Scope of the Study

This study focused on enterprise risk management at the Kenya Revenue Authority. The management and staff of Kenya Revenue Authority engaged in performing functions of ERM were the focus in this study.

1.7. Limitations of the Study

Respondents were reluctant in giving information fearing that the information would be used to intimidate them or print a negative image about them or the institution. Some turned down the request to fill the questionnaires jeopardizing or slowing down the process.

Employees mostly operated on tight schedules, which led to respondents not being able to complete the questionnaire in good time and in totality. This stretched the data collection period. Information required is subject to feelings, emotions, attitudes and perceptions which cannot be quantified or verified. This might have led to lack of sincerity in filling out the questionnaires. The institution has a confidentiality policy and staffs have to ensure it is observed and as such information was not easily forthcoming. Some staff did not treat the questionnaire seriously and some answers may have been mischievous.

2. Literature Review

2.1. Introduction

The study reviewed the theoretical and empirical literature of the factors affecting the successful implementation of enterprise risk management in Kenya's parastatals. Theoretical literature, highlighted the various theories that form the bedrock of the study while the empirical literature that was used looked at previous studies that were reviewed in order to fill the research gap. Conceptual frameworks, critique of existing literature as well as a summary are included in this chapter.

2.2. Theoretical Framework

Theoretical literature provided a framework in which the theories relevant to the study were based on. The theories that were of relevance to the study were the systems theory, organizational culture theory, the stakeholder theory, and the communication theory. Each of them was believed to provide a framework on the factors affecting the successful implementation of enterprise risk management in Kenya's parastatals.

2.2.1. Systems Theory

This theory was developed by Ludwig Von Bertalanffy (1968). He defined a system as a set of objects that interrelate with one another to form a whole. A system operates in an environment where there are individuals, inputs and outputs. It is concerned with interrelationships and interdependence between the entities to what problems and benefits arise from the interrelationships'. The organization is a complex system consisting of different stakeholders like employees, the management and the Board of directors interacting with external environment to produce outputs.

ERM implementation targets the entire organization with its interacting component entities working harmoniously to ensure success against risks arising from these interactions. Koontz 2001 indicates that the systems approach is concerned with both interpersonal and group behavioural aspects leading to a system of cooperation. It is based on the idea that environments provide scarce resources which organizations are dependent on for their activities. They argue that resources are a basis of power and are therefore directly linked (Scott, 2003). The theory suggests that organizations must be studied as a unit to determine interrelationships amongst its components and with the external environment.

2.2.2. Organizational Culture Theory

The study also used the Organizational Culture Theory. Different concepts of culture stem from two distinct disciplines, anthropology and sociology. The concepts have been applied to organizational studies since the early 1980's (Schein, 1988). Anthropology views culture as a metaphor for organizations, defining organizations as being cultures. On the other hand, sociology takes on the functionalist view and defines culture as something an organization possesses. Despite the separate definitions of organizational culture, there seems to be a movement towards a general consensus.

The most widely used organizational culture framework is that of Edgar Schein (1988) who adopts the functionalist view and described culture as a pattern of basic assumptions, invented, discovered, or developed by a given group, as it learns to cope with its problems of external adaptation, and internal integration, that has worked well enough to be considered valid. This culture therefore is to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. In Schein's (1988) model, culture exists on three levels: Artifacts - which are difficult to measure; Values –which deal with espoused goals, ideals, norms, standards, and moral principles, and is usually the level that is usually measured through survey questionnaires; and Underlying assumptions - deals with phenomena that remain unexplained when insiders are asked about the values of the organizational culture.

The theory also demonstrates that while there is no single type of organizational culture, the organizational cultures may vary widely from one organization to the next, commonalities do exist and there are theories developed to describe different cultures. Hofstede (1980) demonstrated that there are national and regional cultural groupings that affect behavior of organizations.

While O'Reilly, Cardick and Newton (1991, 2005) based their belief on the premise that cultures can be distinguished by values that are reinforced with organizations. Deal and Kennedy (1982) argue that culture is the single most important factor accounting for success or failure of organizations. They identified heroes, rites, rituals and culture networks as four key dimensions of culture. Schein (2005) postulates that organization culture theory is a pattern of shared basic assumptions learned by a group as it solves its problems of external adaptation and internal integration that has worked well enough to be considered valid and therefore to be taught to new members as correct way to perceive, feel and think in relation to the problems. Studies (Peters & Waterman, 1982; Aldins & Caldwell, 1991) suggest that efficiency outcomes are associated directly or indirectly with organizational culture. A culture of efficiency, effectiveness, commitment and oneness is robust and would provide positive outcomes.

This study seeks to study organization culture and its components as key element in implementation of ERM.

<u>2.2.3. Stakeholders Theory</u>

The other theory that was of relevance to this study is the Stakeholder Theory. The Stakeholder theory takes account of a wider group of constituents rather than focusing on shareholders (Mallin, 2007). It examines the firm in the context of a wider range of implicit and explicit stakeholders having legitimate expectations, urgent claims, and/or power regarding the firm (Jones & Politt, 2002a; Jones & Politt, 2002b). Freeman (1984) defines a stakeholder as "any individual or group who can affect or is affected by achievement of the organization's objectives". Thus, stakeholders include shareholders, employees, suppliers, customers, creditors, communities in the vicinity of the company's operations and general public. Stakeholder theory represents that the company is a separate organizational entity and it is connected to different parties in achieving wide range of purposes (Donaldson & Preston, 1995).

The theory highlights interests of different groups and argues on the possibility of favouring one group's interest over that of other (Jones & Wicks, 1999). Donaldson & Preston (1995) point out that managers are responsible to deploy their wise decisions and best efforts in obtaining benefits for all stakeholders. This theory focuses on managerial or strategic decision-making and suggests that the interests of all stakeholders have intrinsic value, and no sets of interests are assumed to dominate others (Clarkson, 1995; Abdullah & Valentine, 2009). This theory is therefore relevant to the study as it showed how different stakeholders are important in parastatals as the management board ensures safeguarding of all the stakeholders interests through implementation of strong corporate governance in a bid to effectively manage an enterprise risk.

<u>2.2.4. Communication Theory</u>

Wolfgang (2006) pointed out that communication is possible only upon a common language between sender and receiver. Marianne, Elain and Zellei (2011) explain Communication Theory as a Field" which expanded the conversation regarding disciplinary identity in the field of communication. Theory of communication proposes a vision for communication that engages in dialogue on the practice of communication. In this deliberative process theorists would engage in dialog about the "practical implications of communication theories. Leonarda and Susana (2009) explain communication theory as an outline on how each one of the elements of communication processes would engage the others in dialogue. The main elements of communication according to communication theory by Claude Shannon are seven.

First, source which Shannon calls the information source, which "produces a message or sequence of messages to be communicated to the receiving terminal. Second, is sender or transmitter, which "operates on the message in some way to produce a signal suitable for transmission over the channel? Third, is the channel that is "merely the medium used to transmit the signal from transmitter to receiver? Fourth, is the receiver which performs the inverse operation of that done by the transmitter, reconstructing the message from the signal. Fifth is the destination that is "the person (or thing) for whom the message is intended. Sixth is the message from the receiver that confirms receipt that implies information or communication and the seventh item for effective communication is feedback which in strategic terms is the actualization of what has been communicated.

2.3. Conceptual Framework

Mugenda (2008) defines conceptual framework as a concise description of phenomenon under study accompanied by a graphical or visual depiction of the major variables of the study. According to Young (2009), conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variables. A conceptual framework shows the relationship between independent and dependent variable. In this study, the dependent variable was factors affecting successful implementation of ERM in parastatals while the independent variables were governance structures, organizational culture, organizational resources and communication in risk management process. (See Fig. 2.1 below).

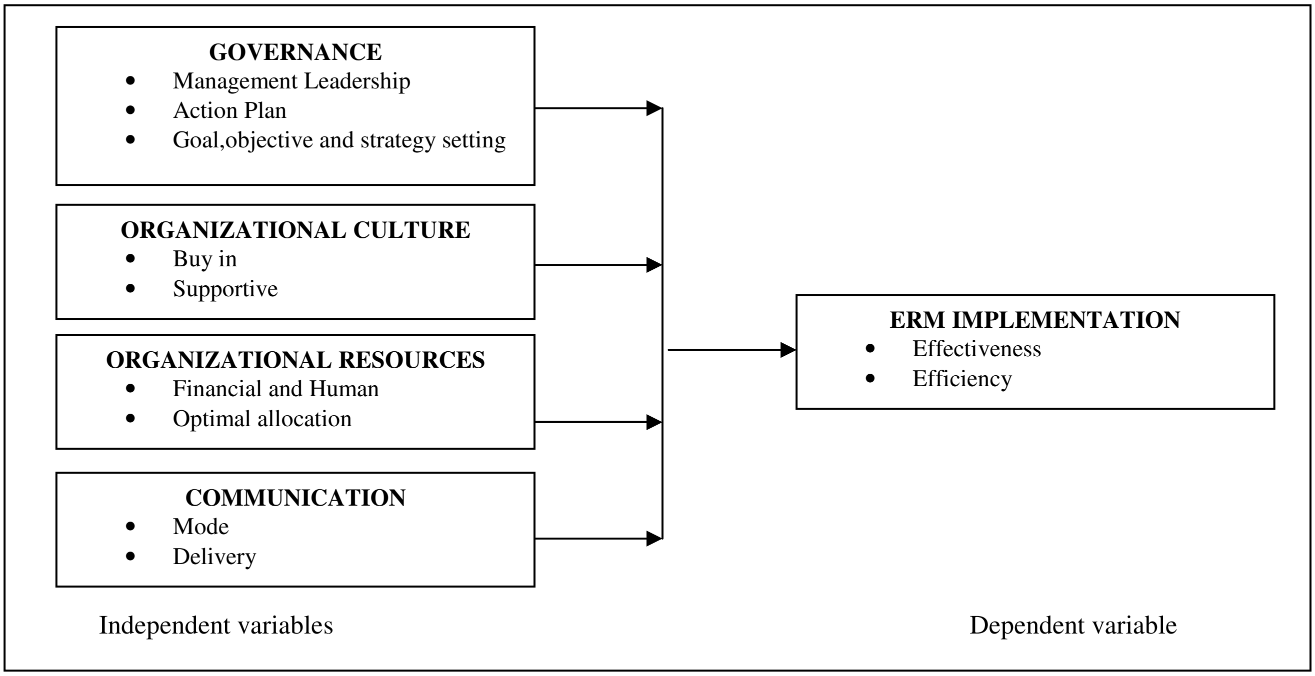

Figure 1: Conceptual Framework

2.4. Enterprise Risk Management Implementation

Enterprise risk management (ERM) is a new approach for companies – a new way of thinking that allows a company to identify and manage its risk. In fact, the goal of ERM is to create, protect and enhance shareholder value (Barton et al. 2002). ERM theoretically is easy to discuss and write about however the implementation part is the most challenging. For it to succeed the people component must be brought on board from the Board of Directors, Senior executives to the junior staffers, contract employees and casuals. It must be philosophized to create awareness, adoption and change transition. They must understand how it can create value and be motivated to see it through to its success.

Here the theory of risk management is put into practice. This is the point where actualization takes place through training and communication with risk owners and risk management activities like risk assessments, risk workshops and internal control mechanisms. Decisional and business levels factor in their programs risk (AIRMIC, Alarm, IRM: 2010). Success in ERM implementation can affect the likelihood and consequences of risk occurring and can ensure benefits like making of informed strategic decisions, improved organisation perception, increased operational efficiency, accurate financial reporting, enhanced community and political goodwill and rapid change management

2.4.1. Governance

Governance provides the hierarchical structure, which includes the way in which the ERM roles and responsibilities are divided among individuals and groups; the organizational structure, including reporting relationships and authorities involved in ERM; and the policy and procedures documents that cover ERM. According to Aksel (2009) and Mehta (2010) the risk governance structure of an organization is influential in the adoption of ERM as it determines how risk management will be organized in the institution.

Many researchers subscribe strongly to the view that top management support and commitment is a critical success factor in effectiveness of enterprise risk management. It is also important to emphasize effective top management support for different risk scenarios. Critical top management support includes a broad range of activities in an organization, including developing project procedures that include the initiation stage, training programs, establishing a risk management office and so on (Zwikael and Ahn, 2011). Rao and Mak (2001) also outline a number of key responsibilities for the executive to ensure project success, which include approving the risk, confirming it is aligned to the strategic goal of the business, allocating resources such as human, time and financial resources to the implementation effort.

Taylor (1995) observed that for all workers to attain the necessary understanding of the company vision and goals, commit and actively get involved in translating strategic plans into action activities with measureable results, strong and decisive leadership is needed to drive the course. Taylor explains that strategic managers manage radical change to achieve improvements in organisational activities. These leaders communicate internally and externally in an open way building a new culture where employees feel involved. Wayne (2002) says that the essence of top management support is related to effective decision-making, managing risk, and authorizing business process change. Keoki, Sears &Clough (2008), also state that commitment and support from top management plays a key role in influencing the success in almost any initiative within an organization.

The study from Zwikael (2008) argues that the high importance of top management support is considered to be among the Critical Success Factors for enterprise risk management. It is also important to emphasize effective top management support for different enterprise risk scenarios. Critical top management support includes a broad range of activities in an organization, including developing project procedures that include the initiation stage, training programs, establishing project management office, support quality management and so on. Kerzer (2003) suggest that the essence of top management support related to effective decision-making to manage enterprise risk and to authorize business process change.

A crucial part of a successful project is top management support, the benefit of which is related to improving decision making in order to manage risk. Top-level management responds to business processes and manages risk. Successful mitigation or bearing of risk is contingent upon commitment and support from top management. Moreover, commitment and support from top management plays a key role in influencing the success in almost any initiative within an organization (Hasanali, 2002). Top management formulates and decides on objectives and strategies for organizational risk management activities, mission and overall objectives (Henriksen & Uhlenfeldt, 2006).

In one study, it is argued that an organization uses risk management to anticipate the probability of a negative impact and that risk management needs top-level management support. Risk management requires the acknowledgement that risk is a reality and the commitment to identify and manage risk (Galorath, 2006). 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. Commitment and support from top management is important in every kind of management and it is thus an important factor for risk management (Zou, Zhang &Wang 2007). Lufthans (1992) argues that a leader in any organization should provide resources to show commitment, share the vision, and involve people in the process of strategy implementation while listening to various possibilities will enable the leader have a strong relationship with the employees and an easier way of ensuring support for organisational initiatives.

2.4.2. Organizational Culture

Pearce and Robinson (2006) refer to organizational culture as the set of important assumptions (often unstated) that members of an organization share in common. Organizational culture has been defined as the basic beliefs commonly-held and learned by a group, that govern the group members' perceptions, thoughts, feelings and actions, and that are typical for the group as a whole (Sackmann, 2003). It represents a complex pattern of beliefs, expectations, ideas, values, attitudes, and behaviours shared by the members of an organization that evolve over time (Trice & Beyer, 1984). Employees Shared values and beliefs shape opinions and actions within the firm.

According to Cendrowski and Mair, (2009) an organizational culture focused on risk management is the essential component of enterprise risk management adoption. There is a very strong correlation between taking culture into account and successful ERM implementation. According to Keeler (2008) creating a culture for risk management is the key to implementing a successful ERM system. Levy, Lamarre and Twinning (2010) define risk culture as the norms and traditions of behaviour of individuals and of groups within an organization that determine the way in which they identify, understand, discuss and act on the risks the organization confronts and takes. The permeation of risk awareness throughout the organization seems to be a critical factor for successful implementation of an ERM framework. One study (Kleffner, Lee and McGannon 2003) suggested that the adoption of ERM is unlikely to be successful if the risk management concept fails to become an ingrained part of the corporate culture.

The culture of an organization is expected to be supportive of and consistent with the strategy being implemented (Johnson & Scholes, 1999). Corporate culture acts as a pointer to behaviour and influences employees to support the risk strategy in order to strengthen its implementation. Risk managers have a task to understand organizational culture and align it to the implementation plans.

2.4.3. Organizational Resources

Organizational resources are all assets that a corporation has available to use in the production process. (www.ask.com).There are four main types: Monetary resources, Capital resources, Raw materials and Human resources. Human and monetary resources are always ranked higher on the scale in many organizations. According to Pearce and Robinson, 2009 it is only through good training and development of human resource that the other resources become viable and closely monitored to achieve strategic goals. If employees are offered high job security through motivation, empowerment, modern and reliable working systems and a free environment to be innovative, they will tend to guard organization resources and hence work towards achieving long term goals as found in the strategic plans (Prahalad & Hamel, 2009).

Human resources are key to implementing ERM within an organization. They therefore must be afforded the time to implement and oversee the success of the ERM programs. They should be continually motivated and empowered to make strategic decisions that aid in the success of ERM. Job security for risk management staff will therefore be key in attaining ERM objectives and goals implementation. Monetary resources are key in ERM implementation since they used for acquisition and maintenance of other key resources. They are important for sourcing of new technologies for use in ERM programs, technical staff, training and sensitisation of employees and other materials required by ERM implementers. Adequate resources become key for ERM implementation.

2.4.4. Communication

Communication is the purposeful activity of information exchange between two or more participants in order to convey or receive the intended meanings. Communication needs to be continuous and through well-known channels to ease flow of information to the employees. It should be clear and concise and should be shared in a timely manner to avoid speculation. With the advent of social media, the organization should take advantage and use the media to continually communicate with staff in a free manner to get feedback on the implementation process.

According to Asosa (1992) people need to be involved in the strategic plan implementation and hence a continuous message effectively communicated will energize people into fully participating in the firm activities. Robinson & Pearce (2004) have observed that miscommunication occurs between the point where communication starts and the point where it is received. Managers need to be aware of people beliefs, cultures, behaviours, attitudes to effectively communicate with them(Burnes,2004). Managers must therefore ensure that communication on ERM implementation is clear in relation to the organizational cultures, behaviours and attitudes. Lamb & Mckee (2004) indicated in a study by the Hay group that Sharing information with employees on both how the company is doing and how an employee's own division is doing - relative to strategic business objectives is a key pointer to effective leadership.

2.5. Empirical Studies

This section relates to previous empirical studies on ERM implementation both locally and internationally. There was however little or no studies conducted on the factors affecting the successfully implementation of ERM at any organization. This is attributed to the fact that ERM is fairly new concept that organizations have just started embracing.

Beasley, Pagach and Warr (2008) studied 120 US companies between 1992 and 2003 to examine market reaction to Chief Risk Officer (CRO) hire announcement. ERM was measured using CRO as key words while performance was measured as cumulative abnormal returns after announcement. A linear regression analysis was used to analyse the data. The study found that generally, the market did not react to CRO announcement. However, there was a positive reaction from non-financial firms. Further, there was a positive effect of firm size and earnings volatility on shareholder value and a negative effect of leverage and cash ratio on shareholder value. This was true only for non-financial firms.

Hoyt and Liebenberg (2008) examined the impact of ERM on shareholder value of 125 US insurers between 2000 and 2005 using a maximum likelihood model. ERM was measured using ERM and CRO key words as proxies while performance was measured using Tobin's Q. The study found a significant positive relation between firm value and ERM. The results showed that ERM improves shareholder value by approximately 17%. Gordon, Loeb, and Tseng (2009) studied 112 US companies in 2005 to examine the impact of ERM on performance using linear regression. ERM was measured using ERM index created by the author and performance was measured using excess stock market return. The results showed a significant positive relation between ERM and firm performance. The study also revealed that this was contingent upon proper match between a firm's ERM system and five firm specific factors.

Pagach and Warr (2010) examined 106 US companies in a bid to determine the impact of ERM on financial performance using logit and matched sample model. ERM was measured using CRO keywords as proxies and financial performance was measured using several financial variables. The results showed a significant decrease in stock price volatility after introducing ERM. Tahir and Razali (2011) examined the impact of ERM on shareholder value of 528 Malaysian firms in 2007 using linear regression model. ERM was measured using secondary data from Osiris database and shareholder value was measured using Tobin's Q. The study found a positive but insignificant relation between ERM and shareholder value.

Grace *et al*. (2013) examined the impact of ERM on performance of 523 US insurers between 2004 and 2006 using linear regression model. A survey was carried out where ERM was measured using ERM activity while performance was measured using cost and revenue efficiency using Data Envelopment Analysis (DEA). The study found a significant positive impact of ERM on cost and revenue efficiency depending on ERM activity. Kanhai &Ganesh (2014) examined factors influencing the adoption of ERM practice by banks in Zimbabwe. The findings revealed that three factors: adequacy of risk governance structure, quality of organizational structure and size of the bank has appositive relationship with the adoption of ERM while intensity of bank regulations has a negative relationship with adoption.

Njiru (2003) sought to examine how cooperatives manage their credit risks. The study was done among cooperatives in Embu District. The study was a survey of coffee co-operatives in Embu. The results revealed that the methods of managing credit risk were similar to the ones commonly found in finance textbooks. Kioko (2008) examined the credit risk management techniques used by commercial banks in Kenya to manage unsecured loans. The study was a survey of various commercial banks. The study revealed that the Banks used a combination of credit management methods for unsecured loans. Kipchirchir (2008) examined the practices of motor vehicle firms towards foreign exchange risk management. The study was a survey of the motor vehicle industry in Kenya. The results revealed that the most commonly used foreign exchange risk management method was hedging.

Ngare (2008), credit risk management practices by commercial banks were sought. This was a survey of commercial banks in Kenya. The results revealed a combination of credit risk management methods used by commercial banks in Kenya. Simiyu (2008) on the other hand sought to establish the credit risk management techniques in microfinance institutions in Kenya. The study design was survey of microfinance institutions in Nairobi. The study revealed that the methods did not differ from those of commercial banks. Weru (2008) assessed the information systems risk management practices of firms.

Waweru and Kisaka (2013) examined the effect of ERM implementation on the value of 20 companies listed on the Nairobi Securities Exchange in 2011. A survey was carried out where ERM was measured using the level of implementation while firm value was measured using Tobin Q. The results showed that there was a positive relation between level of ERM implementation and firm value. Ngundo (2014) examined factors affecting effectiveness of Risk Management in public housing construction projects in Kenya. A case study of Kibera slums upgrading project. He established that there was low level top management support for the project implementation. Nyagah (2014) examined the effects of ERM on financial performance of pension fund firms. She established that ERM practices influence the financial performance of pension funds to a large extend.

2.6. Critique of Existing Literature

In the systems theory there is an assumed equilibrium between the internal and external environments with no imbalances while in reality there are imbalances in outputs and inputs in a system. Organizational culture does not consider individuals and their culture; it assumes obedience of culture and no resistance to change. Employees are assumed to want power and career progression to achieve self-actualization when many have done it without power and others may not be interested.

Stakeholders theory emphasize on stakeholders putting them first and relegating the other issues like ethical behaviour. It also assumes that interests of stakeholders are balanced against each other and therefore there are no conflicting interests. Communication theory assumes that all steps in the process are followed rigidly and there are no disturbances that interfere with communications. In some no feedback is expected like orders given by a manager.

The studies carried out on the variables assume each variable operates in isolation and is not affected by the other. Some combinations of variables like culture and communication may not be effective since each has distinct characteristics. Governance studies assume that there will be a good relationship between management and the board and that unilateral decisions cannot be made where there is a powerful CEO. They assume separation of powers will be respected. Organizational culture studies assume that culture is rigid and does not change within an organization and that management cannot manipulate it to gain loyalty from the employees. They assume there will be no segregation of cultures at the workplace. Organizational resources criticisms assume that resources are unlimited and will be provided when needed. They assume there is no prioritisation of resources to various areas where they are most needed and important. Communication studies assume that the communication is defined by the work environment and not the community and if studied in isolation will give biased assessments.

2.7. Research Gaps

There have been numerous studies done internationally and locally that have examined the effectiveness of ERM. Internationally studies have been conducted to show the impact of ERM on performance and shareholder value. The results show mixed results and therefore inconclusive. For instance, Beasley, Pagach and Warr (2008) focused on the impact of key position of Chief Risk Officer. Hoyt, Liebenberg (2008), Tahir & Razali (2011) focused on impact of ERM on shareholder value. Pagach, Warr (2010), Grace et al (2013) focused on ERM impact on performance of firms and Kanhai, Ganesh (2014) focused on factors influencing adoption of ERM practices.

Locally many studies have focused on specific risk for instance Njiru (2003), Simiyu (2008), Kioko (2008), Ngare (2008) focused on credit risk management, Kipchirchir (2008) focused on foreign exchange risk management. Weru (2008) focused on information system risk management practices. This may therefore not be reliable studies for analysis of ERM in organizations. Local ERM related studies have focused on various variables for example Cheplel (2013) focused on ERM in the banking sector, Waweru and Kisaka (2013) focused on ERM implementation in companies listed on the Nairobi Stock Exchange, Cheruiyot (2013) focused on ERM influence on strategic management process at KPLC while Nyagah (2014) focused on ERM effects on financial performance of pension fund firms in Kenya. There was therefore no known study conducted in relation to the factors affecting the successful implementation of ERM in Kenyan parastatals specifically at the Kenya Revenue Authority.

2.8. Summary

This study reviewed the existing literature on the factors affecting successful implementation of enterprise risk management in Kenyan parastatals a case study of Kenya Revenue Authority and specifically the study reviewed the existing literature conducted in international and local realms, this chapter includes theoretical review, conceptual framework, empirical review, critical review, research gaps.

3. Research Methodology

3.1. Introduction

This chapter comprises of research design, target population, sampling frame, sampling and sampling techniques, data collection instrument, data collection procedures, pilot test and data processing analysis and presentation.

3.2. Research Design

The researcher used descriptive research design. Descriptive study is concerned with finding out who, what, where, and how much a phenomenon, which was the concern of the study. Sekaram (2006) observes that the goal of descriptive research is to offer the researcher a profile or describe relevant aspects of the phenomena of interest from the individual, organization, industry or other perspective. In addition, the research design was the best fit in the ascertainment and description of characteristics of variables in this research study, and it allowed for use of questionnaires, interviews and descriptive design appropriately enabling the researcher to collect enough information necessary for generalization.

3.3. Target population

The study targeted employees of KRA. According to the KRA Fifth Corporate plan, there are a total of 4,571 employees of KRA. The KRA employees working in the enterprise risk management department are 210 (KRA Human resource, 2014), this department is based at the head office in Nairobi. The 210 employees were therefore the target population. ERM department at the KRA head office was selected for the case study because the ERM functions and activities are carried out and coordinated from there.

3.4. Sample Size

According to Krejcie and Morgan (2009); the representative sample size can be obtained from Krejcie and Morgan table found on appendix v. From the target population size of 210, Krejcie and Morgan table gave us a sample size of 136 respondents.

3.5. Sampling

Sampling is the process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire population. Sample is a small group of objects or individuals selected or drawn from a population in such a manner that its characteristics represent population characteristics (Orodho, 2009).

3.6. Sampling Technique

Stratified random sampling method was used to select relevant respondents from various sections of the ERM department of KRA. Mugenda and Mugenda (2003) argues that stratified random sampling is where a given number of cases are randomly selected from each population sub-group. It thus ensures inclusion in the sample of subgroup which otherwise could be omitted entirely by other sampling methods. In this case stratification was based on the section from which employees come from.

Stratified sampling enabled the population to be divided into five segments (relevant sections of ERM department within KRA) called strata. Simple random sample was then drawn from each stratum, and then those sub-samples joined to form complete stratified samples. In addition, proportional allocation was done, where each stratum contributed to the sample a number that is proportional to its size in the population.

3.7. Data Collection Procedures

The researcher used the drop and pick method to administer the questionnaire. The structured questionnaire was used to collect data from KRA respondents. A questionnaire with high reliability would receive similar answers if it is done again and again or by other researchers (Bryman & Bell, 2007; Saunders et al., 2007). In addition, the questionnaires were convenient for the task in that they could easily and conveniently be administered with the study sample. The use of questionnaire was cost effective, less time consuming as compared to the use of interviews. Data collected through the use of well-structured questionnaire is easy to analyze.

3.8. Pilot Test

The questionnaires were pilot tested before the actual data collection. This involved a few respondents from KRA ERM department to ascertain its effectiveness. The researcher was interested in testing the reliability of the research instruments, the questionnaire hence validity of data collected. Validity is the accuracy and meaningfulness of inferences which are based on the research results (Mugenda & Mugenda, 2003) asserts that reliability is done using Cronbach's Alpha Model on SPSS. Mugenda and Mugenda (2003) also asserts that reliability is the measure of the degree to which the research instrument yields consistent results or data after repeated trials. The researcher did a pilot with 10 respondents before distributing the questionnaire. The purpose was to ensure that those items in the questionnaire were clearly stated and have the same meaning to all respondents. At the same time, it was to help determine how much time was required to administer the questionnaire. Respondents for pre-testing did not form part of the sample.

3.9. Data Processing, Analysis and Presentation

Kothari (2009) argues that data collected has to be processed, analysed and presented in accordance with the outlines laid down for the purpose at the time of developing the research plan. Data analysis involves the transformation of data into meaningful information for decision making. It involved editing, error correction, rectification of omission and finally putting together or consolidating information gathered. The collected data was analysed quantitatively and qualitatively. The quality and consistency of the study was further assessed using Cronbach's alpha. Data analysis was performed on a PC using Statistical Packages for Social Sciences (SPSS Version 22) for Windows. Analysis was done using frequency counts, percentages, means and standard deviation, regression, correlation and the information generated was presented in form of graphs, charts and tables. Set of data was described using percentage, mean standard deviation and coefficient of variation and presented using tables, charts and graphs. Fraenkel and Wallen (2000) argue that regression is the working out of a statistical relationship between one or more variables. The researcher used a multiple regression analysis to show the effect and influence of the independent variables on the dependent variable.

The relationship is as follows;

- $\mathbf{Y}=\alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$
- **Y** = Represents the dependent variable, Factors affecting successful implementation of ERM
- $\boldsymbol{\alpha}$= Constant
- $\beta_1, \beta_2, \beta_3, \beta_4$ = Partial regression coefficient
- $\mathbf{X_1}$ = Governance
- $\mathbf{X_2}$ = Organizational Culture
- $\mathbf{X_3}$ = Organizational Resources
- $\mathbf{X_4}$= Communication
- $\boldsymbol{\varepsilon}$ = error term or stochastic term

4. Data Analysis, Results and Discussion

4.1. Introduction

This chapter presents analysis of the data on the factors affecting successful implementation of enterprise risk management in Kenyan parastatals a case study of Kenya Revenue Authority. The chapter also provides the major findings and results of the study and discusses those findings and results against the literature reviewed and study objectives. The data is mainly presented in frequency tables, means and standard deviation.

4.1.1. Response Rate

The study targeted 136 employees of Kenya Revenue Authority, Kenya. From the study, 110 out of the 136 sample respondents filled-in and returned the questionnaires making a response rate of 80.8% as per Table 1 below.

	Frequency	**Percentage**
Respondent	110	80.9
Non-respondent	26	19.1
Total	**136**	**100**

According to Mugenda and Mugenda (1999) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent; therefore, this response rate was adequate for analysis and reporting.

Table 1: Questionnaire Return Rate

4.1.2. Data Validity

The researcher asked experts, three academicians, to assess the scales' content validity. Accordingly, the researcher made changes on the first draft in terms of eliminating, adding or rewording some of the items included in that draft**.**

4.1.3. Reliability Analysis

Prior to the actual study, the researcher carried out a pilot study to pre-test the validity and reliability of data collected using the questionnaire. The pilot study allowed for pre-testing of the research instrument. The results on reliability of the research instruments are presented in Table 2 below.

Scale	**Cronbach's Alpha**	**Number of Items**
Governance	0.764	5
Organizational Culture	0.809	5
Organizational Resources	0.723	5
Communication	0.791	5

Table 2: Reliability Coefficients

The overall Cronbach's alpha for the four categories which is 0.752. The findings of the pilot study show that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Mugenda and Mugenda, 2003).

4.2. Background Information

The background information was gathered based on the position held, level of education and how long the respondent has worked in the organization.

4.2.1 Position in Organization

The study sought to know the position of the respondents in the organization. The results showed that majority of respondents were supervisors and officers represented by 33.6% each top management were 11.8% and middle management were represented by 20.9% of the total response rate with a mean score of 2.89 and a standard deviation of 1.008. This is shown in Figure 2 below.

Figure 2: Position in the Organization

4.2.2. Level of Education

The researcher sought to know the education level of respondents. The results revealed that majority of respondents hold a bachelor's degree represented by 56.4%, respondents holding master's degree were 36.4% and respondents with PhD were 1.8% while respondents holding other forms of education qualifications were 5.5% with a mean score of 2.65 and a standard deviation of 0.612 as shown in Figure 3 below. This shows that the organization under study has qualified human resources who can help implement ERM.

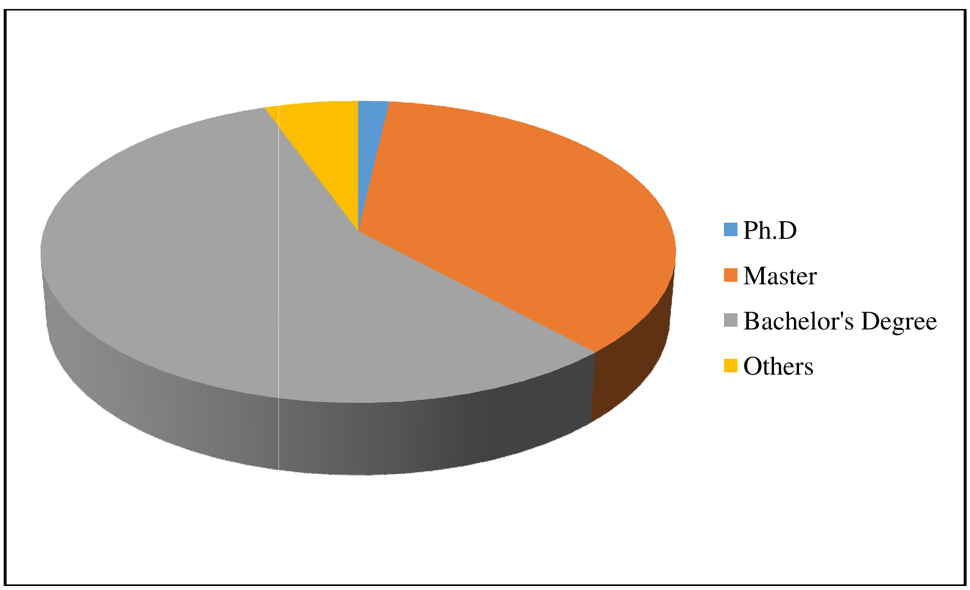

Figure 3: Level of Education

4.2.3. How Long Have You Worked

The study sought to know how long respondents have worked in the organization. The results showed that majority of respondents have worked for between 11-15 years represented by 38.2%; respondents who have worked for between 6-10 years were 23.6%; respondents who have worked for over 15 years were represented by 26.4% and respondents who have worked for between 0-5 years were 11.8% with a mean score of 2.79 and a standard deviation of 0.968 as shown in Figure 4 below. This shows that the organization has human resources who have good work experience and they can therefore easily implement ERM.

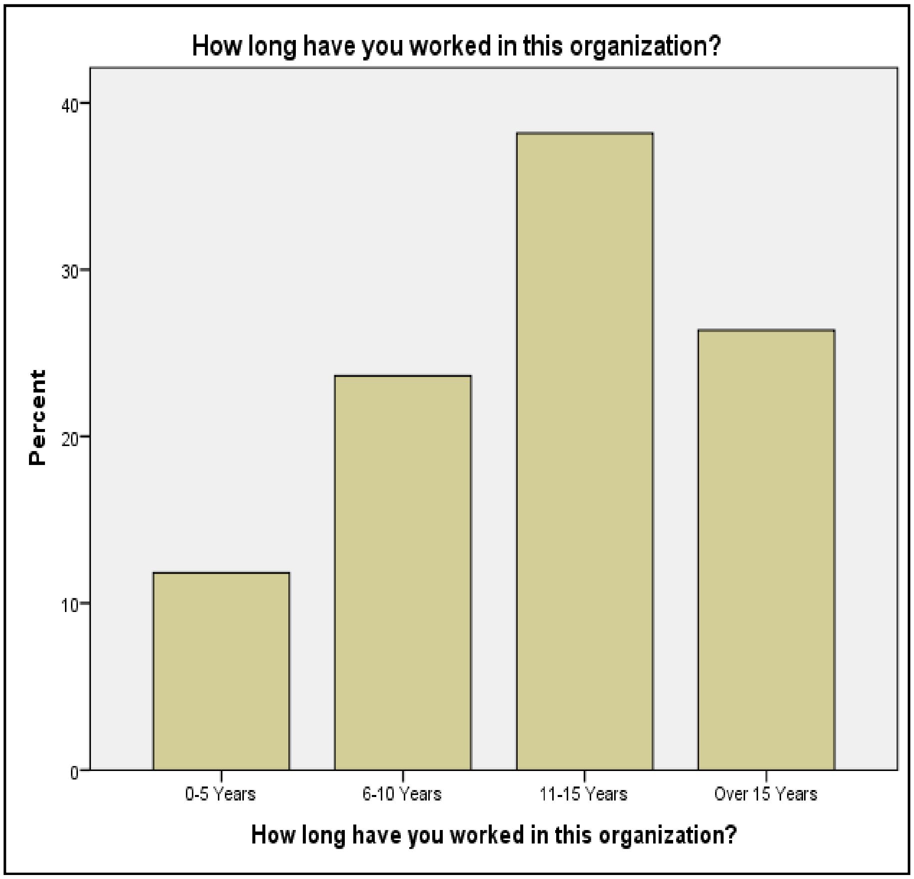

Figure 4: Length of Work

4.3. Factors Affecting Successful Implementation of Enterprise Risk Management in Kenyan Parastatals

In the research analysis the researcher used a tool rating scale of 5 to 1; where 1 was the highest and 5 the lowest. Opinions given by the respondents were rated as follows, 5= Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1= Strongly Disagree. The analysis for mean and standard deviation were based on this rating scale.

4.3.1. Governance

Governance			
Statement	**N**	**Mean**	**Std. Deviation**
The ERM action plan is part of the wider organizational strategic plan.	110	4.26	.964
The management regularly holds meetings with risk management heads to review progress of implementation	110	4.26	1.123
The board and management has approved risk policies, risk organizational structure and formed board and management level committees	110	4.15	1.258
The ERM implementation plan takes place within the set time frames	110	4.39	1.142
The ERM implementation activities are carried out according to the ERM action plan	110	4.52	.660
Valid N (list wise)	110		

Table 3 Governance

The first objective of the study was to establish the effects of governance on enterprise risk management implementation at KRA. Respondents were required to respond to set questions related to governance and give their opinions. The opinion in agreement that the ERM implementation activities are carried out according to the ERM action plan had a mean score of 4.52 and a standard deviation of 0.660 signifying a high level of agreement. The opinion that ERM action plan is part of the wider organizational strategic plan and that management regularly holds meetings with risk management heads to review progress of implementation both had a mean of 4.26 but with different standard deviation of 0.964 and 1.123 respectively signifying a high level of agreement. The opinion in agreement that ERM implementation plan takes place within the set times in the organization had a mean score of 4.39 and a standard deviation of 1.142. The opinion in agreement that the management board has approved risk policies, risk organizational structure and formed board and management level committees had a mean score of 4.15 and a standard deviation of 1.258 signifying a high level of agreement.

4.3.2. Organizational Culture

Organizational Culture			
Statement	**N**	**Mean**	**Std. Deviation**
The management has not implemented ERM policies in line with the organization culture	110	2.44	1.296
The organization culture support new ERM initiatives and ideas from employees	110	4.54	.798
The norms and values of the organization influence ERM implementation	110	4.14	1.137
The organization creates a conducive environment for ERM implementation	110	4.66	.667
The organization has managed to inculcate a risk culture, awareness, ownership in the organization through trainings and sensitizations	110	4.65	.711
Valid N (list wise)	110		

Table 4: Organizational Culture

The second objective of the study was to establish the effects of organizational culture on enterprise risk management implementation at KRA. Respondents were required to respond to set questions related to organizational culture and give their opinions. The opinion in agreement that the organization has created a conducive environment for ERM implementation had a mean score of 4.66 and a standard deviation of 0.667. The opinion that KRA has managed to inculcate a risk culture, awareness and ownership through trainings and sensitization had a mean of 4.65 and a standard deviation of 0.711 and the opinion that organizational culture support new initiatives and ideas from employees had a mean of 4.54 and a standard deviation of 0.798 both signifying a high level of agreement. The norms and values of the organization influence ERM implementation had a mean of 4.14 and a standard deviation of 1.137 signifying a high level of agreement. The opinion that had a low level of agreement that the management of KRA has not implemented ERM policies in line with the organization culture had a mean score of 2.44 and a standard deviation of 1.296 signifying a low level of agreement.

4.3.3. Organizational Resources

Organizational Resources			
Statement	**N**	**Mean**	**Std. Deviation**
The board has set out adequate financial resources in support of the risk function	110	4.41	.980
The management has put in expert human resources in setting up the risk management program	110	2.29	1.035
Organization resources are shared out in line with ERM implementation plan	110	4.28	.959
ERM needs unique resources for its implementation to be a success	110	4.23	1.037
Organizational resources play a big role in the success of ERM implementation and sustainability	110	4.39	.858
Valid N (list wise)	110		

Table 5: Organizational Resources

The third objective of the study was to establish the effects of organizational resources on enterprise risk management implementation at KRA. Respondents were required to respond to set questions related to organizational resources and give their opinions. The opinion that the management of KRA has out in place human resources with expertise in ERM implementation plan had a low level of agreement with a mean score of 2.29 and a standard deviation of 1.035. The opinion with a high level of agreement that KRA board has set out adequate financial resources in its budget in support of the risk function had a mean score of 4.41 and a standard deviation of 0.98. The opinion in agreement that organizational resource play a big role in the success of ERM implementation and sustainability had a mean of 4.39 and a standard deviation of 0.858 signifying a high level of agreement. The opinion that KRA needs to put in place unique resources for successful implementation of ERM had a mean score of 4.23 and a standard deviation of 1.037. The opinion that KRA organizational resources are shared out in line with the ERM implementation plan had a mean of 4.28 and standard deviation of 0.959 signifying a high level of agreement.

4.3.4. Communication

Communication			
Statement	**N**	**Mean**	**Std. Deviation**
There is a back and forth clear communication channels used by both management and staff of ERM implementation issues	110	4.35	1.193
The organization frequently captures and communicates ERM implementation information	110	4.07	1.115
Communication between management and staff greatly enhances probability of successful ERM implementation	110	4.15	1.187
Communication has helped the board and management to monitor progress on ERM implementation	110	4.41	.912
Departments share ERM information amongst themselves effectively (IT, Finance, Human Resources)	110	4.05	1.160
Valid N (list wise)	110		

Table 6: Communication

The third objective of the study was to establish the effects of communication on enterprise risk management implementation at KRA. Respondents were required to respond to set questions related to communication and give their opinions. The opinion in agreement that KRA's board and management have used communications tools to monitor progress on ERM implementation had a mean score of 4.41 and a standard deviation of 0.912 signifying a high level of agreement. The opinion that KRA has clear communication channels that are used by the board of directors, management and staff on ERM implementation had a mean score of 4.35 and a standard deviation of 1.193. The opinion that KRA frequently captures' and communicates ERM implementation information had a mean of 4.07 and a standard deviation of 1.115 and the opinion that communication between management and staff greatly enhances probability of successful ERM implementation had a mean of 4.15 and a standard deviation of 1.187. The opinion that departments share ERM information amongst themselves effectively (IT, Finance and Human resources) had a mean of 4.05 and a standard deviation of 1.16 signifying a high level of agreement.

4.3.5. Factors Affecting Successful Implementation of ERM

	N	**Mean**	**Std. Deviation**
ERM is a new concept that has not been implemented by parastatals in Kenya	110	4.49	.993
The board of directors and top managers are empowered to implement ERM	110	3.36	1.775
There is lack of well trained personnel in areas of ERM	110	4.41	.998
There is lack of Chief Risk Officer position in parastatals	110	4.29	.989
There is lack of ERM policies in parastatals	110	4.32	.574
There is a disconnect between actual ERM and understanding ERM in organizations	110	4.07	1.011
Valid N (list wise)	110		

Table 7: Factors affecting successful implementation of ERM

On successful implementation respondents were required to respond on the same issue. The opinion in agreement that ERM is a new concept and that many parastatals have not implemented it had a mean of 4.49 and a standard deviation of 0.993. The opinion that KRA has lack of well trained personnel in ERM was in agreement and had a mean score of 4.41 and a standard deviation of 0.998. The opinion that KRA has no chief risk officer was in agreement with a mean score of 4.29 and a standard deviation of 0.989. Many parastatals have no ERM policies were in agreement with a mean score of 4.32 and a standard deviation of 0.574. The statement that there is a disconnect between actual ERM and understanding ERM in organizations was in agreement with a mean score of 4.07 and a standard deviation of 1.011. The opinion that was in less agreement was the board of directors and management staffs are empowered to implement ERM with a mean score of 3.36 and standard deviation of 1.775 signifying that the KRA act should be amended or the board should pass a resolution to empower itself and the management to be able to implement ERM successfully.

4.4. Correlation Analysis

To establish the relationship between the independent variables and the dependent variable the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination.

4.4.1. Coefficient of Correlation

In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson's coefficient of correlation (r). This is as shown in Table 8 below. According to the findings, it was clear that there was a positive correlation between governance and implementation of enterprise risk management shown by a correlation figure of 0.966; Organizational culture and implementation of enterprise risk management shown by a correlation figure of 0.955; Organizational resources and implementation of enterprise risk management shown by a correlation figure of 0.943; Communication and implementation of enterprise risk management shown by a correlation figure of 0.881. This showed that there was a strong positive correlation highest being noted in governance and lowest in communication with a positive correlation.

Correlations						
		ERM	Governance	Organizational Culture	Organizational Resources	Communication
ERM		1				
Governance		.966	1			
Organizational Culture		.955	.965	1		
Organizational Resources		.943	.944	.931	1	
Communication		.881	.894	.941	.809	1

Table 8: Pearson's Correlations

<u>4.4.2. Coefficient of Determination</u>

Table 9 showed that the coefficient of determination was 0.947. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Implementation of enterprise risk management) that is explained by all independent variables. From the findings this meant that 94.7% of implementation of enterprise risk management) is attributed to combination of the four independent factors investigated in this study**.**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.973[a]	.947	.943	.190

Table 9: Coefficient of Determination

4.5. Regression Analysis

<u>4.5.1. ANOVA</u>

The study used ANOVA to establish the significance of the regression model. The significance value is 0.002 which was less than 0.05 thus the model is statistically significance in predicting how governance, organizational culture, organizational resources and communication affect implementation of enterprise risk management among Kenya's parastatals. This therefore means that the regression model had a confidence level of above 95% hence high reliability of the results obtained.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	66.282	4	16.571	4.923	.001[b]
	Residual	353.390	105	3.366		
	Total	419.673	109			
a. Dependent Variable: ERM						
b. Predictors: (Constant), Communication, Organizational Culture, Governance, Organizational Resources						

Table 10 Anova

4.5.2. Multiple Regression

The researcher conducted a multiple regression analysis as shown in Table 11 so as to determine the relationship between implementation of enterprise risk management and the four variables investigated in this study.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.845	3.711		2.653	.009
	Governance	.345	.105	.319	3.303	.001
	Organizational Culture	.131	.090	.140	1.451	.150
	Organizational Resources	.154	.109	.139	1.408	.162
	Communication	.094	.120	.083	.777	.439

a. Dependent Variable: Implementation of Enterprise Risk Management

Table 11 Multiple Regression Analysis

The regression equation was:

$Y = 9.845 + 0.345\mathbf{X_1} + 0.131\mathbf{X_2} + 0.154\mathbf{X_3} + 0.094\mathbf{X_4}$

Where

Y = Dependent variable

$\mathbf{X_1}$ = Governance

$\mathbf{X_2}$ = Organizational Culture

$\mathbf{X_3}$ = Organizational Resources

$\mathbf{X_4}$ = Communication

The regression equation above has established that taking all factors into account (implementation of enterprise risk management as a result of governance, organizational culture, organizational resources and communication) constant at zero implementation of enterprise risk management among Kenya's parastatals will be 9.845. The findings presented also shows that taking all other independent variables at zero, a unit increase in governance will lead to a 0.345 increase in the scores of implementation of ERM among Kenya's parastatals; a unit increase in organizational culture will lead to a 0.131 increase in implementation of ERM among Kenya's parastatals; a unit increase in organizational resources will lead to a 0.154 increase in the scores of implementation of ERM among Kenya's parastatals; and a unit increase in communication will lead to a 0.094 implementation of ERM among Kenya's parastatals.

This therefore implies that all the four variables have a positive relationship with implementation of enterprise risk management with governance contributing most to the dependent variable. From the table we can see that the predictor variables of governance, organizational culture, organizational resources and communication got variables coefficients statistically significantly since their p-values are less than the common alpha level of 0.05.

5. Summary of the Findings, Conclusions and Recommendations

5.1 Introduction

The chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The chapter finally presents the limitations of the study and suggestions for further studies and research.

5.2. Summary of the Findings

The objective of this study was to assess the factors affecting successful implementation of enterprise risk management in Kenyan parastatals. The study was conducted on the 110 employees out of 136 employees that constituted the sample size. To collect data the researcher used a structured questionnaire that was personally administered to the respondents. The questionnaire constituted 31 items. The respondents were the employees of KRA. In this study, data was analyzed using frequencies, mean scores, standard deviations, percentage, Correlation and Regression analysis.

From the study findings, on position held by respondents, majority were supervisors and officers. On education level majority of the respondents hold a bachelor' degree and majority of the respondents have worked for between 11 -15 years. On the issue of governance, the study revealed that KRA has in its organizational strategic plan incorporated ERM and that KRA board of directors and management approved risk policies, approved a risk organizational structure and formed already a committee at the same levels to administer issues related to risk management. On the issue of organizational culture, the study results showed that although KRA has not implemented ERM policies in line with organizational culture, KRA's culture supports new ERM initiative and ideas from employees and creates a conducive environment implementation of ERM by inculcating a risk culture, awareness and ownership through trainings and sensitizations.

The researcher sought to know the effect of organizational resources on successful implementation of ERM on Kenyan parastatals a case study of KRA. The study revealed that although KRA has allocated sufficient financial resources to implement ERM, it does not have adequate human resources working in the ERM department. On the issue of communication, the researcher sought to know the effect of communication on successful implementation of ERM. The results revealed that communication plays a significant role in terms of monitoring progress and evaluating performance of ERM implementation.

To establish the relationship between the independent variables and the dependent variable the study conducted Karl Pearson's coefficient of correlation (r) was used in trying to show the relationship between the study variables and their findings. According to the findings, it was clear that there was a positive correlation between governance, organizational culture, organizational resources and communication shown by a correlation value of 0.966, 0.955, 0.943, and 0.881 respectively. This indicates that independent variable and dependent variable move in the same direction, that is, as one increase the other one also increases.

From the finding R^2 has a value of 0.947 meaning that the 94.7 % of the dependent variable can be explained or attributed to combination of the four independent factors investigated in this study. A further 5.3 % of successful implementation of ERM is attributed to other factors not investigated here.

According to the regression equation established, taking all factors constant at zero, investment decision making as a result of these independent factors will be 9.845. The data shows that taking all other independent variables at zero, a unit increase in governance will lead to a 0.345 increase in the scores successful implementation if ERM among Kenyan parastatals; a unit increase in organizational culture will lead to a 0.131 increase in successful implementation among Kenyan parastatals, a unit increase in organizational resources will lead to a 0.154 increase in the scores of successful implementation of ERM among Kenyan parastatals; and a unit increase in communication will lead to a 0.094 successful implementation of ERM among Kenyan parastatals. This therefore implies that all the four variables have a positive relationship with successful implementation of ERM with governance contributing most to the dependent variable.

5.3. Conclusions

From the research findings, the study concluded all the independent variables studied have significant effect on successful implementation of enterprise risk management at KRA as indicated by the strong coefficient of correlation and a p-value which is less than 0.05. The overall effect of the analyzed factors was very high as indicated by the coefficient of determination. The overall P-value of 0.00 which is less than 0.05 (5%) is an indication of relevance of the studied variables, significant at the calculated 95% level of significance. This implies that the studied independent variables namely governance, organizational culture, organizational resources and communication have significant effect on successful implementation of enterprise risk management at KRA.

5.4. Recommendations

The study recommends the following:

1. That KRA board of directors should empower the management to implement ERM;
2. That KRA should allocate adequate financial and human resources to help in implementation of ERM
3. That KRA should train its personnel in the areas of ERM
4. That KRA should create a position of chief risk officer to be responsible for ERM
5. The KRA policies should be focused on ERM
6. That KRA should create awareness to all its staff on matters ERM in order to inculcate knowledge and thirst for staff to pursue ERM
7. That KRA should work with other stakeholders to implement ERM in parastatals.

5.5. Suggestions for Further Studies

The study indicates governance, organizational culture, organizational resources and communication have significant effect on successful implementation of enterprise risk management at KRA a public entity. The researcher further recommends research in related areas in the public sector including policy and legislation effects on ERM.

6. Acknowledgement

First and foremost, I would like to thank the Almighty God for His strength that has enabled me to write this proposal.

Special thanks go to my supervisor Mr. Nagib Omar for guiding me through the writing period. I will always appreciate his incredibly valuable advice and counsel, overwhelming support, guidance, selfless dedication, patience, understanding, encouragement and above all his availability for consultation.

I would also like to thank my classmates at Jomo Kenyatta University of Agriculture and Technology, for their insight, encouragement and support while writing this proposal.

7. Acronyms and Abbreviations

- ERM : Enterprise Risk Management
- KRA : Kenya Revenue Authority
- AIRMIC: Association of Insurance and Risk Management in Commerce.
- ALARM : The Public risk management association.
- IRM : Institute of Risk Management
- CRO : Chief Risk Officer
- COSO : Committee of Sponsoring Organizations of the Treadway Commission
- TRM : Traditional Risk Management

- IRA : Insurance Regulatory Authority
- SPSS : Statistical Packages for Social Sciences
- ERM : Enterprise Risk Management
- KRA : Kenya Revenue Authority

8. Definition of Terms

Implementation: Translating strategy into action. Involves organization of the firm's resources (programs, budgets, and procedures) and motivation of the staff to achieve objectives (Olajide, 2013).

Risk governance: Refers to the institutions, rules, conventions, processes and mechanisms by which decisions about risks are taken and implemented (Deloitte, 2012).

Organizational Culture The way things are done in an organization, an intangible yet ever-present theme that provides meaning, direction, and the basis for action (Hofstede, 2009).

Organizational resources All assets that are available to a firm for use during the production process. The four basic types of organizational resources are human, monetary, raw materials and capital. (Henriken & Uhlenfeldt, 2006).

Communication The process of passing/channelling information from one entity (person, group, place, level) to another with the aim of accomplishing specific objectives (Pearce & Robinson 2004)

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Phillip Mumia Ogeng'o
P.O. Box 17006-80100
MOMBASA.
9th September, 2015

The Commissioner General
Kenya Revenue Authority
P. O. Box 48240-00100
NAIROBI.

Dear SIR,

RE: ASSISTANCE WITH STUDY FOR MBA RESEARCH PROJECT

I am a master of business administration student at Jomo Kenyatta University of Agriculture and Technology. The assistance of your organization is requested in a study entitled "*Factors affecting successful implementation of enterprise risk management in Kenyan parastatal- a case study of Kenya Revenue Authority*". This research project is a requirement for the award of a **Master of Business Administration (Strategic Management) of Jomo Kenyatta University of Agriculture and Technology**.

Please take a few minutes filling in this questionnaire. Your specific answers will be completely anonymous, but your views, in combination with those of others, are extremely important. The information generated using this questionnaire will be treated confidentially and will not be in any way used against the respondent. This information obtained will be used purely for the intended academic purposes.

Yours faithfully,
Phillip Mumia Ogeng'o
E-mail: pmumia@gmail.com
0724545543

APPENDIX II: QUESTIONNAIRE

I'm a student in JKUAT Mombasa campus. I'm carrying out an academic research proposal study for the partial fulfilment of the requirement for the Award of the degree of Master of Business Administration. I kindly request you to accurately fill in the information requested as per instructions given. The information provided will be held in confidence and will be used for academic purposes only.

1. Section A: Background Information

A1. Job Title/ Designation (Optional) ……………………………………………………….

A2. What department do you work for in this organization? ……………………………………...

A3. What is your position in the organization?
- Top Management [ ]
- Middle Management [ ]
- Supervisor [ ]
- Officer [ ]

A4. What is your highest level of education attained?
- PHD [ ]
- Masters [ ]
- Bachelor's degree [ ]
- Other [ ]

A5. How long have you worked in this organization?
- 0-5 Years [ ]
- 6-10 Years [ ]
- 11-15 Years [ ]
- Over 15 Years [ ]

2. Section B: Governance

To what extent do you agree with this statement? Please indicate your agreement or otherwise with the following statements using the following Likert scale.

1= strongly disagree, 2=Disagree, 3= Neutral, 4= Agree and 5= strongly agree.

Description	1	2	3	4	5
The ERM action plan is part of the wider organizational strategic plan.					
The management regularly holds meetings with risk management heads to review progress of implementation.					
The management board has approved risk policies, risk organizational structure and formed board and management level committees					
The ERM implementation plan takes place within the set time frames					
The ERM implementation activities are carried out according to the ERM action plan.					

Table 1

3. Section C: Organizational Culture

To what extent do you agree with this statement? Please indicate your agreement or otherwise with the following statements using the following Likert scale.

1= strongly disagree, 2=Disagree, 3= Neutral, 4= Agree and 5= strongly agree.

Description	1	2	3	4	5
The management has not implemented ERM policies in line with the organization culture					
The organization culture support new ERM initiatives and ideas from employees					
The norm and values of the organization influences ERM implementation					
The organization creates a conducive environment for ERM implementation					
The organization has managed to inculcate a risk culture, awareness, ownership in the organization through trainings and sensitisations					

Table 2

4. Section D: Organizational Resources

To what extent do you agree with this statement? Please indicate your agreement or otherwise with the following statements using the following Likert scale.

1= strongly disagree, 2=Disagree, 3= Neutral, 4= Agree and 5= strongly agree.

Description	1	2	3	4	5
The board has set out adequate financial resources in support of the risk function					
The management has put in expert human resources in setting up the risk management program.					
Organization resources are shared out in line with the ERM implementation plan					
ERM needs unique resources for its implementation to be a success					
Organizational resources play a big role in the success of ERM implementation and sustainability					

Table 3

5. Section E: Communication

To what extent do you agree with this statement? Please indicate your agreement or otherwise with the following statements using the following Likert scale.

1= strongly disagree, 2=Disagree, 3= Neutral, 4= Agree and 5= strongly agree.

Description	1	2	3	4	5
There is a back and forth clear communication channels used by both management and staff on ERM implementation issues.					
The organization frequently captures and communicates ERM implementation information					
Communication between management and staff greatly enhances probability of successful ERM implementation.					
Communication has helped the board and management to monitor progress on ERM implementation					
Departments share ERM information amongst themselves effectively (IT, Finance, Human Resources)					

Table 4

6. Section F: Factors Affecting Successful Implementation Of Enterprise Risk Management In Kenyan Parastatals

To what extent do you agree with this statement? Please indicate your agreement or otherwise with the following statements using the following Likert scale.

1= strongly disagree, 2=Disagree, 3= Neutral, 4= Agree and 5= strongly agree.

Description	1	2	3	4	5
Enterprise risk management is a new concept that has not been implemented by Parastatals in Kenya.					
The boards of Directors and Top managers are empowered to implement ERM					
There is lack of well trained personnel in areas of enterprise risk management					
There is lack of Chief risk officer position in parastatals					
There is a lack of enterprise risk management policies in parastatals.					
There is a disconnect between actual enterprise risk management and understanding enterprise risk management in organisations					

Table 5

THANK YOU.

WORK PLAN				
ACTIVITY	**SEPTEMBER**	**OCTOBER**	**NOVEMBER**	**DECEMBER**
Assigning supervisor & Topic selection				
Proposal development				
Proposal submission				
Proposal presentation				
Proposal correction & Supervisor approval				
Data collection				
Data Analysis				
Report writing				
Project presentation				

Table 6

BUDGET		
	DESCRIPTION	**COST-KES**
1	Laptop (For preparation of proposal)	60,000/=
2	Internet	10,000/=
3	Library services	5,000/=
4	Secretarial Services/ Printing & Binding	5,000/=
5	Miscellaneous	5,000/=
	TOTAL	85,000/=

Table 7

APPENDIX V: KREJCIE AND MORGAN TABLE

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

Krejcie, R.V., & Morgan, D.W., (1970). Determining Sample Size for Research Activities. Educational and Psychological Measurement.