

**ROLE OF RISK MANAGEMENT STRATEGIES ON GROWTH OF SMALL AND
MEDIUM ENTERPRISE IN INFORMATION COMMUNICATION AND
TECHNOLOGY SECTOR IN NAIROBI, KENYA**

BY

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DECLARATION

I declare that the work in this dissertation has not been previously published or submitted elsewhere for award of a degree. I also declare that this is my own original work and contains no material written or published by other people except where due reference is made and author duly acknowledged.

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ROLE OF RISK MANAGEMENT STRATEGIES ON GROWTH OF SME'S IN ICT SECTOR IN KENYA

ABSTRACT

Risks are experienced by both small and large business, and these have increasingly brought to the fore risk management practices in business. Risk management strategies have been adopted by SMEs, with the strategies playing different roles to SMEs. The relationship between risk management and performance of SMEs has been explored in other studies with studies focusing on the financial performance of SMEs. However, the question on the role of risk management strategy on the growth of SMEs has yet to receive predominant attention. Thus the study was carried out with an aim to determine the role of risk management strategies on the growth of SMEs in ICT sector in Kenya. Specifically the study focused on analysing the role of insurance, internal audit and network relationship on the growth of SMEs in Kenya. To achieve this, the study adopted a descriptive research design. The population of the study was the Top 100 mid-size companies in 2013 and 2014. A sample of 14 companies was selected for the study, and with a total of 4 interviews per SMEs bringing total sample size to 56. Data was collected through questionnaire with the data analyzed through SPSS. The significance of the risk management practices on growth of SMEs was analyzed using the regression analysis and correlation analysis. Test of significance included coefficient of correlation (R) and coefficient of determination (R-squared). The results of the study are presented through frequencies, percentages, tables, cross tables and regression tables. The results of the study indicated that there exists a significant relationship between internal audit and growth of SMEs. On the other hand the study revealed that there exists no significant relationship between insurance policy uptake and growth of SMEs. The findings of the study confirmed that risk management strategies affect growth of SMEs, albeit with a small effect as indicated with an R^2 value of 34%. These findings conclude that risk avoidance and risk prevention has an impact on the growth of ICT SMEs. The study recommends that SMEs should adopt risk management practices after carrying out risk analysis on their business.

Key Words: Risk management Strategies, Growth of SMEs, Risks

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DEDICATION

I dedicate this work to my family and my dissertation supervisor Dr. Christine Nanjala Simiyu: for the support and assistance that she gave me during the period of my research work. I sincerely appreciate them for their patience and understanding.

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ACRONYMS AND ABBREVIATIONS

SME- Small and Medium Enterprises

ICT- Information Communication and Technology

CAPM- Capital Asset Pricing Model

ERM- Enterprise Risk Management

B2B- Business to Business

ANOVA- Analysis of Variance

TERMS AND DEFINITIONS

Growth of Business: Cumulative change that takes place in an enterprise over a period of time and measured through both qualitative and quantitative change over a period of at least two years (Matthews & Scot, 2005).

Risk: Risk is a possibility of a loss or injury in Business (Darnall and Preston, 2010)

Risk management - An activity of evaluating the potential for the occurrence of fraud and how the organization manages fraud risks (Frigo and Anderson Richard, 2009).

Enterprise Risk Management is the process of planning, organizing, leading, and controlling the activities of an organization in order to minimize the effects of risk on an organization's capital and earnings (Dorfman, 2008).

CHAPTER ONE

INTRODUCTION

1.1 Background

In any economy throughout the world, SMEs play a significant role in facilitating the industrialization process, economic growth and sustainable development (Ariyo, 2005). Small and medium size enterprises are the major drivers of the economy in any particular state. According to Raghavan (2005), SMEs sectors are normally partnership and sole proprietorship, which is the case in the Kenyan economy. In Africa, SMEs in are essential for job creation, poverty mitigation, and for boosting the growth of the economy (Rogerson, 2001). The job opportunities offered by SMEs promote better living standards among the residents of a country and raise the country's GDP.

Luper and Kwanum (2012), further underline the importance of SMEs to the growth of any economy, by stating that SMEs have great potentials for creation of employment, development of local technology, diversification of output, advancement of local entrepreneurship, and promotion of integration with other industries on a large scale. Consequently, SMEs are likely to increasingly face risk in their operation thus necessitating risk management strategies to ensure effectiveness and sustainability of their business.

Risk management as defined by Head (2009) is the process of planning, controlling, directing, and organizing resources to attain specific goals when favorable or unfavorable events are possible. Risk management for an enterprise of any scale therefore involves the systematic evaluation and strategic response to potential risks that may be a hindrance to the realization of business objectives. Managing uncertainties requires a structured approach. This approach normally entails use of managerial resources to identify risks, analyze the risks, and develop strategies to mitigate the identified risks. Business operations of large, small and medium scale face certain levels of risk in their daily activities.

Risk can be described as the probability that events or actions may result in outcomes that can impact negatively on the business. The risks may be environmental, operational, financial, development, manufacturing and marketing among other risks. Similarly, Raghavan (2005) identified major risks that SMEs including: leverage on financial structure; lack of professionalism and overdependence on a few individuals; tough competition; low collection in account receivables; inadequate margin; high employee turnover and inability to cope with technological advancement. Moreover Duong (2013) suggests that SMEs from various sections are confronted by different risks. For example ICT related SMEs face extra risks that involve capital, establishment of entrepreneurship, intellectual property, internal management issues, asset and system issues.

ICT SMEs face external and internal risks just like other SMEs. Internal risks which have their source from within the firm are further divided into operational, financial, and organizational and management risks. External risks which take place in the business atmosphere of a SME and include technological, economical, political, cultural and legal changes (Henschel, 2008). Further, ICT SMEs encounter economic risks due to low demand for products, alteration on interest rates, price of commodities and financial challenges. The risks associated with ICT SMEs affect their performance and directly interfere with the SMEs capability to operate, produce final products, market the finished products, and offer important services to the customers. Risks may interfere with the company's performance by raising costs, lowering the quality of products, decreasing profit margin and interfering with ability to retain customers. According to Henschel (2008) internal, strategic and business process risks are the most significant categories of risks.

The managers of SMEs can mitigate risks suffered based on the particular business situations using various strategies such as accepting, avoiding, or transferring risk and development of a monitoring plan for the unforeseen risks. SMEs choose risk management

strategy depending on various aspects including demographic factors of individual SMEs and those of related business; economic factors; business characteristics and state policies. Previous research indicates that various SMEs in ICT sector employ diverse strategies in the mitigating risks, insurance being among the main tools for managing risks (Cioccio and Michael). Other strategies for managing risks include choosing of suppliers through signing of contracts (2008); use of individual network or co-operative associations in managing risky situations (Gilmore et al. 2004); and employing external and internal auditing (ICAEW, 2005)

SMEs that manage their risks improve their performance and gain numerous benefits. The benefits include: reduction of cost of capital; increased competitive advantage through identifying those risks that can be taken advantage of; reduced earnings instability which results in enhancing shareholders' worth; reduced and enhanced informed decision making ability for shareholders and management (Fong-Woon Lai, 2010; Gordon, Loeb, & Tseng, 2009). According to Woon et al. (2011) successful risk management strategies leads to value creation for SMEs through lowered cost of capital (via lowered risk premium) and improved business performance (i.e. higher price-to-earnings ratio for the firm's shares). Owing to the enormous benefits that risk management on SMEs have on the performance of businesses, it is necessary to carry out further studies so as to understand the function of risk management strategies on ICT SMEs performance.

1.1.1 ICT SMEs in Kenya

In Kenya, SMEs are regarded as the most prevalent source of jobs that is able to spread development throughout the nation (Republic of Kenya, 2005). The SMEs sector contributes 18% of the Gross Domestic Product of the country and provides employment to 74% of the population in the labour force. SMEs sector is not only leading in the provision of services

and goods but also in facilitating innovation. Further, it promotes a healthy competition in industrialization and the development of the private sector (Republic of Kenya, 2005).

Based on the classification of businesses in Kenya, a small enterprise comprises of companies with between 10 to 50 workers, between Ksh.500, 000 and Ksh.5, 000,000 annual turnover and investment of between Ksh.5,000,000 and Ksh.20,000,000 (Republic of Kenya, 2005). According to this categorization, employees in a medium-size enterprise would be between 50 and 100, and have an annual turnover of between Ksh 5 million to 800 million. The government of Kenya recognizes the potential small enterprises have in poverty reduction and employment creation. Kenya Vision 2030 identifies Information and Communication Technology as an essential element of growth since it is a major investor in goods, services and people. In Sub-Saharan Africa, ICT has in the past decade served as a major engine of economic growth. The ICT sector has grown at the rate of 40% annually in the past five years, the fastest internationally. The ICT and mobile sectors in Kenya have grown at an average annual rate of 20%, overtaking all other areas of the economy, over the past decade. This growth has also led to an increase in the number of ICT SMEs in the country, with the number of ICT SMEs approximating between 1,000 and 2,000 as of the year 2010 (ICT Board of Kenya).

1.1.2 Growth of SMEs

The main focus of any business owner is the firm's growth. The growth agenda differs from one firm to another in spite of them operating in the same (Matthews & Scot, 2005). The progress path of SMES has three development pathways which include slow, moderate and high growth. The low growth development pathway accounts for roughly 70% of SMEs while the moderate growth is approximately 25% and the high growth pathways accounts for around 5%. Traditional SMEs which exist to provide employment and income for their owners tend to follow the low growth development pathway. They are

characterized by low growth aspirations and are their operations are dictated by the ambitions of the owners-managers. Capped growths SMEs following the moderate growth development pathway generally have modest growth aspiration. Bounds to growth could be externally imposed by the nature of their competitive environment; or may be intrinsic given the nature of their operations (Matthews & Scot, 2005).

Entrepreneurial SMEs following the high growth development pathway generally have ambitious growth aspirations. They are most often associated with entrepreneurial aptitude, international outlook, technical and commercial innovation and other business qualities that could see them eventually become large enterprises (McMahon, et al., 2003). Employment, profit, value addition, turnover, total assets and market share are the major parameters of growth suggested by theorists. But high- performing small firms also place emphasis on new product development, product improvement and adoption of new methods in addition to the indicators measuring current business performance such as product quality, customer service, employee productivity and efficiency and employee welfare (Kotey & Meredith, 2007).

1.2 Problem Statement

Risk is inherently present in all business actions and in every economic activity. Every business decision or any entrepreneurial act is somewhat connected with risk. Risk is defined as the possibility of something undesirable taking place. It is the possibility of something happening that may affect your business objectives either negatively or positively. Thus risk management plays a key role in mitigating risks among Kenyan SMEs. More so as the SME sector in Kenya continues to grow and expand rapidly, creating jobs and enormously contributing to the GDP and attainment of vision 2030 the need for risk management strategies has been more than necessary. (Ndagu & Obuobi, 2010).

According to Dănciulescu (2013) the increasing dependent on the use of ICT by citizens and organization in the world has led to the growth of SMEs in the ICT sector. The growth of ICT SMEs has led to adoption of risk management strategies with the following advantages: higher earning in long run, support for business strategies planning; improves communication between different levels in the company; offers the certainty of control over the activities performed and leads to operational efficiency in carrying out their projects.

SMEs in Kenya face a number of challenges and risks that can majorly be categorized under the following: operational risks, technological risks, and financial risks among other risk factors. However, as (Muhammad & Amber, 2011) asserts that the risk that any business faces depends on the type of industry and economy where it operates. According to oryl (2013) SMEs in the ICT industry in Kenya face challenges on business climate, access to capital, low level of business skill and lack of connected network.

Various studies have been carried out on role of risk management strategies in SMES. These studies include: Masiyiwa (2014) who carried out a study on current risk practices of SMEs and effect of risk management on growth and success of SMEs in manufacturing industry. Though this study was industry specific it never focused on ICT industry and was a case study carried out in Zimbabwe.

Mwangi (2014) carried out a study on the effect of risk management strategies on the financial performance of top 100 SMEs in Kenya. This study was not industry specific but focused on all categories in SMEs among top 100 SMEs. Similarly Kinyua (2014) also carried out a study on the effect of risk management strategies on the project performance of SMEs in Kenya. This study focused on performance of projects in ICT SMEs and not on performance of ICT SMEs in general. It also focused on the following variables: project timeliness, project schedule and project profitability. Due to limited studies that have focused on the role of risk management practices on growth of ICT SMEs in Kenya, this study was

carried out to establish the role of risk management strategies on growth of SMEs in ICT sector in Kenya.

1.3 Research Objectives

The main research objective and its constituent specific objectives were as below:

1.3.2 Main Objective

To analyze the effect of risk management strategies on the growth of SMEs in ICT industry in Kenya

1.3.2 Specific objectives

- (a) To determine the effect of insurance policy uptake on the growth of ICT SMEs in Kenya.
- (b) To determine the extent to which network relationship influence customer growth of ICT SMEs in Kenya.
- (c) To evaluate the effect of internal audit systems on growth of ICT SMEs in Kenya.

1.3.2 Research Questions

The research was guided by the following research questions:

- (a) How do insurance policy uptake affect the growth of ICT SMEs in Kenya
- (b) What is the extent to which network relationship has enhanced growth of ICT SMEs in Kenya?
- (c) What is the effect of internal audit systems on growth of ICT SMEs in Kenya?

1.4 Justification of the Study

It is essential to carry out the envisaged study due to the prospective gains various entities stand to gain from it. This study is justified because of its apparent essence to various groups, key of which are elucidated below:

1.4.1 Contribution to knowledge base

The area of SME is a common domain for researchers and academicians. Since this sector is touted as the engine of economic growth, many are interested to venture into this area of study. Thus, the findings from this study could be used as reference for future research. The research work would also be of enormous assistance to various levels of educational institutions in the country, especially the universities as reference material for further studies and research work on risk management strategies. The study will further contribute to the existing literature on mitigating and providing confidence to entrepreneurs in their investment decisions.

1.4.2 Contribution to Stakeholders

The national chamber of commerce is the highest policy making body that is supporting SMEs in Kenya sector. One of its roles is to formulate strategies for the SMEs. The study indicates that good risk management practices have an effect on the growth of SMEs, thus the national chamber of commerce may with reference to the study develop policies to encourage the uptake of risk management practices among SMEs in Kenya. Also, the insurance regulator in the country may find it useful to adopt pragmatic means to encourage the adoption of risk management strategies, and thus improving the impact of insurance on performance of SMEs. Institute of certified accountants in Kenya, the body that develop policies that govern auditing practices, may as a result of the study come up with policies, rules, brief to encourage the use of internal audit in SMEs.

1.4.3 Contribution to Theory and Practice

The research will benefit, risk managers, business consultants and business continuity consultants by understanding the impact that risk management strategies is having on the growth of SMEs. The findings of the study will serve as a springboard to generate interest for further research into the other aspects of insurance challenges. This study will provide input

for SME managers who are currently using risk management to continue embracing risk management practices because of its benefits. SMEs' owners who do not practice risk management or who are in the process of implementing risk management within their entities, will have a better understanding of its importance and thus adopting it easily

1.5 Scope of the Study

The study was delimited by focusing only on the ICT SMEs in Nairobi County and among the Top 100 SMEs in Kenya. It considered the impact of risk management strategies on the growth of SMEs in Nairobi. The study focused on the following categories of risk management strategies: insurance, network relationship and internal audit while excluding other risk management practices. The study took an estimated period of three months. The study was also limited in terms of the methodology since it only use quantitative study and not qualitative study which would have provided a better method to gain the views of SMEs managers and owners.

1.6 Limitation of the Study

The study was carried out among ICT SMEs in Nairobi and therefore the results do not generally represent all the ICT SMEs in Kenya.

1.7 Assumptions of the Study

The study was carried out under the following assumptions

- i. The respondents would co-operate and facilitate the process of collecting information from the target respondents.
- ii. Majority of the SMEs would have been in operation for at least a year
- iii. Some of the ICT SMEs in Nairobi County had implemented risk management strategies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two of this study was dedicated to demonstrating how the research problem identified in the previous chapter fitted into a body of knowledge that had been build and generated over the years. The chapter reviewed the literature and knowledge on the risk management strategies and their effect on theories and growth of SMEs in ICT sector in Kenya.

2.2 Theoretical Framework

The study was based on two theories, namely the Capital Market Theory and the Agency theory.

2.2.1 *Capital Market Theory*

The role of the Capital Market Theory in modern finance cannot be underestimated. Capital Asset Pricing Model (CAPM) is the most common model in capital market theory. CAPM is an advancement of an earlier model called portfolio choice developed by Markowitz (1959). The unique advantage of the CAPM over other asset pricing models is that it gives powerful predictions on how to assess risk and the association between risk and expected return. The aim of investors, based on the CAPM, is to maximize the anticipated returns and reduce the variance of their portfolios. Based on Sharpe (2006) and Lintner (2001), the standard version of the CAPM, links the rate of return expected for an individual security to its systematic risk measure.

As measured by beta, systematic risk captures that part of investment risks that diversification cannot eliminate. An important property of the CAPM is that compensation of investors with a higher expected return can only be done if the investors accept the systematic risk. Additionally, the CAPM proposes that the expectation of higher-beta

securities is that they would offer higher expected returns when compared to lower-beta securities since the risk of the higher-beta securities is more (Elton & Gruber, 2005). However, this idea that unsystematic risks can also be managed is inconsistent with the theory of Modigliani and Miller.

According to Modigliani and Miller (2001), financial decisions have no effect on the value of a firm in a perfect market. Based on them, managing hedge or risks is not necessary to protect firms against probable losses resulting from unsystematic risks. Such actions are not valued by the market; rather a systematic risk of the firms is the only thing that is valued (Miller & Modigliani, 2001). The argument is founded on the supposition that the investor will alter his portfolio by diversification depending on his risk preference because the investor is rational.

Therefore, Berk (2009) concurs that there is no need for a firm to manage risk because management of risk at the company level and in a frictionless capital market that lacks asymmetric information, would lead to a negative project performance. Nocco and Stulz (2006), however, contend that the activities of managing risks can increase value for shareholders. One feature that is contrary to the supposition of Miller & Modigliani is that practically not all investors are likely to diversify their portfolios. Moreover, under the theory of a perfect market, there is negligence of taxes and operation cost whereas they are real and might make management of risks plausible. This is particularly reasonable when market imperfections, information asymmetries, and agency costs are considered to have been influenced by perfect capital market operations.

In this kind of environment, risk management can be used by managers to reduce instability of income (Dhanini et al., 2007) where the market frictions that are assumed to be absent in the Modigliani- Miller environment exist. This implies that risks can only be managed corporately in an imperfect market. Therefore, management of risks corporately

brings extra value to shareholders in spite of the Modigliani-Miller financial theory stating that it is obsolete (Oosterhof, 2001).

2.2.2 Agency theory

The agency theory argues that a firm is a nexus of contracts between economic resource owners; namely, the principals; and managers, namely, the agents: who are responsible for the use and control of those resources (Jensen & Meckling, 2007). The theory hypothesizes that agents are more informed than principals and that the ability of the principals to keep an eye on the agents in an attempt to ensure that their interests are upheld by the agents is adversely affected by this information asymmetry. Additionally, the agency theory presumes that both principals and agents are rational in their actions and that they use contracting to increase their wealth. Consequently, a problem is brought by this assumption which according to Jensen & Meckling (2007) is called the "moral ...hazard".

The problem is that for agents to maximize their individual wealth they may encounter the dilemma of acting contrary to their principals' interests. Since principals have limited access to information at the time of decision making by the agents, they cannot establish as to whether or not the agent's decisions favour the firm's interests (Sarens, and Abdul mohammadi, 2011). As a way of reducing the chances of this problem referred to as the adverse selection and the problem called the moral hazard, agents and principals enter into contracting to attain Pareto-optimality. Among the actions that principals and agents take is establishing monitoring processes such as network relationship, internal auditing, and insurance policy uptake.

Based on Watts (1988), insurance policy, and internal auditing are specifically regarded as a bonding cost that agents bear to satisfy the performance and accountability demands of the principals. The cost of insurance and internal audit function, like any operational cost of the firm, is therefore paid by agents to protect individual economic

interests. Managers, therefore, invest in insurance or the internal audit function to prove to the directors' board that usually represents the company owners, that they have the corporation under control. Expressly, managers want to demonstrate show that their risk control and management systems are adequate and effective (Sarens, & Abdulmohammadi 2011).

The agency theory can be employed to explain the behavior of the management in cases where it is mandatory to implement risk management. In such cases, risk management acts as the monitoring mechanism that principals employ to guard their interests. The presence of the internal auditors can be considered as the element of monitoring the management to ensure proper execution of the risk management requirement. Since risk management implementation involves considerable investments of both financial and non-monetary resources, the internal auditor is expected to monitor the exploitation of these resources to ensure they serve the best interest. In a similar manner, the insurance and internal auditors are expected to carry out their assurance tasks in the risk management of firms that voluntarily adopt these strategies (Mohd Ariff, et al., 2011).

2.3 Small and Medium Enterprises

The definition of SMEs (Small and Medium Enterprises) and micro companies can vary with the parameters used to describe it. One such definition is that they are business risk management companies with a small number of personnel of about ten contracted employees for micro businesses, up to 50 staff for small firms, and about 250 workers for an enterprise of a medium size. Based on the 2004 report of the European Commission, the definition of SMEs adds that they are major contributors of innovation, entrepreneurial skills, and employment.

Consequently, to be regarded as an SME, an enterprise must first qualify as a legal entity, and then the business will be evaluated and classified based on the staff headcount,

yearly turnover, and the annual balance sheet (European Commission Report, 2004). Classifying enterprises based on the number of the staff alone, however, is vague.

There are various aspects that can be used to differentiate SMEs from larger corporations, as elucidated below:

2.3.1 The decision-making process

Contrary to SMEs, which require relatively less time for the decision-making process, larger companies require more time because of their higher levels of bureaucracy.

2.3.2 The risk embracement level

SMEs particularly start-ups and small enterprises that are attempting to expand usually regard themselves as a risk. Consequently, SMEs often use an offensive approach to confronting risks with the aim of growing; whereas larger corporations take risks defensively, with the aim of preserving the strengths of the business.

2.3.3 Resources allocation

Smaller businesses tend to budget for every penny while larger firms tend to have more open limits in the allocation of resources due to their higher capability. Concerning risk, SMEs are considered as open to taking risks thus adding to the reason management of risk by these enterprises should be strengthened. The study explores various significant risks of SMEs.

2.4 Risk Management

Risk management is the process of comprehending, assessing and managing various risks that organizations face as they attempt to fulfill their goals. The risks that an entity may face include legal compliance, operational, information, personnel and financial. The fundamental solution to managing risks is enterprise risk management (CIMA, 2005).

Major events such as fire, floods and storms accelerates anticipated rate of failure. In case there is a fire outbreak, the business person should manage the business normally but, additionally, the parson must oversee the rebuilding, restocking and replacement of damaged equipment (Manning, 2002). Identifying and analyzing potential risk factors is essential in asset protection and loss reduction.

The management of risk benefits all kinds of economic and social projects that face possible losses (Dorfman, 2008; Rejda, 2007). Every business will always be threatened by various risks, but their impact can be reduced and constrained within satisfying limits by managing the risks effectively.

2.4.1 Risks specific to small businesses

Strong risk management strategies are necessary for every business, and micro-companies and SMEs require even stronger risk management strategies. Due to their limited size and capacities, small businesses are prone to suffer from unique risks such as:

Business entity risk: Most micro-companies and SMEs are either proprietorship or partnerships. In micro companies, operational risk is higher due to lack of experts, with one or two persons managing the organization. SMEs also suffer from business entity risks that manifest itself in terms of operational risks.

Human capital risk: A study in England, Singapore, and Wales by the Institute of Chartered Accountants coincidentally demonstrate that most consequential risks among small businesses are instigated by human factors (Alpa, et al. 2005). Employee's high turnover and a shortage of professionals both result in wastage of labor and extra training costs. Over time, the human factor will reduce production and impinge on the brand image of small businesses as an employer. Due to the tight budgets of small businesses', any extra cost exerts more financial pressure.

Labor, fuel and advertisement costs can thin the margins of the company's budget. Due to insufficient cash flow, many small businesses rely on ongoing activities generate money for running their daily activities. In case of emergencies, the business will stall and be unable to fund future projects. Since SMEs and micro companies key to the country's economy, banks, and other lenders are persuaded to support them with the expectation of high return rates.

However, it is important for banks and other lenders to consider the capability of small businesses so as to respond sufficiently and effectively to the urgent needs of the small businesses. Further, the lenders should ensure that the small businesses are in a position to repay the debts and at the same time continue operating their businesses (Dorfman, 2008).

Competition and market share loss risk: In spite of their role in economic growth, the virtue of micro-companies and SMEs is to remain small scale. Consequently, they cannot avoid stiff competition from bigger entities to attain market shares that are visible and profitable. Adverse events that affect business operations negatively are too many to list or fit into one category. The risks that SMEs and micro companies face can be classified based on their sources. These risks include customer, supplier and staff posed risks (CPA Australia, 2009). The main reason for identifying these risks is to enhance their management and reduce losses.

2.4.2 Managing Risks

Identified risks can be managed in four major ways that include elimination, acceptance, transfer, and reduction depending on the frequency and degree of the loss. Complete elimination of a risk can be done by embracing a totally new technological change. Acceptance of a risk happens when the cost of eliminating it will prove inefficient and unjustifiable.

Risk transfer is usually done through insurance if the risk involved is severe, but the chances and frequency of loss are low. Risk reduction is conducted by adopting new safety measures if the involved cost is justifiable when compared against the benefits. Risk management involves establishing methods, tools and processes to address areas that have been identified by the management as significant threats to the firm.

Managing risk is not a one-time exercise, but rather, continuous monitoring and evaluation is necessary to achieve the desired effect. Such an approach to risk management

ensures that proper identification and assessment of risks, as well as appropriate risk control measures, are employed.

Continuous review, based on Dorfman (2008) and Rejda (2007), also offers an opportunity to learn from experience and enables an entrepreneur to make improvements to his risk management approach. Modern risk management involves not only insurance companies but also various types of businesses including debt rating agencies, regulators, international conglomerates and small enterprises. Insurance firms have always been employing risk analysis and evaluation techniques to ensure their profit, and their clients' businesses are sustained. Managers are stirred to lead more carefully in risk management by the losses from their operations or from witnessing other businesses collapse for failure to manage risk.

2.4.3 Risk Management as a Process

Risk management has various aspects in relation to specific business sectors. Other than financial risk management, there is need to manage risk associated with accounting, information system, disaster, supply chains and other perspectives (David O. & Desheng W, 2008). Following the International Organization for Standardizations' guidelines, a conventional process of risk management entails three major steps (ISO 31000:2009) which include:

Context establishment: The mapping out and planning of the full management strategy by identifying all potential areas of risks and assessing the likely effects, takes place in this step.

Identification: after establishing the context of probable risks to the business, the risk management will progress to find out the sources of the threats, risks or problems. Use of the most appropriate methods of risk identification and analysis would enhance the effectiveness of the steps involved in risk preparation and prevention. However, the choice of the methods is usually influenced by internal and external factors such as organizational, political and

cultural aspects that may make the selection biased. Risk identification and identification of the control solutions go hand in hand, with the latter following soon after the former.

Assessment: This last step comprises some sub-steps that encompass determining the possibility and definition of the consequences and the risk rating index. Description of consequences in terms of those that would result in an extreme risk or constitute a low-level risk would facilitate the identification of a suitable method of control. In developing the methods of managing risks, it is recommendable to define the consequences and levels of the risks. The assessment step may incorporate the process of decision making, especially when dealing with a high level of risk. For further development and afterward references, it is commendable for organizations to add the step of monitoring and post-process evaluation to the risk management process. This additional step would enable regular reviewing of the risks and advancement of the methods and definition of risks; both of which are essential to the success of a business.

2.4.4 Risk management in SMEs

Management in a small scale work setting requires proper coordination of business activities since each activity is related to another and affects the business' operation directly. Accordingly, management of risk in small businesses should integrate various management processes as opposed to being a stand-alone program. Besides risk management, the other management processes include business strategy planning, financial management, external relationship management and human resources management. Based on the business scale of micro firms and SMEs, the owner of the company will eventually be accountable for the risk decisions.

The level of risk management efforts needed is based on the business scale and the complexity of activities involved in the operation of the company or business. Businesses that require only one or two workers, who are also the owners of the business, will not be at the same level of human resource risk as micro firms with five or more employees.

Management of risk for a business of any scale depends on the systematic evaluation of the threats and strategic response to the risk. Small entrepreneurs and business owners are by nature optimistic. Their likelihood of ranking risk management among the last concerns on the list of priorities is, therefore, high (Alpa, et al. 2005). The research conducted in England and Wales by the Institute of Chartered Accountants demonstrated that risk management expenditures were less for smaller businesses in comparison to larger firms. The expenditure of SMEs is normally on internal external audits and insurance. There are many approaches of reducing exposure to loss and managing risks for micro firms and SMEs. One such approach as recommended by Kliem et.al (2007) involves a four-step process: identification of risk, analysis of the risk, mitigation of the risk and follow-up of the risk.

2.4.5 Project Risk Management in SMEs

The size and management skills of SMEs can constitute disadvantages or advantages. If disadvantages, they will limit the capability of SMEs when exposed to risks (Raghavan, 2005). Since SMEs normally organize their operations and management according to projects, it is advisable to examine the most prevalent project risks and how the SMEs define project risk management. Projects might require a long or short duration of risk management. Projects that run on a long risk management duration face budget risks and unforeseen circumstances such as market changes, fluctuations in currency and governmental changes. Shorter projects need relatively less time to operate, implying that risks may emanate from a poor approximation of costs and schedule.

According to Köster (2009) "local rules" should be considered when collaborating in worldwide projects. Each state has its distinctive business customs and attitude, which may not be recognized or changed by foreigners. Depending on a company's business customs, therefore, a contract may be entered into or rejected in case the customs act as an obstacle. Moreover, an SME's attitude towards taking risks can lead to failure of a project. In an attempt to grow, for instance, SMEs may engage in projects that are beyond their ability and,

therefore, fail due to overconfidence. Overconfidence is therefore a major challenge in project management (Russo, 2000).

A flexible project risk management adjusts depending on the scope of operation. This means that alternative plans can be formulated and modified to fit long or short risk management projects. Chapman et al. (2006) defined project risk management as a measure of uncertainties found in a project's schedule and the approximation of cost and budget. The existence of many models of project risk management is, therefore, justifiable. Different models bring in different stages and steps of assessing and controlling project risk. Nevertheless, the different models maintain a general process of risk identification, analysis of risk, responding to risk and monitoring risks.

2.5 Risk Management Practices

There are a variety of tools available to the enterprise to manage its risks, therefore reducing the frequency of adverse occurrences and their prospective magnitude if they ever arise.

2.5.1 Insurance as a Tool for Managing Risk

Insurance is among the major solutions to the challenge of risk financing. According to Dorfman, (2008), insurance is the transfer of potential losses by owners of enterprises, families and individuals to an insurance pool whereby the costs of the losses are redistributed among the pool's policyholders. In economics and law, insurance is a type of risk management that is mainly used to take caution against the risk of the contingent, unpredictable loss. Insurance entails transferring the risk of loss from one party to another in exchange for compensation. In risk management, taking insurance cover is an organization's first line of protection. While being underinsured may prove disastrous for an organization, duplicate insurance coverage misuses money that could be useful elsewhere (Valsamakis, Vivian and Du Toit, 2005).

Insurance is a crucial method of dealing with the risk that presents financial consequences. Conveniently, insurance has been defined as the business of transforming

insurable event risks by way of high-profit contract. Insurance firms are therefore transformers of risk. Insurance provides a means of transferring the cost of risk but not a means of transferring risk. An insurance contract is one in which an entity procures the right to have another entity indemnify it for insured losses. Based on Culp (2001), insurance firms provide financial innovations to their clients by letting the insured transform their risks.

In a free business economy, insurance is important since it guards the society against the results of financial losses from various misfortunes. The world is encompassed by numerous tragedies' such as hurricanes, earthquakes, floods, theft, pollution and terrorism. Insurance companies cater for most predictable losses. One of the crucial decisions an enterprise owner can make is to have the right type of insurance. Insuring a company both protects the company's assets and, therefore, avoids total collapse in case of a tragedy as well as safeguards personal assets which are vulnerable from losses (Siegel & Yacht, 2010).

It is vital to understand that risks can only be controlled and managed but cannot be completely eradicated. In spite of evaluating and implementing the best plans to avoid errors, insurance related risks such as management risk transfer can still occur. Insurance is one the solutions that companies can use to protect themselves against losses. According to Mehr and Camack, (1976), the prerequisite for being insured is to have risks that match common characteristics.

Insurance firms give various types of insurance policies. These policies include: business property insurance; liability insurance; health insurance; workers compensation insurance and life insurance. Due to being susceptible to liabilities, small companies are advised to insure against them. Liability insurance protects third parties who are in the business entity and entitles them to compensation from the insurance company. Liability insurances available to small business include Public General Liability Insurance, Professional, Public, Employers and Product Liability Insurance. Assets are very significant

to any business and are expensive to replace in case of loss or damage. Small businesses should, therefore, insure against property loss through business property insurance. A healthy workforce is very vital for running the daily activities of a business. Since workers are susceptible to sickness, it's important for businesses to insure their workers against sickness through Health Insurance.

SMEs need to understand that insurance policies can be adjusted to suit their demands by including an adjustment clause in the agreement. By contacting insurance experts, the businesses can be enlightened on how to activate this clause. Finally, it's paramount for business owners to understand the value of risk management through insurance. The business should make the right decision regarding insuring so as to avoid any possible loss in the future. Over-insurance or under-insurance are not healthy for any business. Insuring protects the image of the business, boosts the morale of workers, helps to maintain customers, sustains a high profit level and enhances the longevity of the business.

2.5.2 Internal Audit as a Tool for Managing Risks

Based on the Institute of Internal Auditors (2009), the management and the board are accountable for actual management of risk, whereas internal auditors are in charge of providing assurance on the management process and to advice on risk management. Based on the 2009 paper of the Institute, internal auditors are to perform these functions as long as the activities do not jeopardize their objectivity and independence. Internal auditors have an opportunity to advance beyond their conventional scope and improve the risk management strategies of their organization. This means that, besides offering consulting services for the improvement of an organization's management, internal auditing can enhance the processes of risk management and control. The level of consulting internal auditors on management of risk is dependent on the availability of external and internal resources to the board. The extent of consultation is also dependent on the risk maturity of the firm that often changes over time.

The internal auditor has expertise in risk assessment, understanding the relationship between governance and risks and in facilitation. The expertise of the internal auditor, based on Spira *et al* (2003), qualifies the auditor to serve as a champion and a project manager in charge of risk management particularly in the introductory stages of the programme. The internal audit function may reduce with the increase in a firm's risk maturity and with the embedment of the risk management in a firm's operations. Also, if a firm hires a specialist in risk management; it would be more valuable for the internal auditing to focus more on its assurance function, than by engaging in the consulting activities.

Nevertheless, in case the risk-based approach that assurance activities represent has not been adopted by the internal auditing, it would be difficult for the auditing function to carry out the consulting role. Among the consulting activities of the internal audit is availing management tools and techniques that are used to assess and control risks since the internal audit is a champion for the introduction of risk management into a firm. The internal audit expertise is not only important in influencing risk control and management but also in the overall governing of an organization. It provides advice, facilitates workshops, and serves as the focal point for monitoring, coordinating, and reporting on risks to support the management in the identification of the best ways of dealing with a risk (Dorfman, 2008).

The main factor that determines the compatibility of consulting services with the assurance roles is whether or not the internal auditor is taking up any responsibility of the management. The internal auditor can offer consultation services provided that he does not take up any role in the actual management of risks. It should, therefore, remain clear that risk management is the role of the management and that internal auditing cannot take up this role on the management's behalf. Another condition is that the internal audit charter should stipulate the responsibilities of the internal auditor and the nature of their engagement, which must be endorsed by the committee of internal auditing. Therefore, rather than making

decisions on risk management, internal auditors should give advice that challenges or supports the decisions that the management makes. Additionally, internal auditors are not allowed to provide objective assurance in any aspect of the framework of risk management for which it is accountable.

A risk management framework should be implemented within the legal requirements to make sure there is transparency both internally and externally. The legal requirements for the execution of risk management in companies are stipulated in professional regulations. The regulations give consideration to the development of programs dealing with risk. Such considerations incorporate conclusions on management of risk; recommendations that seek to reduce exposure to loss; audit reports indicating the value of exposure to risk and its consequences based on the preset objectives; and the necessity of defining priorities to guide decisions on allocation of resources based on the significance of the risks. The risk of a firm is determined by its workers' decisions and actions.

The search for economic stability in various business entities, particularly small and medium size businesses has led to the development of many methods and mechanisms of evaluating and dealing with potential risks. Also, there is need to develop corrective measures to minimize undesirable outcome. An integrated system of managing risks is, therefore, necessary. An example of the system is the enterprise-wide system that involves identifying, analyzing, evaluating and managing all risks at the level of an enterprise. The risks managed by the system include market risks, financial risks, operational risks and strategic risks. These risks are described in the sections below.

Market risk: This risk has a strategic significance within the risk profile of a firm and its liquidity in the medium term. The risk that may come on an entity's products need to be identified, analyzed and reduced where possible to ensure attainment of the anticipated revenues. Hedging mechanisms and strategies may be determined and employed to protect

the firm's cash flow. The determination of the appropriate mechanisms may require auditors. There is also a need to identify, develop and evaluate incident scenarios associated with high potential operational risks.

Credit risk: Credit risk is the risk of failure to pay by one counter entity in contractual commitment leading to financial loss of the firm. Significant credit risks should be analyzed, checked and managed at the enterprise level using various preset credit limits depending on the creditworthiness of each supplier or a business partner. The ceilings in terms of amount and maturity for each business partner should be regularly reviewed to ensure the counterparties are credit worthy. Risk management skills and awareness of a firm's risk profile should be enhanced based on a firm's risk appetite. Accordingly, there is a need for the entities to establish an internal system of control such as the internal audit. According to Ana Fernández-Laviada (2007), such a system would detect or prevent risks and events such as deception, damage, nonconformity, errors, illegal transactions and misrepresentation in financial reporting.

Different models of activities indicate that some steps have been taken in the evaluation of risk management that influences the planning and implementation process of internal audit. As a result of this, the audit function has become prominent within SMEs, with the board of directors or the management of SMEs assuming the overall role of ensuring significant risks are dealt with. In its support, the internal audit executes the consulting role and provides objective assurance on ERM. It also assesses the efficiency and effectiveness of the relevant policies, systems and procedures of an entity. The systems are designed to correctly identify and manage risks; determine the integrity and dependability of information; ensure that laws and regulations are observed; enhance efficiency in the use of economic resources; protect assets; and ensure the business objectives are met.

2.5.3 Network relationship as a Tool for Managing Risks

The study of the B2B or industrial markets dates back several years before the idea of relationship marketing. In B2B marketplaces, networks are regarded as vital aspects to the strategic success of a firm. According to Mattsson (2007), there are two separate but interconnected research approaches on network marketing that is, relationship marketing, and 'markets-as networks' approach. Relationship marketing involves the management of the relational exchange and customers. Grönroos (2006) defines marketing as the management of the relationships of a company.

According to Ballantyne (2010), relational marketing entails creation development, and sustenance of value exchanges between the entities involved. The approach of 'networks-as-markets', on the other hand, offers a slightly different view. Its perspective is that markets are sets of interrelated exchange associations between those in charge of managing production resources, thus creating an early concentration of selling and buying. This approach recognizes network structures are formed by individual, interrelated associations.

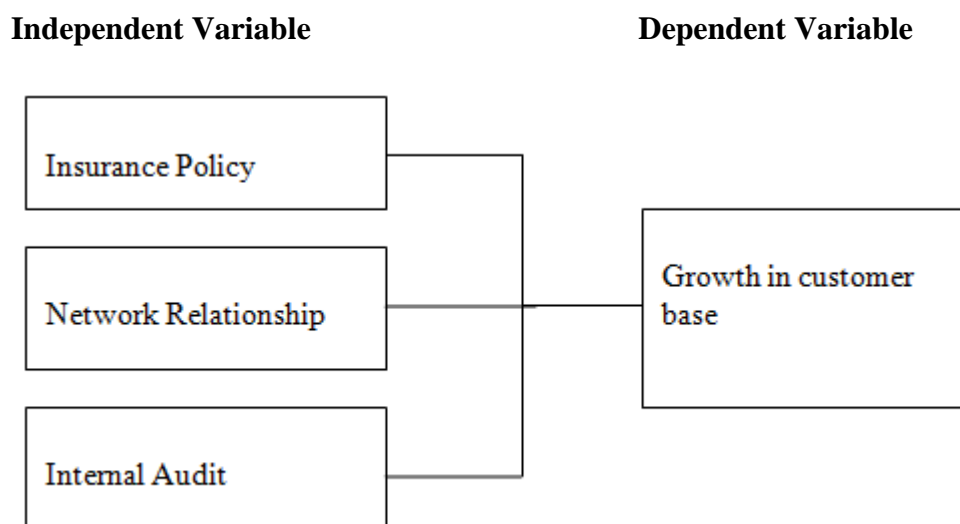
Möller and Halinen (2009) argue that networks are replacing conventional markets. They also advance that firms should focus beyond buyer and supplier associations develop elaborate company webs such as competitive alliance and networks of research and development (R&D). Although definitions of networks were conventionally in favor of the network relationships in the marketplace or the supply chain, modern definitions accommodate a variety of functions and competencies. A network may be considered as a group of businesses that coordinate their operations to accomplish various roles and add diverse competencies. Such networks that link various firms form the organization's basis for managing risks and promote effectiveness in a competitive setting.

According to Zolkiewski (2011), in a B2B relationship value is a persistent suggestion and networks are beneficial in managing risks. Small and large technological firms that take advantage of business, social, marketing, and industry networks will obtain extra risk management benefits. Further, Zolkiewski (2011) connotes that small businesses that are limited in terms of capacity and capabilities can benefit more by embracing networking as a strategy for minimizing risk management costs. Further, the use of informal channels such as social networks and linkages provides a more efficient and stable flow of resources and information as well as enhances a close relationship between the SME and the customer. The close relationship developed through social network enables the customer to be involved as a co-creator in the value addition process.

2.6 Conceptual Framework

Figure 1 below shows the conceptual framework of this study.

FIGURE 1
Conceptual Framework



Source: Author (2015)

2.7 Operationalization of Variables

The study variables were operationalized as per table 1 below:

TABLE 1
Operationalization of Variables

Variables	Indicator	Measurement	Questions
Insurance	No of Insurance policy	Nominal /Ordinal	Section B question 15 and 16
Internal Audit systems	Stock count records, Project appraisal reports Internal audit guide/manual	Nominal/Ordinal	Section C question 18 and 20
Network relationship	Presence in Facebook/no of websites visitations	Nominal/Ordinal	Section D question 21,22 and 24
Growth of SMEs	Increased customer base, Launch of new products /brand	Nominal/Ordinal	Section E question 26 and 27

Source: Author (2015)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the framework in which data collection and analysis was carried out. It points out the research design, variables and their measurements, the target population, sampling methods and instruments used in data collection. It also addresses data processing and analysis methods.

3.2 Research Design

The study adopted descriptive study design. Descriptive research is the investigation in which quantitative data is collected and analyzed in order to describe the specific phenomenon in its current trends, current events, and linkages between different factors at the current time. (Saunders et al, 2003). Descriptive research design was chosen because it enabled the researcher to generalize the findings to a larger population. The design helped establish the relationship between risk management practices and growth of SMEs.

3.3 Target Population

Target population is that population to which a researcher wants to generalize the results of the study (Mugenda & Mugenda, 2003). The target population of the study was 14 ICT SMEs in Top 100 SMEs in the years 2013 and 2014 ((KPMG report, 2013; 2014). The study targeted top 100 SMEs for 2013 and 2014 for the reason that it was easy to get the sampling frame for SMEs in Kenya. The two years 2013 and 2014 were selected due to the reason that top 100 SMEs having started in 2010, most ICT SMEs only dominated in 2013 and 2014. The unit of analysis was the ICT SMEs while the unit of observation was the managers, directors and owners.

3.4 Sampling Design and Procedure

Census sampling was used to select all the 14 ICT SMEs. Census sampling was used because the target sample of the study was small. From the 14 ICT SMEs 4 respondents were selected from each SMEs bringing the total sample size of the study to 56.

3.5 Data Collection

The Primary data was collected using the questionnaire method. This method was adopted because it helped collect data from many respondents within a short time thus not only minimizing time but also on costs. Primary data on the effect of risk management strategies and growth of SMEs was obtained from management staff and Owners using a closed questionnaire. Management/Owners were purposively selected to provide data because they deal with policy formulation. The respondents completed the questionnaire voluntarily and the researcher provided assistance in filling up the questionnaires where required.

The questionnaire comprised four major sections. Section A included general questions while Section B comprised questions on risk management. Section C comprised questions on Insurance as a risk management. Section, D focused on internal audit. Completed questionnaire were checked for plausibility, integrity and completeness resulting in all cases being usable. The questionnaire was subjected to a pretest to test for reliability and validity.

Reliability as the degree of consistency and precision in which the measuring of the instrument demonstrates under same circumstances, same research respondents using the same instrument should generate the same results under identical conditions (Amin, 2005). In determining reliability of the instrument, the researcher administered 10 questionnaires to some respondents from ICT SMES who were not part of the study.

To determine the reliability of the study, the Cronbach's Alpha Coefficient was used to assess the internal consistency and with a score of 0.7 established the instrument was reliable to be used in the study.

Validity measures the degree to which an instrument measure that which it is out to measure (Smith, 2003). The validity of the instrument was measured using the content valid index that is the total number of valid items/ total number of items. One instrument was selected and subjected to a content valid index and with a score of 0.7 showing validity.

3.6 Data Analysis

Data collected was analyzed using Pearson correlation and ANOVA regression analysis using the following model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \dots \dots \dots (i)$$

Where:

Y is the dependent variable (Growth of SMEs) measured as customer base. The researcher used the average growth in customer base over a two year period.

α is the constant value growth assumed when insurance, internal audit and network relationships are equal to zero. ϵ is the disturbance or error term.

X_1 , X_2 , and X_3 are the risk management constructs i.e. Insurance, Internal Audit Systems and Network Relationships respectively

β_1 , β_2 , and β_3 are Beta Coefficients of X_1 , X_2 , and X_3 respectively.

CHAPTER FOUR

PRESENTATION OF RESULTS AND DISCUSSION

4.1 Introduction

This chapter focuses on the analysis of the collected data from the field as well as the discussions of the findings. The results of the study are based on general objective of the study which was to investigate the effect of risk management strategies on the growth of small and medium enterprises in ICT sector. The results of the study are presented in both tabular and graphical formats.

4.2 Response Rate

The target sample for this study was 14 SMEs operating in Nairobi. However, only 13 SMEs responded to the questionnaires issued out by the researcher thus resulting to a response rate of 98% which is above the 60% response rate threshold (Mugenda and Mugenda 2003). Hence the sample size was sufficient for the study.

TABLE 2
Response Rate

Category	Frequency	Percentage
Completed questionnaires	51	98%
Non-completed questionnaire	5	2%
Total	56	100%

Source: Author (2015)

4.2.1 Reliability and Validity of the Questionnaire

The average score on Cronbach test for internal audit questions was 0.81, while for network relationships questions was 0.79 and insurance questions 0.80 thus indicating that the questions were reliable because the scores on each section were greater than 0.7.

TABLE 3
Reliability and Validity of the Questionnaire

Category	Frequency	Score
Internal Audit Questions	5	0.81
Network Relationships Questions	5	0.79
Insurance Questions	5	0.80

Source: Author (2015)

4.3 Socio-Demographic Characteristics

This section presents the socio-demographic characteristics of the respondents and SMEs. The following are presented below, Education of the respondents, gender of the respondents, number of employee's position of the employees and that the SMEs have and the sector which the business operates.

Table 4 gives the level of education of the respondents where 65% of the respondents had undergraduate level of education while 22% and 14% of the respondents had postgraduate and secondary level of education respectively. According to Kim and Vonortas (2014) education of the owners/managers is related to the adoption of risk management strategies among SME, with higher SME owner education being positively related to risk mitigation strategies, such as networking, and strategic actions to mitigate technological financial and operational risks.

According to Nazri (2010), the level of education of the owner/ managers affects the accounting practices of SMEs. Sheridan (2009) concurs and highlights that financial reporting; a key component in the risk management practices by SMEs is dependent on owner manager skills.

Further Table 4 also shows the distribution of respondents by gender. Both genders were almost equally represented in the study with 53% being male and 47% female. According to a study carried out by Watson and Newby (2005) among 673 SMEs in West Australia. He established that there was a significant relationship between gender and risk

management practices, with the study reporting that male SME owners appear to show a greater risk appetite than female SME owners.

TABLE 4
Socio-demographic characteristics

Characteristics	Response	N	%
Level education	Undergraduate	33	65%
	Post graduate	11	22%
	Secondary Level of Education	7	14%
	Total	51	100%
Gender	Male	27	53%
	Female	24	47%
	Total	51	100%
Position held in the SME	Entrepreneur	7	14%
	Manager	34	67%
	Owner-Manager	10	20%
	Total	51	100%
Years of operation	11-20 years	19	37%
	21-30 years	15	29%
	5-10 years	8	16%
	Under 5 Years	7	14%
	Over 30 years	2	4%
	Total	51	100%
Size of Employees	11-20 Employees	32	64%
	21-30 Employees	9	18%
	0-10 Employees	6	12%
	41-50 Employees	2	4%
	31-40 Employees	1	2%
	Total	50	100%

Source: Author (2015)

The study sought to establish the positions held by the respondents in the selected ICT SMEs. The table above shows that majority of the respondents were managers (66.7%) while 19.6% and 13.7% of the respondents were entrepreneurs and Owner-manager respectively. This study findings confirm that majority of the respondents of the study were in a position to provide information that was required thus fulfilling the research objectives.

The study sought to establish the number of years that the ICT SMEs have been in operation. The findings reflected that 37.3% of the SMEs have been into business for between 11-20 years. 29.4% of the respondents show that their businesses have been in operation for between 21-30 years while 13.7% of the business had been in operation for less

than 5 years and 3.9% of the SMEs had been in operation for over 30 years (Table 4). These results indicate that there exists few start up SMEs in the Top 100 ICT sector in Nairobi, these results are in tandem with the findings of Iopev and Kwanum, (2012) who revealed that SMEs are mostly vulnerable to failure within the establishment phase because they are not covered against start-up risks. The study sought to find out the size of SMEs by asking the respondents to give an approximation of the size of employees. From table 4, the study results revealed that 64% of the respondents mentioned that their SMEs had between 11 to 20 years while 12% of respondents mentioned that their SMEs has between 0-10 employees. On the other hand 18%, 2% and 4% of the respondents mentioned that there SMEs had 21-30 employees, 31-40 employees and 41-50 employees respectively. This study results indicate that majority of the SMEs were categorized under Small SMEs because they had between 0 to 20 employees.

4.4 Risk Management Strategies

The study sought some information on risk management strategies, as described below:

4.4.1 Importance of Risk Management

The study sought to establish the respondents' understanding and perception of the importance of risk management to their business. The responses are provided below:

TABLE 5
Respondents' perception of the importance of risk management

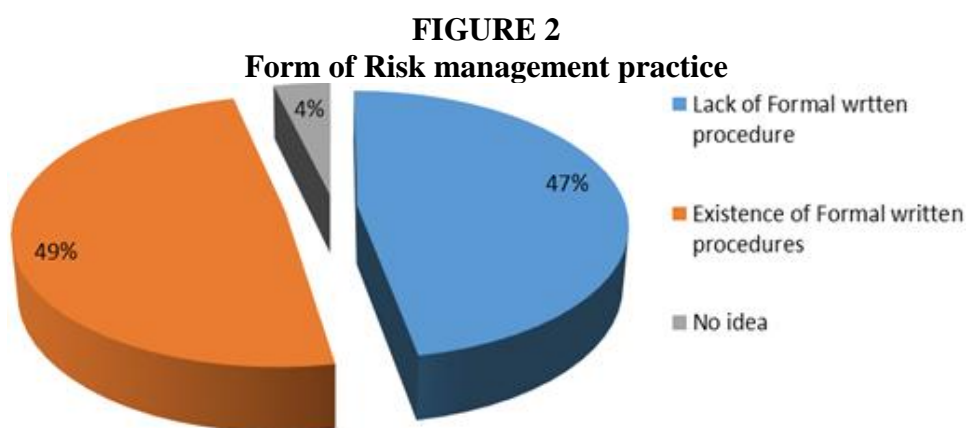
Aspect	Response	Number	Percentage
Risk understanding	Good	22	43%
	Very Good	17	33%
	Very Poor	7	14%
	Poor	4	8%
	Do not Know	1	2%
	Total	51	100%
Importance of risk management	Important	23	45%
	Highly Important	17	33%
	Not Very Important	9	18%
	No Importance	1	2%
	Do not Know	1	200%
	Total	51	100%

Most of the respondents (76%) had a good understanding of the risk management while 14% and 8% had very poor and poor understanding respectively and 2% had no idea of what risk management was (Table 5). The study further revealed that 45% of the respondents regarded risk management as very important for business, 33% mentioned that risk management practices were important for business, 18% mentioned that risk management practices were not very important for SMEs, 2% mentioned that risk management practices were of no importance for business while 2% stated that they do not know if risk management practices were important for the business.

These findings confirm that SMEs are increasingly operating in a competitive environment and with readily available information SME owners and managers are increasingly aware of risk management strategies importance to business. These findings contradict the findings of Gesika (2010) that established that majority of SME owners and managers do not rate risk management practices to be important to SMEs.

4.4.2 Form of Risk Management Practices in SMEs

The study sought to establish from the respondents the form of risk management practices in SMEs and their responses provided below.



Source: Author (2015)

Figure 2 indicates that 49% of ICT SMEs have a formal procedure of risk management procedure while 48% had an informal procedure of risk management practices and the remaining 2% had no idea if they had any risk management practice. These results

confirm that though ICT SMEs are aware of the importance of risk management practices in their SMEs they are yet to implement risk management practices fully in their SMEs.

4.4.3 Risks Faced by Small and Medium Enterprises

The researcher sought to establish the possible risks that ICT SMEs experience in their operations. Their responses are provided below:

TABLE 6
Risks Faced by Small and Medium Enterprises in ICT sector

Statement	Mean	Std. Deviation
Operation Risks	2.86	1.74975
Human Capital Risk	2.90	1.61561
Financial Risk	3.53	1.55374
Risk posed by customers	3.60	1.31666
Risk Posed by Suppliers	3.70	1.31320
Risk Posed by Staff	3.67	1.39026
Delayed payments	4.22	1.1716
Inflation and Sudden Changes in Price	4.10	1.38873
Quality of Work	3.86	1.37039
Incompetence of sub-contractors	4.00	1.35270
Legal Risks	4.00	1.32288

Source: Author (2015)

From Table 6, the study results revealed that delayed payments is the most experienced form of risks by the ICT SMEs. This was followed by sudden change in prices, incompetence of sub- contract, legal risks, quality of work risks , risks paused by suppliers , risks paused by customers, financial risks, Human capital risks and operational risks respectively. These study’s findings are contrary to the findings of Kagwathi *et al* (2014) that established that capital risk and customer risks are the most commonly faced risks. This findings also contradict the results of Smit and Watkins (2012) who established that capital risks is the most common risks faced by SMEs. However, contrary to other studies that focused on all categories of SMEs this study solely focused ICT SMEs. This findings also align themselves with the findings of Hiebl (2015) that established that strategic risks that

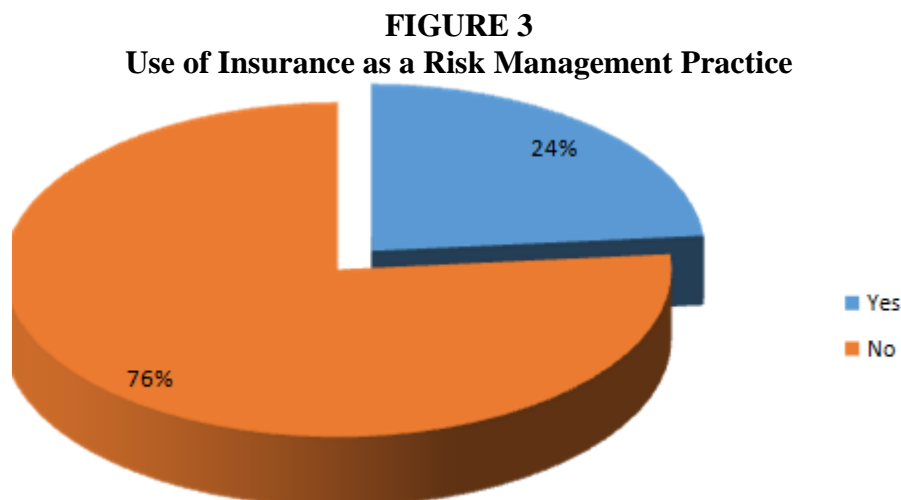
include risks which come from competitors, customers and external environment is significantly higher in comparison to other risks that SMEs face.

4.5 Role of Insurance Policy on Growth of ICT SMES

The study first objective was to find out the role of insurance policy on the growth of ICT SMEs. This was established through a number of questions whose results are presented in the section below.

4.5.1 Use of Insurance as a Risk Management Practice in SMEs

The study sought to find out level to which SMEs use insurance as a risk management practice and there results are presented below.



Source: Author (2015)

Figure 3 showed that only 24% of the ICT SMEs use insurance as a form of risk management strategies while 76% of the ICT do not use insurance as a form of risk management practice. These findings align themselves to the findings of Smit and Watkin (2012) which reported low level of the use of insurance among SMEs in S. Africa. This according to them is because of the capital that is involved in the acquisition of insurance policies, with most SMES not having financial capital as the large firms do.

4.5.2 Insurance Policies used by ICT SMES

The respondents were asked the types of insurance policies that ICT SMEs have. These results are presented below:

TABLE 7
Insurance policies used by ICT SMEs

Insurance Policy	N	%
Bad debt	1	8
Comprehensive policy	1	8
Life policy	1	8
Workman's compensation	6	50
Medical	1	8
Workman and medical compensation	2	17
Total	12	100

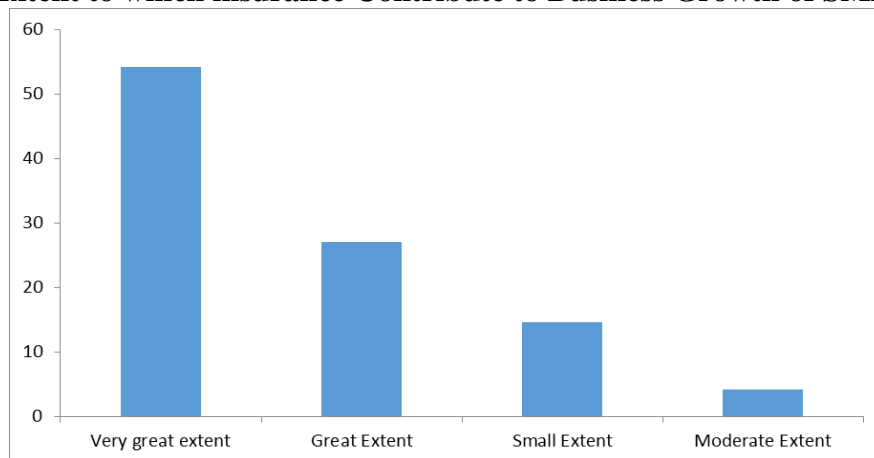
Source: Author (2015)

From Table 7 above the findings revealed that 50% of ICT SMEs has workman compensation policies, 17% had both workman and medical scheme, while 8% of the ICT had Bad debt, comprehensive policy, life policy and medical policy. These findings indicate that ICT SMEs engage in a number of projects and as such adhere to the requirement from government for firms to take policies to protect their employees in the course of their projects.

4.5.3 Extent to which Insurance contribute to Growth of SMEs

The study sought to establish the extent to which the respondent considers the use of insurance as contributor to the growth of ICT SMEs. This result is presented in the section below.

FIGURE 4
Extent to which insurance Contribute to Business Growth of SMEs



Source: Author (2015)

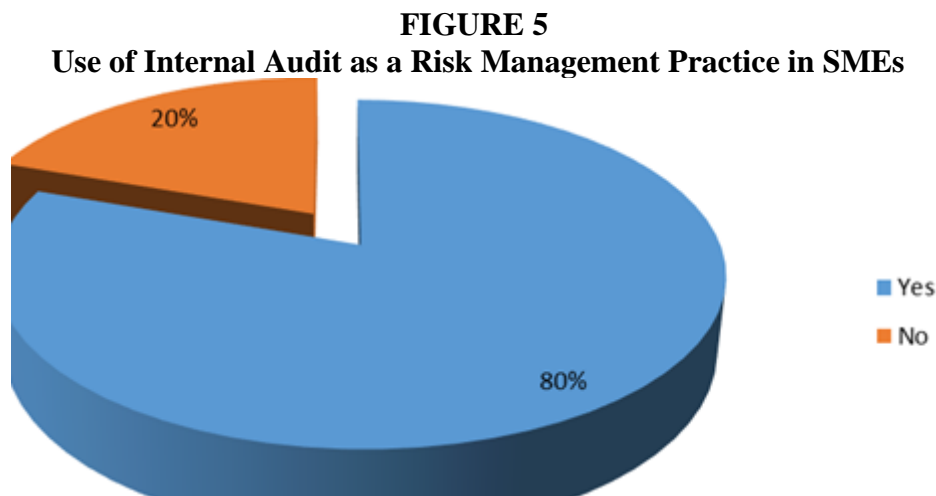
Figure 4 indicated the extent to which respondent view the use of insurance as contributing to business growth. Majority (54%) of the respondents in firms using insurance mentioned that insurance contribute to business growth to a greater extent, 27% of the respondents in firms using insurance as a risk management practice mentioned to a great extent while 15% and 4% mentioned a small extent and moderate extent.

4.6 Internal Audit and Growth of ICT SMEs

This section sought to establish the role that internal audit play on the growth of SMEs. To establish this, the researcher asked a number of questions whose responses are presented in the section below.

4.6.1 Use of Internal Audit by ICT SMEs

The respondents were asked if internal audit is used in their SMEs and their results are presented below.



Source: Author (2015)

The study results in Figure 5 revealed that internal audit was used by 80% of the SMEs while 20% of the SMEs were not using internal audit as a risk management practice. This could be attributed to internal control being a part of both the small, medium and large SMEs business, Teketel & Berhanu (2009) argues that internal audit play a major role in

SMEs identifying risks arising from within and without business. This takes place through the various inventories that SME owner and managers undertake.

4.6.2 Frequency of Internal Audits

The respondents were asked to state the frequency to which internal audits are carried out. To which they gave the following results:

TABLE 8
Frequency of Use of Internal Audits in SMEs

Frequency of Use	N	%
Regularly	30	60
Always	10	20
Sometimes	2	4
Rarely	8	16
Total	50	100

Source: Author (2015)

The study results showed that majority of respondents (60%) mentioned that SMEs used internal audits regularly. The findings also indicated that 20%, 4% and 16% of the respondents mentioned that SMEs use internal audit always, sometimes and rarely

4.6.3 Extent of Relationship between Internal Audit and Business Growth

The respondents who mentioned that they use internal audit as a form of risk management practice were asked to state the extent to which internal audit contribute to business growth. To which they gave the following responses.

TABLE 9
Extent to which Internal Audit contribute to Business Growth

EXTENT- AUDIT	Frequency	Percentage
Very great extent	25	52
Great Extent	11	23
Moderate Extent	4	8
Small Extent	8	17
Total	48	100

Source: Author (2015)

The study results in Table 9 confirmed that majority of the respondents (52%) agree that internal audit contribute to business growth to a very great extent. 23%, 7%, and 17% of the respondents agreed that internal audit contribute to the growth of SMEs to a great extent,

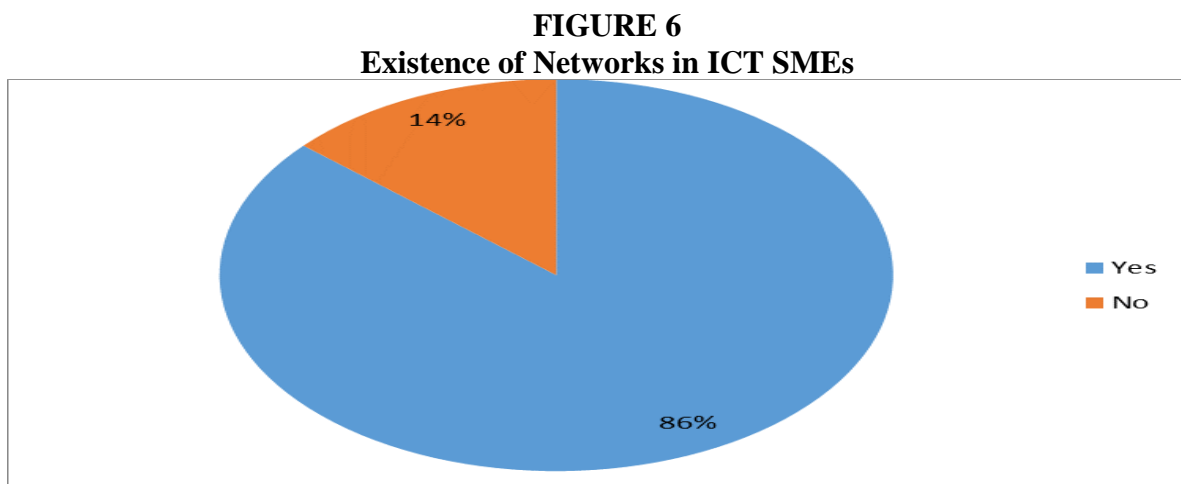
moderate extent and small extent respectively. These results only affirm the role of internal audit in SMEs and its contribution to the growth of business as argued by Teketel & Berhanu (2009).

4.7 Network Relationship and Growth of SMEs.

The study sought to find out the role of network relationship in the growth of ICT SMEs. Towards this a number of questions were asked to the respondents with the results presented in the section below.

4.7.1 Existence of Networks in ICT SMEs

The respondents were asked if they had any form of network relationship and from their responses the following results are presented.



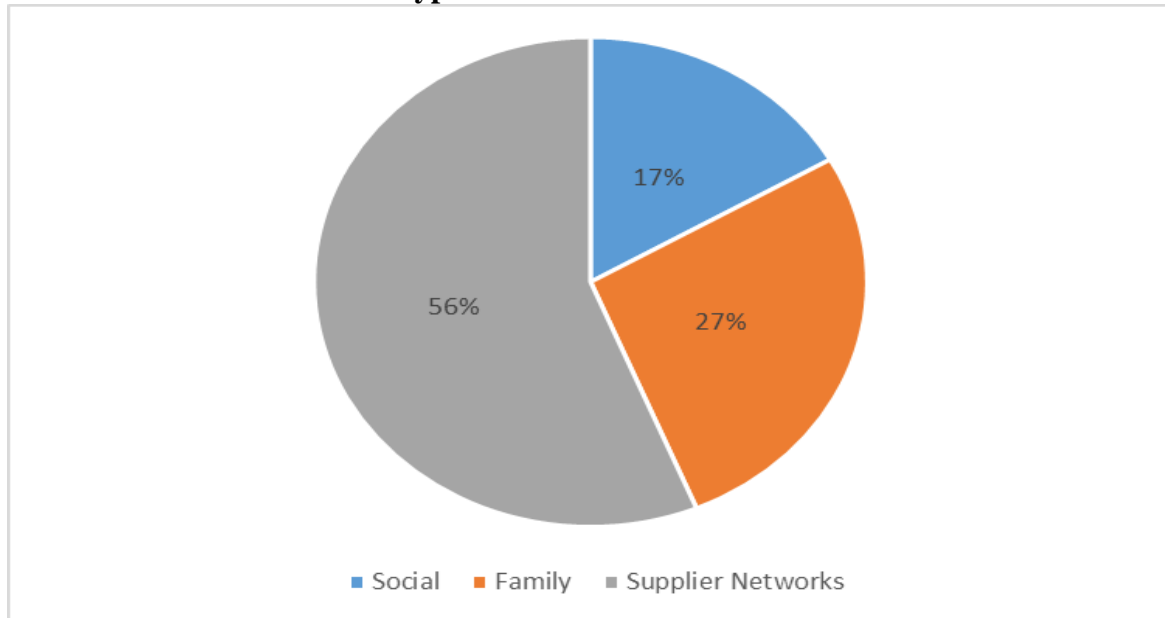
Source: Author (2015)

Figure 6 revealed that 86% of ICT SMEs have one form or another of network relationships while 14% of ICT SMEs had no form of network relationships. The results of this study confirms the study by Gilmore *et al.* (2004) that showed that SME managers frequently use their personal networks to manage risky situations. Therefore, close relationships with key different networks is thus regarded as way of managing risks successfully.

4.7.2 Form of Networks in ICT SMEs

The study sought to find out which form of networks exists in ICT SMEs. These results are presented below.

FIGURE 7
Type of networks in ICT SMEs



Source: Author (2015)

Figure 7 revealed that 56% of ICT SMEs had supplier networks while 17% and 27% of the respondents mentioned that ICT SMEs had family and social networks. The study results are in line with the findings of Tendai (2013) that established that supplier networks are one of the most important networks for ICT SMEs. In addition to supplier network Gilore (2004) argues that SMEs often maintain close relationships with existing clients in the hope of gaining more repeat business.

According to Tendai (2013) during start-ups SME rely on family networks and thereafter on social network with the SMEs relying on supplier chain networks and customer relationship networks as they grow. This is can be evidenced in the study by the fact that majority of the SMEs were not at start-up phase with 86.7% of the SMEs having been in existence for more than 5 years.

4.8 Correlation analysis

An analysis on correlation between the independent variables and dependent variables was performed through Pearson correlation analysis with the results presented below.

TABLE 10
Correlation Analysis

Correlations		Growth in sales	Insurance use	Internal audit	Network
Growth in sales	Pearson Correlation	1			
	Sig. (2-tailed)				
Insurance use	Pearson Correlation	0.216			
	Sig. (2-tailed)	0.136			
Internal audit	Pearson Correlation	0.500**	0.191		
	Sig. (2-tailed)	0.000	0.184		
Networks	Pearson Correlation	0.303	-0.197	0.144	1
	Sig. (2-tailed)	0.072	0.249	0.394	
** Correlation is significant at the 0.01 level (2 tailed).					

Source: Author (2015)

The study found out that there was no significant relationship between the use of insurance policy and the growth of SMEs. This was indicated by a P-value of 0.190 that is greater than the p-value of 0.05. This results affirm the findings of Cioccio and Michael (2007) who asserted that SMEs despite been aware of insurance as a form of risk management, many SMEs have not adopted insurance due to costs associated with insurance. From table 10, the results revealed that there is a significant correlation between the use of internal audit and growth of ICT SMEs. This was indicated by a p-value of 0.0001 which was significant at 0.01 significant level. This findings confirm the results of Gao *et al.*, (2013) who found out that internal audit contributes to the performance of SMEs since audit help SMEs to reduce their losses thus improving profitability. The study also revealed that there is no significant relationship between network relationship and growth of ICT SMEs. This was indicated by a p-value of 0.073 which is greater than 0.05.

4.9 Regression Analysis

Regression analysis was performed to determine the relationship between business growth and use of insurance policies, existence of business networks and presence of internal audit mechanisms in the organization. The results of a linear regression are presented below.

Table 11 shows the model summary with $R^2 = 0.34$ showing that 34% of the outcome was predicted by the independent variables insurance policy, internal audit and network relationships. The remaining 66 % can be explained by other variables not included in the model. This means that 0.34% of the growth in SMEs can be occasioned by the use of risk management strategies in ICT SMEs.

TABLE 11
Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
	0.583	0.34	0.276		0.30207
Predictors: (Constant), INSURANCE USE, INTERNAL AUDIT, NETWORKS Dependent: Sales Growth					

Source: Author (2015)

Table 12 further presents the results of ANOVA which explains how well the regression equation fits the data. The results show that the regression model predicts the growth in sales significantly well as shown by the significance value of 0.004. This shows that the model is reliable in explaining the relationship between risk management strategies and growth of SMEs.

TABLE 12
ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.457	3	0.486	5.323	0.004
Residual	2.829	31	0.091		
Total	4.286	34			
Dependent Variable: SALES GROWTH					
b Predictors: (Constant), INNSURANCE_USE, INTERNAL_AUDIT, NETWORKS					

The coefficients analysis gives β_0 (Beta) at 0.203, β_1 at 0.349, β_2 at 0.278 and β_3 at 0.153. Where β_0 is the constant, β_0 , β_1 , β_2 and β_3 are parameter for estimation of the independent variables; internal audit, network relationships, and insurance policies consecutively.

TABLE 13
Coefficients table

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.203	0.272		0.746	0.461
Internal audit	0.349	0.121	0.436	2.879	0.007
Networks	0.278	0.152	0.278	1.832	0.070
Insurance policy	0.153	0.134	0.175	1.145	0.261
a Dependent Variable:	Growth in sales				

Source: Author (2015)

From the findings in table 13, equation (i) can now be rewritten as:

$$Y = 0.203 + 0.349X_1 + 0.272 X_2 + 0.153 X_3 \dots\dots\dots(ii)$$

It is evident from the above regression model that if all factors were to be held constant including insurance policies, internal audit and network relationship then growth in ICT SMEs would be at 0.203 of a unit. Table 13 presents the regression coefficients. The results revealed that there was a positive significant relationship between internal audit mechanism and growth of SMEs. This means that a unit increase in internal audits practices leads to an increase in growth of SMEs by 0.349 units. In addition, the results revealed that there was a positive but non-significant relationship between existence of network relationships and use of insurance policies and growth of SMEs.

4.10 Discussion on the Model Results

The p-value in the model summary was 0.01, which is significantly less than the set the set level of significance of 0.05 for a normally distributed data. This therefore means that the model is highly significant in explaining the relationship between growth of ICT SMEs and risk management practices adopted by SMEs, and can thus be relied in predicting return on asset.

The study results from the regression model indicated that 0.349 (34.9%) of predictor variables (insurance policies, internal audit and network relationship) lead to the growth of ICT SMEs. This result confirms that unlike other large firms the impact of risk management strategies on SME growth is moderate. These findings are in agreement with the results of waweru (2012) that showed that risk management was positively associated with the performance of the SMEs which mean that an improvement in the risk management procedure would improve the performance of the SMEs.

These findings are similar to findings by Mwangi (2014) that established that risk management constructs have a strong positive correlation with the financial performance (ROA) of SMEs with a correlation coefficient of 0.823. Finally, the results showed that there was a strong positive correlation between the internal audit, network relationship and the growth of SMEs. This corresponds with the findings of Manic Karaj in (2010) which established that risk management and monitoring tools were critical in the performance of the SMEs.

4.11 R- Value with the use of control variable

Analysis of covariance (ANCOVA) was used to run a regression test than included the control variable (size of employees). The results are presented in table 14 below.

TABLE 14
ANCOVA Table

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	1.879a	6	0.313	3.545	0.01	0.441
Intercept	4.997	1	4.997	56.556	0	0.677
EMPLOY	0.031	1	0.031	0.353	0.557	0.013
INTERNAL_AUDIT	0.27	1	0.27	3.058	0.092	0.102
INNSURANCE_USE	0.12	1	0.12	1.361	0.254	0.048
NETWORKS	0.456	1	0.456	5.16	0.031	0.16
INTERNAL_AUDIT * INNSURANCE_USE	0.078	1	0.078	0.884	0.355	0.032
INTERNAL_AUDIT * NETWORKS	0.057	1	0.057	0.648	0.428	0.023
INNSURANCE_USE * NETWORKS	0	0	.	.	.	0
INTERNAL_AUDIT * INNSURANCE_USE * NETWORKS	0	0	.	.	.	0
Error	2.385	27	0.088			
Total	49	34				
Corrected Total	4.265	33				
Dependent Variable: SALES_GROWTH a R Squared = .441 (Adjusted R Squared = .316)						

Source: Author (2015)

From table 14, it was established that R^2 of the model with the inclusion of control variable of size of employees was established to be 0.441. This was established to be more the r^2 value of the regression model without the control value. This could be occasioned by the control variables that will act as independent variable, and with the assumption that every increase in independent variables is expected to increase the value of R^2 . The increase in R value could be attributed to the reason than as more SMS increase their size of employees they acquire more risk management strategies which affects the growth of SMEs.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary of the study findings, the conclusion of the study and the recommendations which are based on the conclusion of the study. The general objective of the study was to investigate the effect of risk management strategies on the growth of the ICTs SMEs in Nairobi. In particular, the study sought to establish the effect of insurance policies, internal audit and network relationship on the growth of ICT SMEs among the top 100 SMEs in Kenya.

5.2 Summary of Findings

The following were the findings obtained from the survey. This study targeted 14 SMEs among the top 100 SMEs in Kenya for the period 2013 and 2014, however, only 13 SMEs that responded to questionnaires and this translated to a response rate of 98% which is above the recommended 60%. In addition, according to the results; 64.7% of the respondents had at least a degree, 66% were managers, 63% of the SMEs had been in operation for more than 11 years, and 53% of the respondents were males while majority of the sampled SMEs had a work force of between 11 and 20 employees.

The study showed that majority of the owners (78%) and managers of the ICT SMEs consider risk management as being important to ICT SMEs. This was further established by the fact that 64.7% of the respondents considered risk management practices as contributing to the growth of ICT SMEs. However, the study findings established that despite majority of the respondents considering risk management practices as being important to SMEs only 47% of SME had formal procedures of risk management practices in their business. The study found out that SMEs were exposed to the following order of risks in businesses: delayed payments is the most experienced form of risks by the ICT SMEs, followed by the

risk of sudden change in prices, incompetence of sub-contract, legal risks, quality of work risks, risks paused by suppliers, risks paused by customers, financial risks, Human capital risks and operational risks respectively.

Given the paradox, the study showed that, 94.2 % of valid respondents expressed their opinions in favour of insurance as a tool for managing risks in SMEs. However, the level of insurance policies patronage among insurance firms was established to be low with only 24% of respondents mentioning that their SMEs have insurance policies. The research revealed that insurance policies do not contribute to business growth of SMEs, with a p-value of 0.187. The majority adopted risk acceptance as a form of managing business risk.

The research revealed that 80% of the managers and owners use internal audit as a form of risk management practices, with 60% of the owners and managers carrying out internal audits regularly. The study found put that the use of internal audit contributes to the growth of ICT SMEs. This was indicated through a p-value of 0.001.

The study revealed that 86% of the owner and managers had one form or another of network relationships in their SMEs. On the different types of networks that SMEs have the study established that majority (56%) of the owners and managers had supplier networks while 27% and 17% had family and social networks. On the extent to which network relationship contributes to the growth of SMEs the study established that network relationship does not contribute to the growth of SMEs. This was indicated through a P-value of 0.073.

The results of the study showed that risk management practices do not necessarily leads to the growth of ICT SMEs. This was indicated by an R^2 value of 0.349 that indicated that 34.9% of the growth in ICT SMEs is caused by the use of risk management practices with the remaining 41.7% of growth in ICT SMEs caused by the other practices that are not part of the regression model.

5.3 Conclusion

In conclusion, the study generally revealed that ICT SMEs are exposed to a number of business risk(s) exposures which can be categorized under the following themes of strategic, financial and human resources, legal risks and operational risks. Owner and managers are aware of the importance and the role that the use of risk management practices may contribute to the growth of ICT SMEs.

The uptake of insurance policies among ICT SMEs is still very low despite owners and managers knowledge on the importance of insurance as a risk management policy and its contribution to the growth of SMEs. The relationship between insurance and the growth of ICT SMEs was found to be not significant ($\rho=0.261$, $p<0.05$). This implies that the correlation between the two variables is not significant such that the adoption of insurance policies will not necessarily lead to the growth of ICT SMEs.

Internal audit is the most commonly used form of risk management practices that ICT SMEs use with internal audit forming an integral part in the operation of SMEs. The relationship between internal audit and the growth of ICT SMEs was found to be significant ($\rho=0.007$, $p<0.05$). This implies that the correlation between the two variables is significant such that regular carrying out of internal audit will result to growth of ICT SMEs.

SMEs have one form or another of network relationship. However the relationship between network relationship and the growth of SMEs is not significant ($p=0.077$, $p>0.05$). This indicates that the use of network relationship as a form of risk management practices will not necessarily lead to the growth of SMES.

5.4 Recommendations

From the finding and conclusions, the study recommends that organizations should carefully consider the type of risk management practice that they will adopt, since it has been established from the study that some risk management practices affect the growth of SMEs in

ICT sector. The study therefore recommends that SMEs should identify and implement risk management practices that will improve the growth of their business since not all practices improve the growth of the SMEs.

Based on the above conclusion, the study recommends that the SMEs managers should undertake risk analysis process to adopt practices that will improve the growth of SMEs. In addition, the SMEs managers need to come up with clear rules and procedures that will improve the effectiveness of internal audits thus contributing further to improved business growth.

5.5 Suggestion for Further Research

The researcher suggests that further studies should be undertaken with an increased sample size that includes SMEs from other Counties. The increased sample size might give a better representation of the SME in ICT sector in Kenya.

Further research on the influence of other factors, which not studied in the model, on financial growth of ICT SMEs would help in gaining a better understanding with respect to risk management practices and growth of SMEs.

The researcher suggests a mixed method study from the managers on their experiences on adopting various risk management strategies. This will provide a good learning experience from which the effect of risk management practices on growth of SMEs. This study might help in furthering our understanding with respect to variability on growth of ICT SMEs.

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APPENDIX 1

QUESTIONNAIRE

This questionnaire is intended to collect information from owners or employees of SMEs in ICT sector in Nairobi Risk Management Practices and how it affects the growth of SMEs in ICT sector. Everything you tell us will remain completely private and confidential.

General organizational information section

Please provide information about you and your company. (All responses are confidential)

1. What is your highest academic qualification?
 - Primary level of Education
 - Secondary Level of Education
 - Undergraduate degree
 - Postgraduate degree
 - Doctorate
2. Gender of the Respondent Male Female
3. What position do you hold in this firm?
 - Entrepreneur Manager Owner-Manager
 - Other, (specify)
4. How many people are employed by your business? _____
5. Number of years your firm has been in operation:
 - Under 5 years 5- 10 years 10 -20 years 20 – 30 years Over 30 years

RISK MANAGEMENT PRACTICES

6. How would you rate your understanding of risk management?
 - Very good Good Poor Very poor Do not know
7. How would you rate the importance of risk management within a small business?
 - Highly important Important Not very important Of no importance Unsure Do not know

8. How do you describe your organization’s risk management practices? Please mark the best applicable one.

Implement risk management practices but do not have a formal written procedure for risk management.

Implement risk management practices and have a formal written procedure for risk management.

Other, specify _____

9. To what extent could risk management participate towards a business growth and sustainability?

To a great extent Some-what Very little Not at all Unsure Do not know

10. According to your knowledge, do you think that risk management could improve business growth?

Definitely Very probably Probably Possibly Probably not Very definitely not
 Unsure Do not know

11. Please rate the following possible risks based on your perception on their importance or severity in construction projects.

(From 5 to 1 where, 5= Extreme risk, 4 = high risk, 3 = moderate risk, 2 = low risk and 1= negligible risk)

Statement	1	2	3	4	5
Operation Risks					
Human Capital Risk					
Financial Risk					
Risk posed by customers					
Risk Posed by Suppliers					
Risk Posed by Staff					
Delayed payments					
Inflation and Sudden Changes in Price					
Quality of Work					
Incompetence of sub contractors					
Legal Risks					

SECTION B: INSURANCE PRACTICES AND BUSINESS GROWTH

Please indicate whether you agree or disagree with the following statements by placing a tick

in the box which best reflects your opinion:

12. Do you consider insurance as a way to manage risks?

Yes No

13. Does the business use insurance policy as a way to manage risks

Yes No

14. Please state the type of insurance policy that the business has taken if

any.....

.....

15. Has the use of insurance as a risk management strategy contributed to the growth of SMEs? Yes No

16. To what extent has the use of insurance contributed to the growth of SMEs?

Very great extent Great extent Moderate extent Small extent

SECTION C: INTERNAL AUDIT AND BUSINESS GROWTH

17. Do you have an internal audit department or system in place within the business?

Yes No

18. How often do you carry internal audits within the business?

Regularly Always Sometimes Rarely

19. Has the use of internal audits contributed to the growth of the business?

Yes No

20. To what extent has the internal audits contributed to the growth of the SME?

Very great extent Great extent Moderate extent Small extent

SECTION D: NETWORK RELATIONSHIP AND BUSINESS GROWTH

21. Does the business have any form of networks? Yes No I don't know

22. Which type of networks does the business have?

Social Family Supply Consumer Other (specify).....

23. Has the use of the networks contributed to the growth of the business? Yes No

24. If Yes, to what extent has it contributed to growth of your business?

Very great extent Great extent Moderate extent Small extent

SECTION E: BUSINESS GROWTH

25. Have you been able to introduce new product(s) into the market over the past two years

(a) Yes (b) No

26. Has the business experienced any growth in sales over the past one year

(a) Yes (b) No

27. If yes in above can you attribute the growth in sales to the adoption of risk management practices by the SMEs (a) Yes (b) No (c) I am know sure

THANKS FOR YOUR CO-OPERATION