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FACULTY OF COMMERCE

DEPARTMENT OF INSURANCE AND RISK MANAGEMENT

**AN EVALUATION OF THE OPERATIONAL RISK MANAGEMENT STRATEGIES
EMPLOYED BY MICROINSURANCE COMPANIES IN ZIMBABWE: CASE OF
ECONET LIFE (PVT) LTD**

BY

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**A DESSERTATION SUBMITTED TO MIDLANDS STATE UNIVERSITY IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS OF THE BACHELOR OF COMMERCE
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RELEASE FORM

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APPROVAL FORM

This serves to confirm that the undersigned has read and recommended to the Midlands State University for acceptance of a dissertation entitled,

“An evaluation of the operational risk management strategies employed by microinsurance companies in Zimbabwe: case of Econet life (Pvt) Ltd”

Submitted by Christopher Muzavazi in partial fulfillment of the requirements of the Bachelor of Commerce (Honors) Degree in Insurance and Risk Management

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DEDICATION

This project is dedicated to my parents, Mr A and Mrs T Muzavazi, my brothers Washington Muzavazi, Tashinga Muzavazi, Takunda Muzavazi, Samuel Kavhumbura and my sister Gamuchirai M Kavhumbura, for the inspiration, motivation and support through this journey.

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ABSTRACT

The management of operational risk has become prominent following the large operational losses experienced by financial institutions in the past years. The research zeroed in on the operational risk management practices in microinsurance companies in Zimbabwe. The main objective of the research was to assess operational risk management strategies employed by the microinsurance companies and how the strategies can be effectively managed to curb the potential losses from occurring. The research revealed the plausible source of operational risks, the strategies adopted by the companies to manage them and the benefits inherent in and effective operational risk management looking at the case of Econet Life Pvt Ltd.

The primary data was collected by means of questionnaires and interviews. The data was then analyzed and presented using tables, graphs and charts, visa-vie secondary data. The study showed that more emphasis was being placed on investigating operational risk management in Banks, Microfinance and Traditional Insurance institutions in the financial sector, and less on assessing operational risk management in microinsurance business. The findings exposed the existence of operational risks in microinsurance firms, largely emanating from people, processes and system failures. In this thesis, recommendations were made to try and mitigate operational risks.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

The study seeks to appraise the operational risk management (ORM) in microinsurance companies in Zimbabwe, placing much focus on the events that influence the decision to manage operational risk: Case of Econet Life Pvt Ltd. Highlighted in this chapter is the background of the study on the research area and also laying a foundation for the problems being investigated. The statement of the problem, research questions and objectives of the study are then outlined. Included also are the assumptions, justification of the study, delimitations and the limitations to the study. At the end of the chapter, key terms are defined and a brief summary of the chapter provided.

1.1 Background of Study

The regulatory report (IPEC 2014), cited the entry of a new life assurance firm, Econet Life, which registered during the final quarter of the year 2014. Ruzvidzo (2014) alluded that Econet Wireless, the telecoms giant launched a new insurance policy (EcoSure) in partnership with several funeral service providers who would reach out to and offer services to the beneficiaries. Mashiri (2014) stated that EcoSure is a product focused on providing funeral cover that guarantees a promised amount and/or benefit, depending on the Policy Package to be paid out in the event of death of the Insured. It is further expressed that the packages start from as little as 50 cents per month per individual, with the premium deducted directly from the mobile phone.

According to an article by Allianz Microinsurance (2013), microinsurance offers protection against the risks in life, specifically for low-income people in developing countries and emerging markets, with customized products and processes. The Chronicle (2014), quotes the Managing Director, Mr George Nyashanu saying that EcoSure offers services which an ordinary person can afford, targeting amongst other groups, the marginalised rural settlers who constitute a greater percentage of the uninsured population in Zimbabwe.

During the researcher's work-related learning at Econet Life, observations of the day-to-day operations were made. Econet Life has processes and procedures that govern the way business is conducted in relation to the system used, as well as the manpower at its disposal.

Econet Life rides on the technology of the parent Econet Group, and from the experience of the researcher at Econet life, there were bugs that affected the systems. For instance, the system would double deduct monthly premiums from the subscribers' mobile wallets. When this happens, the researcher would observe quite a number of phone calls from sales representatives in Econet outlets, from the call center (311) after customer call the toll-free number to complain about the deductions and some would call directly to the back-office operators. There were customers who would just request a refund but others would actually request termination of the policy, stating that they lost faith in the product.

Econet Life has not been left off the hook with fraudsters. The Econet Life Claims Report (2016) reported external fraud cases amounting to \$48,500 for the period of March 2016 to October 2016, with 57% of the cases the death certificate was not submitted or availed, only copies of burial orders and death confirmations from the village heads were submitted as proof of death. The researcher on work related learning encountered a suspicious claim which was submitted on April 9 2016 with a sum insured of \$5,000 for a policy registered on November 18 2015 and there was no death certificate. The beneficiary was found to have claimed \$5,000 for another person 9 months before and the claim had no death certificate as well. It was then discovered that the beneficiary was son to a village head in Nyika, hence he had access to the village head stamp which he used without his father's knowledge to confirm these deaths.

The researcher had an experience of the systems used at Econet Life which were semi-automated, with most of the burial societies' work being handled manually. The process involved selecting a committee for the burial society which would compile the details of the members to be registered by writing them on registration forms provided. The documents would be submitted to an agent who in turn would deliver to the Econet Life offices where they would be captured by independent contractors working on commission. After capturing the data, a policy document would be printed and issued to the burial society committee to verify and make amendments were necessary. The researcher observed issues arising from the committees' unprofessionalism, misplacement of documents which affected the claims turnaround time and illegible handwritings that led to data

capturing errors. According to the Operations Report (2016), EcoSure had 3600 burial societies countrywide, amongst which an average of 12 burial societies per day would request to correct the details of their societies, with some making more than 3 corrections on one person's details on different visits.

1.2 Statement of the problem

Against the above background, the researcher seeks to assess the operational risk management strategies employed by microinsurance companies in Zimbabwe looking at the case of Econet Life Pvt Ltd.

1.3 Research objectives

- a) To streamline the plausible sources of operational risks associated with Econet Life's operation.
- b) To evaluate the ORM strategies currently being employed at Econet Life.
- c) To assess the plausible benefits of an effective ORM to microinsurance companies.
- d) To recommend risk management strategies which will positively impact Econet Life and other microinsurers.

1.4 Research Questions

- a) What are the sources of operational risks at Econet Life?
- b) What are the current ORM technics employed by Econet Life?
- c) How effective are the strategies in curbing operational risk at Econet Life?
- d) What benefits does an effective ORM bring about?
- e) What are the recommendations to Econet Life and other microinsurance companies?

1.5 Justification of study

Suren (2016) points out that severe significant operational risk events from the past, including fraudulent actions such as those of the Lloyds Banking Group in 2006, which resulted in \$5,9 billion in losses and the Société Générale in 2008 resulting in a loss amounting to €6.3 billion, have led to intensified research on the area. The Basel Committee focused on enhancing the stability and soundness of the international banking system by strengthening risk management

practices and developing significantly more risk-sensitive capital requirements. The committee came up with pillar I, II and III to address operational risks.

Moosa (2007) directed his research to defining, classifying, characterizing and measurement of operational risk across all industries. On the other hand, Ranong and Phuenngam (2009) expressed the need for management to understand the risk management procedures, as they examine the critical success factors for effective risk management. Taylor (2012), however, preferred the consultative role for internal auditors, motivating for an independent board of internal auditors who would assume that role of advising management on strategic risk management rather than assuming management's role in strategic planning. Ernst & Young (2012) wrote an article expressing the implications of solvency requirement to the insurance companies and the need to continuously monitor risk management models.

Suren (2016), proposed reviving discussions and views on the problem of operational risk indicators and operational risk disclosure in quantitative and qualitative research which requires the financial institutions to implement risk indicators in internal measurement frameworks to capture operational risk drivers.

The researcher, in this study, focuses on the adoption of operational risk management frameworks by players in the microinsurance industry, paying particular attention on the risk indicators, measurement, control and monitoring of operational risks.

1.6 Significance of Study

The study is important to the following stakeholders:

1.6.1 The Researcher

The research is carried out in partial fulfillment of the requirements of the Bachelor of Commerce Insurance and Risk Management Honors Degree at the Midlands State University. Subsequently, the research project enhances the researcher's ability to conduct business research, as well as the opportunity to acquire more knowledge pertaining to ORM.

1.6.2 Midlands State University

The university will be granted intellectual property rights to the research which can added to the university's library and may be used by other scholars with interest in this area of study. The research may also fortify the between Midlands State University and Econet Life Pvt Ltd.

1.6.3 Econet Life Pvt Ltd

The study will assist Econet Life to have a better perspective and approach to ORM so as to significantly gain competitive advantage over other microinsurance companies.

1.8 Limitation

1.8.1 Access to information

There is some information required to fully complete the research which is very sensitive, private and confidential, hence the researcher may not be able to access it. Assurance will be guaranteed to the respondents that the information will be used purely for academic purpose only and anonymity will be maintained.

1.9 Assumptions

The following assumptions are made in this study: -

- a) The respondents have an appreciation of the concept of ORM and will offer maximum cooperation.
- b) The chosen respondents are true representatives of the whole population involved in ORM.
- c) The information collected from respondents shall be regarded as accurate, complete and relevant.

1.10 Definition of terms

Microinsurance - "Microinsurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved," Churchill C (2006; p12)

Operational risk– The Basel Capital Accord (2006) asserts that operational risk is the risk of loss emanating from inadequate, or failed internal processes, people and systems or external occurrences.

Crouch et al (2002), defines operational risk as the probability of loss emanating from failure by people, processes and information technology systems in an institution.

1.12 Acronyms

IPEC – Insurance and Pension Commission

OPR – Operational Risk Management

1.7 Delimitations

The study will assess the effectiveness of ORM in microinsurance companies in Zimbabwe, with specific reference to Econet Life. The life assurance sector encompasses a broad range of companies. The research will be conducted at Econet Life offices in Borrowdale Harare. The research period covered is from June 2017 to November 2017.

1.13 Summary

This chapter preambles the research by highlighting the problem that the research will solve and it sets the basis upon which the study is based. It discussed the background of the study, stated the problem, listed the research objectives and the research questions which guides the researcher in carrying out the study. Moreover, the significance of the study, the assumptions, the delimitation, the limitations as well as the definition of terms have been discussed in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter serves to uncover the pertinent literature reviewed, airing what other authors and researchers have observed and elaborated with respect to operational risk and its management. The chapter provides a broader picture of other organisations and markets that have been affected by operational risks. More so, the researcher discussed the sources of operational risks and the different types thereof, looking at the essential features of ORM, as well as assessing the various ways of mitigating and measuring the risks. Amongst other sources, the researcher used organization reports, websites, online journals and diaries, magazines, books, significant statutory instruments and regulatory frameworks.

2.1 Definition of terms

2.1.1 Operational Risk

There exist a wide range of definitions and views with respect to operational risk. Peters and Sisson (2006) define operational risk as the likelihood that operating expenses might vary significantly from what is expected, which has a negative connotation on the shareholder value. With noted developments in the research field, Sounders and Cornett (2008) further associated operational risks with failures in technology, auditing, monitoring and other support systems due to malfunction or breakdowns likely to result in operational losses. The two authors went on to suggest that the operational weaknesses resulted from inadequate systems, management failures, insufficient controls and human error within an organization.

A popular definition for operational risk was provided by the Basel Capital Accord in 2006, where the committee agreed that operational risk refers to the possibility of loss consequential to insufficient or unsuccessful internal processes, people, information and technological systems, as well as external occurrences. There are scholars who argue on the inadequacy of the Basel's definition as it remains silent on other operational elements. For example, Kollar (2011), postulates that The Basel Accord fails to address operational risks in life insurance companies which include reputational risk, strategic risk and general insurance claims risk, which are

critical to an insurance firm. Suren (2016) went further and expressed the reputation risk as the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect an institution's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.

However, other scholars shared the same sentiments with the Basel Committee. Sirohi (2010) illustrated that the most common aspects of operational risks evolve on people, systems, processes and external events.

2.1.2 Dimensions of operational risk

People

Cope (2012) refers 'people' to the personnel providing the service in most cases, selling a promise, claims, underwriting and /or customer care. People are an integral part of the insurance business, Parasuraman and Grewal (2000) argue that good service delivery relies on people providing the service as, in most cases, there will be selling a promise, thus, they can either build or destroy the product. Cope (2012) in his article said that operational risk emanates from the people with insufficient knowledge of procedures, fraud, incompetence and human error. Majidi (2015) went further to construe the aforementioned sources of risk. He states that the lack of sufficient knowledge on procedures translate to inefficient recruitment and hiring strategy by an organisation as well as ever-changing and or ambiguous processes set by management.

Suren (2016) believes that fraud can be orchestrated internally, externally or both. Common factors on both were expressed as motivated by poverty and or greed from the people involved. Human error on the other hand was expressed to be an indicator of work overload translating to exhaustion. An old school of thought, O'Brian et al (1999) argued that exhaustion have a negative impact on the concentration of employees and can result in human errors. Further, they believed that employee welfare is crucial on a work place as some employees are made to show up to work whilst they are bereaving their loved ones and some are frequently made to work over-time which has a physiological implication on the workers' performance.

System

Sirohi (2010) believes that the system refers to a set-up consisting of hardware, software, data and the people who use them. Microinsurance utilise technology heavily, Churchill and Matul (2012) technical processes and systems are the backbone of microinsurance, hence, their flaws results in operational losses. Microinsurance is characterised by high market volumes, hence processes are automated to services the greater number of customers. However, technology comes with a price to pay. The Financial Market website (www.fimarkets.com), explained the Basel Committee's narrative about system failure with respect to operational risk by categorising system risks into three parts; general risks, user-oriented risks and software oriented risks. Bailey and Riffel (2010) asserts that general risks consist of risks potential business disruption emanating from inadequate recovery programs, insecure system access by unauthorised user due to simple password protection failures and, system capacity. Shoemaker and Sigler (2016), on the other hand, alludes that System capacity refers to network and machine processing speed, internal and external memories as well as primary storage capacity. The aforementioned components may result in bottlenecks in business processes.

Ernst & Young (2012) alludes that people are not exonerated from failed systems. User-oriented risks point back to people using the systems. Errors and failure to observe procedures when using the systems also have an impact on operational losses. For instance, running a simple command in error on command prompt can crash a computer leading to loss of important information. As Sirohi (2010) points out that software-oriented risks focus on software bugs within the system platforms which affects the output information of command scripts, Hosseini et al (2016) argues that system developers tend to create a backdoor access on programs which turn into worm holes that affect the system with bugs, thus, resulting in erroneous outcomes.

Process

Baskerville (2014) postulates that organisational policies and procedures are a set of written steps taken by a company to provide employees with the least amount of risk when performing assigned tasks. The Insurance Institute of South Africa (2013) supports the fact that a company's internal procedures and accompanying internal controls are to be implemented to avoid risks. Nevertheless, they may develop into risks in themselves if a procedure is wrongly designed or if processes are

wrongly executed. Management practices and non-compliance with internal policies and procedures are sometimes consequences of the following:

- a) Lack of clear management.
- b) Insufficient guidance or supervision by superiors.
- c) Ineffective audits/ monitoring
- d) No control measures put in place.

External events

Cruz in 2002 had argued that outsourcing risks as one of the external events that can cripple and organisation. For example, failure by internet service providers to provide internet connectivity might make it impossible to service clients for organisations whose system relies on internet. In the same regard, Brink (2002) postulates that external events include such activities as hacking and fraudulent activities from third parties which affect the financial position of an institutions. Standard Chartered Group (2012) viewed external events as those whose occurrence is beyond the control of the organisation and has an adverse effect on the business operation. Such events were described by the Group as natural disasters, like hurricanes, earthquakes, just to mention but a few.

Reputation risk

From the discussion earlier, Suren (2016) was cited expressing reputation risk as the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect an institution's ability to maintain existing, or establish new, business relationships and continued access to sources of funding. On the other hand, Girling (3013) asserts that the reputation of financial institution is at stake when it fails to meet professional obligations as promised to clients intentionally or negligently. Therefore, reputation has more to do with firm's integrity, ethics and governance issues. An example of this could be miss-selling of insurance policies.

Strategic risk

Tonello (2012) describes strategic risks as those that are most consequential to the organization's ability to execute its strategies and achieve its business objectives. Strategic risk exposures can ultimately affect shareholder value or the viability of the organization if left unmanaged. Taylor (2012) defined strategic risk as risk associated with future plans and strategies, including plans for

entering new services, expanding existing services through enhancements and mergers. With reference to the behavioral theorists, Wiseman and Gomes (1998), the researcher notes that flaws in the strategies emanates from the risk behavior of the top level management. It is justifiable to say that if senior management fails to strategically plan, then the organisation is doomed to fail strategically.

2.2 Operational Risk Management

Anderson and Terp (2006) defined risk management as a process that seeks to eliminate, reduce and control risks, enhance benefits, and avoid detriments from speculative exposures on the other hand, Rejda (2013) developed a more specific definition which states that risk management is a systematic process of identifying and evaluating losses institutions are exposed to and implementation of the most adequate techniques for treating these exposures. As scholars continue to develop studies around risk management, Pritchard (2015) narrowed down operational risk management to a process of identifying and evaluating loss exposures emanating from insufficient or unsuccessful internal processes, people and systems or external occurrences and employ appropriate techniques to treat these exposures. Paying attention to Suren (2016), the researcher can arguably denote that operational risk management follows the general principles or traditional risk management, though it seeks to narrow the process to managing four main components as alluded by other schools of thoughts, which are; people, process, systems and external environment.

2.3 Operational Risk Management Principles

Artzner et al (2000) recognized 6 principles of operational risk management that all organizations are recommended to consider, regardless of size and complexity. These are;

a. Accountability

Accountability for operational risk management lies with the board as they set the level of risk that the organization accepts and the basis for managing those risks. BCBS (2007) highlighted that accountability is to be driven from the top down to those charged with responsibilities within the organisation, with the board having overall responsibility of the business activities.

b. Identify and Categorize risks

Marshall et al (2006) denoted that the Board and executive management should identify, understand and define risks in categories with respect to their effects on the institution's operation(s). Additionally, they should ensure that there are frameworks in place to adequately cover all of the categories of operational risks, (Suren 2016).

c. Effective Integration of ORM Framework

Management should ensure that there is an effective, integrated operational risk management framework that incorporates clearly defined organizational structure. Robertson (2015) suggested that the roles and responsibilities should be defined for all aspects of operational risk management/monitoring and appropriate tools that support the identification, assessment, control and risk reporting.

d. Policies and Procedures

Policies and procedures which define all aspects of operational risk management should be clearly articulated, communicated and properly documented. The policies are expected to be tallying with overall business strategies and should be able to support the continuous improvement of risk management.

e. Overall business integration

Support functions all business activities should form an integral part of the overall operational risk management framework in order to enable the institution to manage effectively the risks the institution is facing.

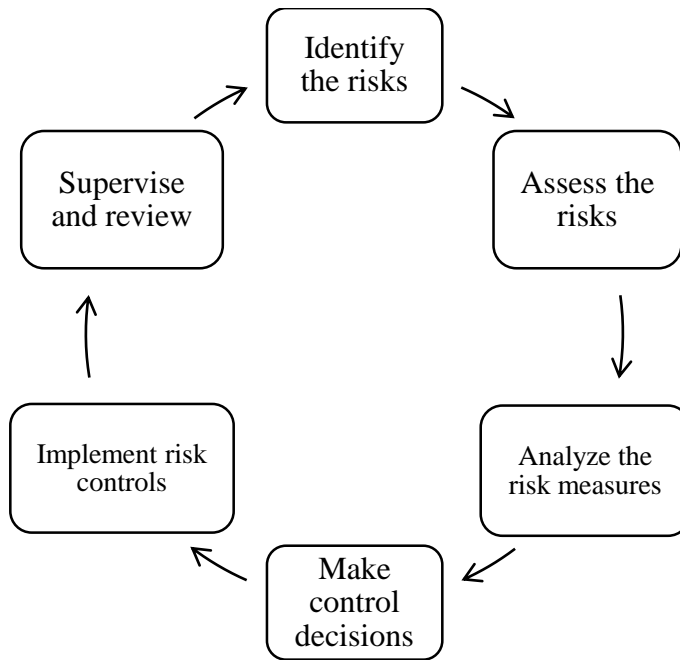
f. Implementation of ORM process (cycle)

Line management must establish processes for the identification, assessment, mitigation, monitoring and reporting of risks. All parties are expected to be flexible and operate consistently over time with respect to the employed framework.

2.4 Operational Risk Management Cycle

However, Girling gave a comprehensive operational risk management process comprising of six steps which can be illustrated as a cycle (Girling 2013), see diagram below:

Fig. 2.0 Operational risk management Cycle



Source Girling (2013)

2.4.1 Step 1: Identify the risks

Gadsen (2006) claims that for order to control and limit its risks an insurance company must be aware of potential risks. On the same note, the Basel Committee on Bank Supervision BCBS (2011) states that senior management should ensure the identification and assessment of the operational risk inherent in all material products, activities, processes and systems to make sure the inherent risks and incentives are well understood.

Rejda (2013) suggests that organisations use, but not limited to the following; analysis questionnaires, checklists, physical inspections, historical data, financial statements, common sense and experience. Effective risk identification considers both the internal and external environments (BCBS 2011). In the same regard, Tcankova (2002) believes that correct risk identification ensures risk management effectiveness.

2.4.2 Step 2: Assess the risks

It is a careful examination of what in your institution causes harm, monitoring if enough precaution has been taken and put more efficient in order to prevent it, (Marshall et al 2006). “Sound risk assessment allows the financial institution to better understand its risk profile and allocate risk

management resources and strategies more effectively,” emphasized the BCBS (2011, p19). The Basel Committee to recommends that both qualitative and quantitative measurement to be done in order to ascertain the magnitude of risk exposure. This help the organisation to estimate the frequency and severity of risks which aids for strategizing. Say, past data indicates that a risk have low frequency and low severity, the institution can choose to tolerate the risk. Suren (2016) postulates that firms with lower equity and profitability ratios tend to report more about their risks assessment as they are perceived as more vulnerable to operational loss events, hence, the need to frequently carry out the ORM process.

2.4.3 Step 3: Analyzing risk control measures

Controls measure which should be designed to provide reasonable assurance that an organisation will have efficient and effective operations; safeguard its assets; produce reliable financial reports; and comply with applicable laws and regulations. The Basel Committee supports the above notion as it expresses that “financial institutions should have a strong control environment that utilises policies, processes and systems; appropriate internal controls; and appropriate risk mitigation and/or transfer strategies,” (BCBS 2011, p 22).

Girling (2013) asserts that there are four different ways to treat risk;

- a) Tolerate - if insignificant, that is, less frequent and low severe risk occurrences.
- b) Treat - controls and or action plans are formulated to mitigate/eliminate the risk
- c) Transfer- the risk is transferred to third parties, such as insurance companies or outsourcing services.
- d) Avoid- risks can be accepted if it falls within management risk appetite parameters, those that falls outside the parameters are avoided, such as, high frequent and high severe risks.

2.4.4 Step 4: Making Control Decision

Step four requires the institution to identify an appropriate decision maker or a team responsible for choosing the best control techniques or a combination of control techniques based on analysis that would have been made in step three. The team is recommended to select the strategy that satisfies the overall organizational goals.

2.4.5 Step 5: Implement Risk Controls

The risk management decision made need to be properly communicated to all department within the organisation. Senior Management's support is critical in this process and should provide all required resources to put control strategies into place. Roles and duties must be clearly defined and ORM policies and procedures properly documented.

The Basel Committee alludes that an effective control environment also requires appropriate segregation of duties. Assignments that establish conflicting duties for individuals or a team without dual controls or other countermeasures may enable concealment of losses, errors or other inappropriate actions.

2.4.6 Step 6: Supervise and Review

management is expected to periodically review the effectiveness of the control strategies implemented. Strategies are amended at this stage if they are not working as intended and new ones formulated. As the ORM is a cycle, new risk exposures are established and the process is repeated timely.

2.5 Role and Responsibilities in ORM

Once ORM strategies are set, individuals within the organisation have roles to fulfill to ensure the success of the strategies implemented. Griffith et al (2001) asserts that the ORM's primary responsibility is to aid with necessary data, tools and techniques to determine the magnitude of the exposure to each major operational risk and to determine whether the business has optimized the risk control in the context of cost-benefit analysis. In that respect, the Metric Stream website (www.metricstream.com) cites that clear-cut specification of roles and responsibilities of personnel, regarding risk profile forms an imperative part of implementing an integrated ORM framework as it not only streamlines the risk management process, but also allows risk managers to better incorporate accountability into the work culture of the organization.

The Federal Aviation Administration (2000) categorised the roles and responsibilities as follows:

2.4.1 Board of Directors

The board of directors reviews and approves the risk appetite and tolerance statement for operational risk that articulates the nature, type and levels of risk that the organisation is willing to

assume. Furthermore, the BCBS (2011) articulates that the Board is responsible for establishing, approving and periodically reviewing the ORM framework. The board also oversees the senior management to ensure that the policies, processes and systems are implemented effectively at all decision levels. On the other hand, Masenene (2015) argues that the decisions made are highly influenced by the general behaviors of board members that affects their risk appetite and tolerance. In line with that, it is sufficing to have diversification of culture and the caliber of people sitting the board of an organisation.

2.4.2 Senior Management

The Federal Aviation Administration (FAA) asserts that the senior management is responsible for consistently implementing and maintaining policies, processes and systems for managing operational risk throughout the organisation's material products, activities, processes and systems consistent with the risk appetite and tolerance. In support of the FAA, the Basel Committee (2011) argued that senior management should produce a clear, effective and robust governance structure with well defined, transparent and consistent lines of responsibility for approval by the board of directors.

2.4.3 Supervisors

Supervisors are responsible for hands-on implementation of the risk management process, constant review of the methods to operations and tasks, as well as, elevating risk issues beyond their control or authority to superiors for resolution.

2.4.4 Staff

“Risk assessment and develop risk reduction alternatives falls within the scope of staff responsibilities,” FAA (2000 p 9). The staff is expected to integrate risk controls into plans and orders during the day to day operations, identifying unnecessary risk controls in the process. At individual level, one is expected to, amongst other things: understand, accept and implement risk management processes, maintain a constant awareness of the changing risks associated with the operation or task, and risk reporting.

2.4.5 Internal Auditor

Internal auditors play a crucial role in the risk management process as they monitor and review the risk management process. They carry out the following function, amongst others;

- a. develop a risk-based internal audit program,
- b. audit the risk processes across the organisation,
- c. receive and provide assurance on the management of risk,
- d. report on the efficiency and effectiveness of the internal control.

2.6 Risk Management Frameworks

Robertson (2016) states that a risk management framework is a structure intended to guide the implementation of operational risk management within an institution. The framework includes the scope of risks to be managed, the process/systems and procedures to manage risk and the roles and responsibilities of individuals involved in risk management. Girling (2013) alludes that the framework should be broad enough to capture all risks a company is exposed to and be flexible enough to accommodate any alteration in business activities. It is a tool which focuses on the scope of risks to be managed, procedures to manage risk and the parties responsible for risk management within an organization.

There are various schools of thought as to what makes an effective risk management framework. The following are some of the arguably key components of effective risk management framework from different scholars:

Governance

A framework is to determine who is responsible for operational risk management and the roles played by individuals in the operational risk management. It states the risk reporting structure (bottom up). It stresses the point that the institution should be able to escalate operational risk issues from any section of the institution to the appropriate senior manager to ensure that it is addressed (Girling 2013). On the other hand, Rejda (2013) states that the aspect of governance provides sound risk reporting structures, enabling risk to be reported timely giving the responsibly authorities time to modify and make changes were necessary. Good governance results in clear reporting structure, timely risk reporting as well monitoring and review of strategies.

Risk Appetite

Dionge (2005) stated that every business, bound by the capacity, has limitations as to what to pursue or not to pursue in terms of opportunity. Furthermore, he alludes that top management have the role to set attainable goals and objective for the orgnaisation. Al-Terki (2013) Entails the

amount of risk the entity is prepared to assume in trying to achieve the overall objectives of the organisation, expressing the culture or predisposition towards risk, that is, cautious or aggressive.

Risk management process

A framework should contain clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control. Masenese (2015) emphasized on the need to have the risk management done continuous from identification to reporting and monitoring. Robertson (2016) added that a framework should aim to achieve the risk management objectives.

Culture and Awareness

There is need to educate employees about operational risk management and derive a mentality of care toward operational risk management by employees. This can be done by providing employees with a variety of operational loss cases that occur either outside or inside the institution (Suren 2016).

Some of the risk management framework in existence, have been summarized below:

2.6.1 International Organisation of Standardization (ISO) 31000

Published in 2009, the ISO 31000 provides philosophies and generic guidelines on principles and implementation of risk management which can be applied to any organisation and any risk type, regardless of sector or industry. However, Majidi (2015) argued that the principles cannot be used for purposes of certification although they are widely acknowledged.

The ISO 31000:2009 is intended to be used by a wide range of stakeholders which include, but not limited to: developers of standards, guides, procedures, and codes of practice that in whole or in part set out how risk is to be managed within the specific context of these documents and, those who need to manage risk for the organisation as a whole or within a specific area or activity.

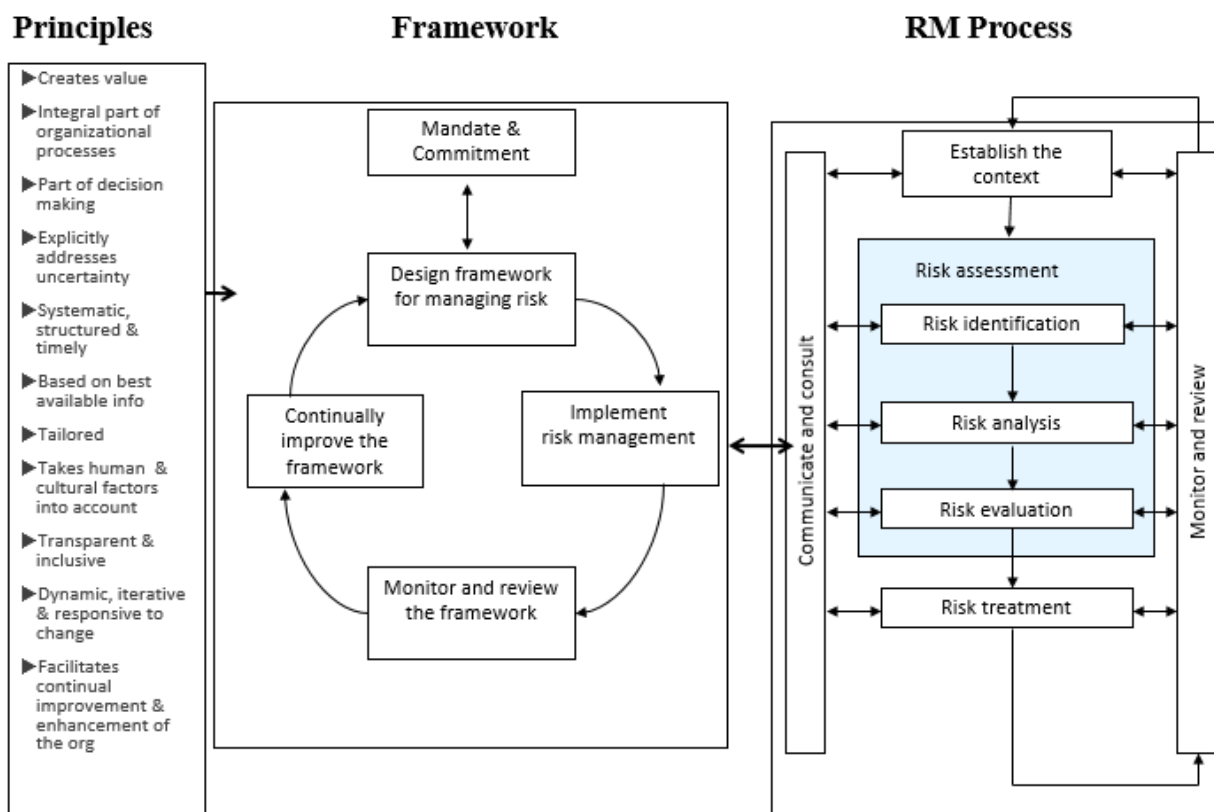
The ISO 31000 has three interdependent components, the principles, framework and risk management.

Principles - provide the foundation and describe the qualities of effective risk management in an organization and serves the purpose of supporting business and operational objectives.

Framework - determines tone, communication and the overall process for implementing risk management in an organization. It includes things like risk management policy, determination of a “common language of risk,” making plans for training and communication and data management. The framework is set up in a continual improvement model.

Risk Management - The process for managing risk focuses on individual or groups of risks, their identification, analysis, evaluation and treatment. The critical activities of monitoring and communicating should occur throughout the process.

Fig 2.1 ISO 31000 KEY ELEMENTS



Source: ISO 31000 (2009)

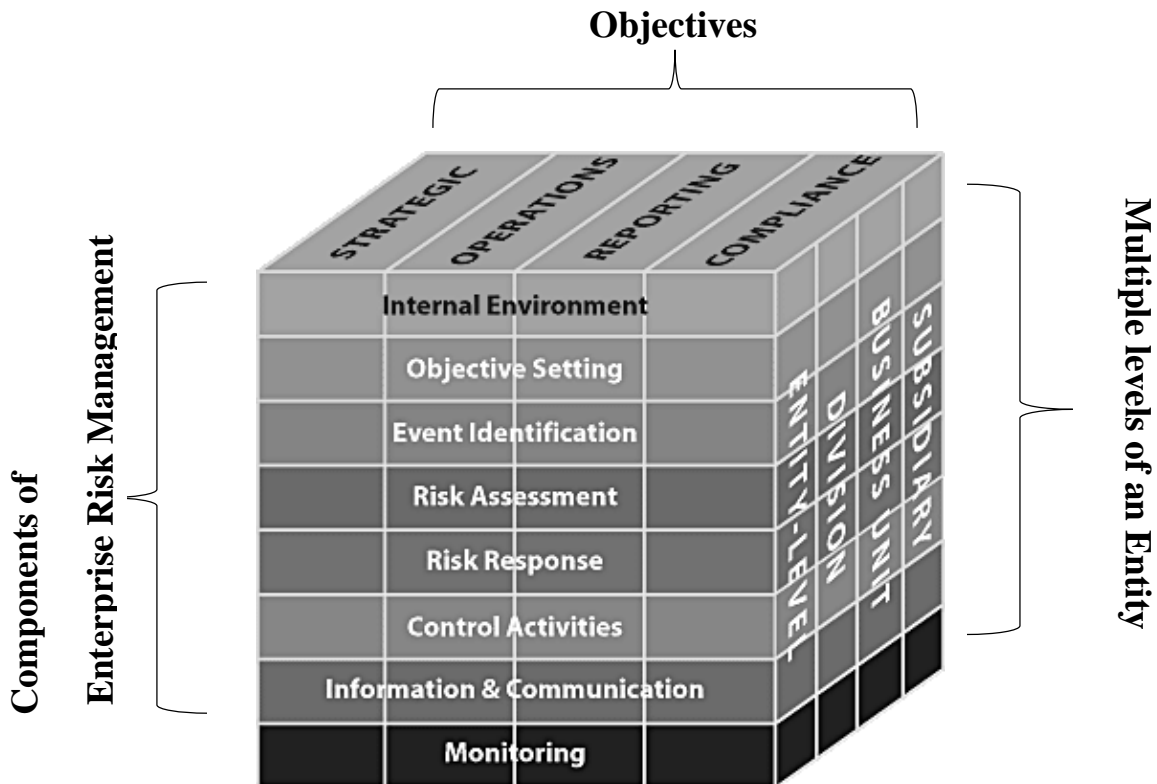
“The ISO 31000 is clearly different from existing guidelines in that the emphasis is shifted from something happening – the event – to the effect on objectives,” said Majidi (2015 p19).

2.6.2 COSO’s Enterprise Risk Management – Integrated Framework (COSO ERM)

The Canadian Institute of Chartered Accountants developed a risk management tool in 1992 referred to as the “Criteria of Control” (COSO) framework to assist managers and internal auditors

in designing, assessing, and reporting on control systems of an organization. In 2004, COSO developed an Integrated Framework (COSO Cube) to help the implementation of the ERM process. The Committee of Sponsored Organisation later updated the framework to help organisation to comply with the Sarbanes-Oxley Act (SOX). The framework sets to define essential components, suggests a common language, and provides clear direction and guidance for enterprise risk management. The framework takes into account the overall objectives of an organisation and all the levels of activities or an organisation so as to apply the interrelated components of enterprise risk management.

Fig 2.2 COSO ERM: COSO Cube



Source: COSO (2013)

(a) Objectives

The framework summarized the organisation’s objectives into four:

Strategic - These are the high-level goals that are aligned with and support the institution’s mission.

Operations - Relate to the ongoing management process and daily activities of the organization.

Reporting - Has to the protection of the organization’s assets and quality of financial reporting.

Compliance - Relates to the organization’s adherence to applicable laws and regulations.

(b) Multiple levels of an Entity

ERM considers activities at all levels of the organization, that is, Enterprise-level, Division or subsidiary, Business unit processes. More so, the process requires the business to take a portfolio view of the risk, considering how the individual risks are interrelated. Management has the role to apply the components at multiple levels of the organization, rather than within a single function, unit, or department.

(c) Components of ERM

(i) Internal Environment

The internal environment sets the foundation for how risk is viewed and addressed by an entity's people, including risk philosophy and risk appetite, integrity, ethical values, and the environment in which they operate.

(ii) Objective-Setting

Objectives must exist before management can identify potential events affecting their achievement. ERM ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.

(iii) Event Identification

Internal and external events affecting the achievement of an entity's objectives must be identified, distinguishing between risks and opportunities.

(iv) Risk Assessment

Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis.

(v) Risk Response

Management selects risk responses—avoiding, accepting, reducing or sharing risk—developing a set of actions to align risks with the entity's risk tolerances and risk appetite.

(vi) Control Activities

Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.

(vii) Information and Communication

Relevant information is identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across and up the entity.

(viii) Monitoring

The entire ERM process is monitored, and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations or both.

2.6.3 Significance of Frameworks

Majidi (2015) states that the frameworks provide greater insights into strategy and the role of ERM in setting and executing strategies which will enhance alignment between organizational performance and ERM. The board of directors for the European Investment Fund, in the Operational Risk Management Charter (2010), expressed that risk management model accommodates expectations for governance and oversight, recognizing the continued globalization of markets and operations by adopting widely accepted standards. Hosseini et al (2016) alludes that risk management practice takes into account evolving technologies and the growth of data analytics in supporting decision-making. Furthermore, the aforementioned scholars believe that the frameworks expand risk reporting to address expectations for greater stakeholder transparency.

Kaplan and Mikes (2012), however, argue that the risk management models and frameworks are often treated as compliance tools, with lots of rules that employees ought to follow. Sensible as the rules might be in minimizing risks, the rule-based risk management frameworks do not diminish the likelihood or the impact of disasters and financial institution's failures, such as the Deepwater Horizon and the credit crisis between 2007-2008.

Sison (2014) reiterated that "the biggest value in each of these frameworks lay in their promotion of continuous improvement, diligent management practices and ongoing monitoring." Hence, organizations need to further expand their risk management functions to help reduce potential future losses through improved monitoring and reporting, better risk identification and response, as well as, more risk-based decision making.

2.7 Benefits of Risk Management

Kreiser (2013) mentioned that risk management often provide both qualitative and quantitative benefits. The benefits are, but not limited to the following:

a. Creation of a more risk focused culture

Implementing ERM increases the focus on risk at the senior management's levels which results in more discussions of risk at all levels, (Kreiser, 2013). Kreiser went further to express that the discussions develop into a standard part of the overall strategic business processes; operational units often find that addressing risk in a more formal way helps manage their part of the organization as well. This cultural shift allows risk to be considered more openly and breaks down silos with respect to how risk is managed. Another scholar, Jameson (2004) echoed the same sentiments when he alluded that risk culture is enhanced as ERM brings about common risk language which results in increased risk awareness.

b. Standardized risk Reporting

Kreiser (2013) states that effective implementation of RM frameworks leads to enhanced reporting and analysis of risks. Standardized reports help track enterprise risks which improves the focus of directors and executives by providing data that aids better risk mitigation decisions. In support of the above notion, Kaplan and Mikes (2012) indicted that data, such as, key risk indicators, mitigation strategies, new and emerging risks, helps leadership understand the most important risk areas, thus, develops a better understanding of risk appetite, risk thresholds, and risk tolerances. With regards to reporting, the BCBS (2011) expressed that risk management frameworks results in timeliness, conciseness and flexibility in risk reporting, thus, an organisation can be able to capture market changes and exploit opportunities or model risk controls before the organisation is affected.

c. Improved focus and perspective on risk

Kreiser (2013) cited the BCBS (2011) affirming that an effective framework advances the risk management process. It develops leading indicators to help detect a potential risk event and provide an early warning. This allows a proactive approach of management and brings a novel view point on risk. Contrary to traditional risk practices which focuses on mitigation, acceptance or avoidance, the ERM framework helps management to evaluate risk as an opportunity to increase competitive positions and exploit certain market and operational conditions.

d. Efficient use of resources

Many individuals may be involved with managing and reporting risk across operational units, ERM improves the framework and tools used to perform the critical risk management functions in a consistent manner, (Blake, 2011). Eliminating redundant processes increases efficiency as the right amount of resources are allocated to mitigating the risks. Kreiser (2013) believes that ERM enables cross-enterprise risk identification and coordination between various business units within an entity which helps ascertain the business unit that will best utilise the resource and yield great benefit to the entity as a whole, (Jameson 2004).

Through all of the benefits noted above, ERM can enable better cost management, thereby, boosting the firm's financial position on which the business' performance is measured by various stakeholders, amongst which are the customers, employees and investors, just to mention but a few, (Kreiser 2013).

Jameson (2004) and Blake (2011) both argue that accountability and good governance are the key benefits acquired after the implementation of ERM Frameworks. The aforementioned benefits have great impact on a firm's reputation which is a crucial component within the financial sector.

2.8 Essential success factors for ORM

2.7.1 Top management's commitment and support

Galorath (2006) asserts that the commitment and support from top management is key in influencing the success in any initiative within an organization, hence, the risk management requires the acknowledgement that risk is a reality and the commitment to identify and manage risk from top senior management to bottom line worker. Ranong and Phuenggam (2009) states that the essence of commitment and support from top management supports the effective decision-making process in order to manage risk as they assume overall responsibility of the business operations.

2.7.2 Culture

Hofstede (2001 p9) defines culture as "the collective programming of mind that distinguishes the members of one group or category of people from another." In his definition, points out that culture is a combination of beliefs, attitude, thoughts, emotions, feelings, ides and values. With this in

mind the BCBS (2011) expressed the need for the board of directors to take the lead in establishing a strong risk management culture, guided by strong risk management values that support and provide appropriate standards and incentives for professional and responsible behavior. The board and senior management ought to ensure that a strong risk management culture exists throughout the entire organisation.

2.7.3 Communication

For operational risk management to be effectively implemented there has to be effective risk communication, (Basel Capital Accord 2009). Effective risk communication allows for the dissemination of information regarding the institution's operational risks to all employees of the institution. The BCBS (2013) then states that such communication is aided by developing common risk language across all business units which will lead to a better understanding of risk as well as improving awareness. Carey (2001) was cited by Ranong and Phuenngam (2009) arguing that communication provides the staff with the opportunity to understand their roles and responsibilities as there are spelt out in the risk management process.

2.7.4 Organisational Structure

Fraser (2010) suggests that for operational risk management to be implemented effectively the organizational structure should allow for oversight from the board level or risk management committee. On the note, the Suren (2016) mentioned that governance structures should be clearly drawn, spelling out the reporting line and responsibilities of the members involved in the risk management process. The nature of the organizational structure affects the responsiveness, hence effectiveness of the operational risk management structure.

2.7.5 Information Technology

According to Mutsaers, Zee and Giertz (1998), the use of information technology within an organisation increases efficiency and effectiveness, therefore, organizations need to consider IT as an important factor in the face of increasing competition, higher performance levels and globalization. It relates to various aspects of the business processes, including access to a shared infrastructure consisting of knowledge, human assets, resource allocation, performance management, project tasking and communication support. With the same view, Rolland (2008) suggests using IT to drive effective risk management as it will create an important relationship between risk management and corporate performance. IT provides data security by employee

level, limiting a user's access by time, business activity line of business and individual risk, (Ranong and Phuenngam 2009).

2.7.6 Training

Galorath (2006) believes that training is a process of acquiring skill and knowledge to behave and perform as demanded by the task assigned. Stimpson (2012) articulated the need to investment in a good hiring procedure for new staff and adequate training of employees to build loyalty and reliability. He argues that a trained employee embraces the system, has increased competence and has a better view of the operations. Training not only reduces the likelihood of human error during the risk management process, but it also improves the focus and perspective on towards risk management, (Kreiser 2013).

2.7.7 Trust

Ranong and Phuenngam (2009) quoted Mayer, Davis and Schoorman (1995 p711) defining trust as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.” Grabowski and Roberts (1999) supported the definition by expressing that trust permits an organization’s members to focus on their mission, unfettered by doubts about other members’ roles and responsibilities. Ranong and Phuenngam (2009) denotes that risk management engages in activities that encourage share commitment, hence, the need for cooperation and teamwork to achieve the set objectives.

2.9 Empirical literature review

Most of occurring changes and innovations are in the product of inquiries. The continuous research and developments signifies doubtlessly of what have already been conducted years and years back. Sounders (1999) indicated that the dynamics in the business environments across the globe necessitates research studies on the drawbacks and successes of others business researches.

A research done on industrial companies that trade internationally by Stulz (1996) looked at operational risk management specifically as a tool of enhancing company value. The study argued that risk management smoothens the cash flows. As supported by Bartram et al (2009), it redistributes risks to those that are better equipped handle them. An example given was that;

Industrial companies are unlikely to have a comparative advantage in bearing foreign-exchange risk.

Masenene (2015) on a case study of Tanzanian Commercial banks found that, risks emanate from breakdown of internal controls which lead to fraud and dishonesty, embezzlement, poor credit risk management, failure to cope with technological changes, poor and sluggish monetary and fiscal policies. More so, Masenene (2015) cited Ndunguru (2007) expressing that bank deregulation/regulation policies and procedures, uncontrolled involvement of influential politicians as shareholder and or directors of banks, use of political connections to secure public sector deposits as well as heavy reliance on deposits from a limited source specifically from parastatals, are sources of financial losses.

Acharyya carried a study in 2012 on the essence of operational risk management in the insurance business, drawing cases from United Kingdom's Independent Insurance and Equitable Life, as well as, American Insurance Group (AIG) USA. Acharyya (2012) alludes that focus should be on operational risk management in addressing insurance companies' losses or failures. He states that "operational risks" are embedded in insurance risks, hence it can be best managed under insurance (underwriting) risk management process.

Ingram et al (1998 p1) states that "banks and insurance companies face many of the same risks and some different risks, hence, some different and some similar approaches to risk management have been developed." In support of that, Pan et al (2005) quoted Lewis (1990) explaining that "banks and insurance companies are similar in rooting their operation on the law of large numbers." On the hand, Kuper (2008) asserts that microinsurance practice has similar traits as those of microfinance practices in many ways than one, although they have their differences. Furthermore, the aforementioned scholars were convinced that risk management in banks and insurance firms is similarly applicable. Mago (2013) studied operational risk management for microfinance institutions. However, there are other schools of thought that have studied microinsurance solely as a risk management tool

Following the afore mentioned studies, recommendations were generated. Acharyya citing the 'behavioural agency model of managerial risk taking' by Wiseman and Gomez (1998). A conceptual framework should be built around organisational and managerial theories to address

the issues highlighted in the Basel's definition of operational risk as they have much bearing on the strategic decision making process. Pan et al (2005) suggested investment in policy formulation that promote effective risk culture and risk reporting. Ndunguru (2007) recommended the formulation of frameworks by regulators to guide the practice and manage risks. As studies have shown that banks and insurance firms operate the same and microinsurance and microfinance have the same traits of operations too. Mago (2013) suggested the adoption of risk management frameworks and treatment of operational risk as an integral part of the enterprise wide risk management process. Masenene (2015) insisted on employee training, monitoring and control of risk as well total commitment from top level management.

As studies have shown the relationships between banks, insurance companies, microfinance institutions as well as microinsurance, much attention has not been given to model operational risk management in microinsurance companies. This study therefore, will assess the operational risk management strategies available for adoption by microinsurance firms in Zimbabwe, taking into account how the companies are currently handling operational risks, and integrate with other remedies being employed by other firms in other markets.

2.10 Summary

In this chapter, the researcher analysed the theoretical and empirical literature from various schools of thoughts pertaining to operational risk management strategies. The dimensions of operational risk and types of operational risk management are highlighted, indicating their objectives, effectiveness as well as relevance to the study. The benefits of implementing an effective operational risk management framework have been expressed in this chapter, as well as, the essential factors that influence the success of ORM.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the research techniques that have been used in data collection, analysis and presentation of information with regards to the evaluation of operational risk management in microinsurance companies in Zimbabwe: case of Econet Life Pvt Ltd. More specifically, the chapter presents the research design, area of the study, target population sample size, sampling and data collection techniques and data analysis procedures. More so, a justification of the techniques used in data collection is provided.

3.1 Research Design

A research design is defined by Wegner (1993) as a series of advance decisions that, taken together, compromise a master plan and or model for the conduct of an investigation. Parahoo (1997 p142) added that a research design is “a plan that describes how, when and where data is to be collected and analyzed.” In that regard, Polit et al (2001) alluded that a research design is the researcher’s overall for answering the research question or testing the research hypothesis. in light of that, a research design is referred to as a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings, (Burns and Grove, 2003).

Farooq (2013) reiterated that there are four main types of research designs, namely descriptive, explanatory, experimental and diagnostics. In descriptive research design a researcher is interested in describing a particular situation or phenomena under his study, (Farooq, 2013). Descriptive research designs, helps to provide answers to the questions of who, what, when, where, and how associated with a particular research problem, (William, 2006). Chow (2010) denotes that experimental research design is a blueprint of the procedure that enables the researcher to maintain control over all factors that may affect the result of an experiment. Farooq (2013) further expressed that since human behavior cannot be measured through test-tubes and microscopes, the social researcher subjects one group to experiment (independent variables) while other is considered as control group (dependent variable). Under diagnostic research design, Farooq (2013) alludes that the researcher wants to know about the root causes of the problem, looking at the emergency,

diagnosis, solutions for the problem as well we recommendation of the solution. Last but not least, African Institute of development Policy (2017) explained exploratory design as when the researcher uses his own imaginations and ideas, looking for the unexplored situation and brings it to the eyes of the people.

It can be noted that a research design is a systematic guide for the researcher in attaining primary and secondary data in an authentic manner specific to the research area, providing answers to specific research questions alluded in chapter one and to examine a given hypothesis.

3.2 Study Population

Lowlay (2006) asserts that it is a group of individuals that are possible respondents for research purposes. Blankenship (2010) supports the notion by citing a population of study as the universe of people, place or things to be investigated. On the other hand, Malhotra and Dash (2010) expressed a target population as the collection of objectives or elements that have information sought after by the researcher and the relevant interferences to be made. Meanwhile, Berenson et al (2012) states that a population includes all individuals which are targeted by a researcher as a source of information key in deriving conclusions.

Burns and Grove (2003 p213) describe population as "all the elements that meet the criteria for inclusion in a study." The duo further defines eligibility criteria as a list of characteristics that are required for the membership in the target population. The cited authors point out that the study population refers to the group of individuals with specific and relevant information about the researcher's study. Hence, the researcher considered the 22 employees of Econet Life Pvt Ltd as the study population.

3.3 Sampling

A sample is a subset that can be used as an accurate representative of the entire population (Crawshaw and Chambers, 2001). Similarly, Polit et al (2001 p234) defined a sample as "a proportion of a population." Hair (2003) expressed sampling as a process of selecting a relatively small number of elements from a larger defined group of elements so that the information gathered from the selected group reflects the larger group. According to Field (2005) a sample is a smaller set of individuals selected from a population which is used to determine the characteristics of the

population. With reference to the aforementioned definitions, one can note that a sample refers to relatively small section or section of a large group or population, that truly represents and has the same characters of the group represented.

3.3.1 Sampling techniques

According to Parahoo (1997) sampling can be probable and non-probable. McClave and Sincich (2013) stated that there are two types of sampling, which are random and non-random sampling. Random sampling gives each element of the population an equal chance of being chosen for the study and Non-random sampling does not give an equal chance of being selected to the sample.

3.3.2 Non-Random Sampling

Wheeler (2002) supports the notion by describing non-probability sampling as judgmental selection of the subjects to be included in the study based on knowledge of the phenomenon. Langdrige (2004) expressed non random sampling as a system that includes the determination of members unpredictably from a rundown of the whole population. McClave and Sincich (2013) cited Salant (1994 p62) saying that ‘it is a process where probabilities cannot be assigned to the units objectively, and hence it becomes difficult to determine the reliability of the sample results in terms of probability.’ Furthermore, the duo explained the following random sampling methods.

(a) Purposive or judgmental sampling

Judgmental sampling depends on the expertise of the researcher as they are the ones who decide which elements are representative of the population based on their personal judgment and evaluation, (Kothari 2004). McClave and Sincich (2013) alluded that in judgmental sampling, the researcher selects a sample from a population based on who the researcher thinks would be appropriate to include in the sample. On the other hand, Alvi (2016) denotes that the researcher has to have a prior purpose in mind and criteria of the elements who are to be included in the study are predefined. Hence, the purposive/judgmental sampling looks at a more defined and specific group of people with specific information that the researcher believes they possess.

(b) Convenience Sampling

This sampling method only includes those subjects that are immediate to hand (Allison, 2001). Similarly, Kothari 2004 asserts that it involves deriving a sample from a part of the population that is close or readily available hence the name convenience sampling. An example drawn from

McClave and Sincich (2013), a survey carried out at a library early morning will force the researcher to only interview a few students that will be around the library that time. researcher includes those participants who are easy or convenient to approach. More so, the technique is useful where target population is defined in terms of very broad category, (Alvi 2016). For instance, the target population may be girls and boys, men and women, rich and poor, thus anyone readily available from any of the groups will suffice.

(c) Quota Sampling

Participants are chosen according to the different proportions that certain groups of consumers make of the whole survey population, (Stimpson, 2002). Field (2005) postulates that, just as in the stratified sampling method, some of the elements in the population have a 0% chance of being selected. Quota sampling involves the splitting the population into layers and then the researcher has to use his or her own judgment to select elements from the strata, (McClave and Sincich, 2013). Alvi (2016) suggests that this type of sampling method every element of population does not match all the characteristics of the predefined criteria. The technique, therefore, deals with sub groups that are homogenous. This method is usually used in street interview questions

The non-random sampling technique heavily relies on the researcher as he/she has to deliberately choose who to include in the study based on their ability to provide necessary data using various methods, some of them explained above.

3.3.3 Significance of Non-Random Sampling

Non-random sampling is well suited for exploratory research intended to generate new ideas that will be systematically tested, as well as, developing an understanding of a population under study, (Alvi, 2016). In agreement with other authors, Blankenship (2010) outlined some of the benefits derived from employing non-random sampling. He alluded that the techniques require less time to finish up and are inexpensive. Malhotra and Dash (2010) believed that non-random sampling helps in gathering big amounts of data in very limited time with small efforts, such as, in search of participants.

3.3.4 Random Sampling

McClave and Sincich (2013) articulates that random sampling method, also known as a probability sampling, is one in which each element of a population has a chance or probability greater than

zero of being a representative of the population within a sample. Saunders *et al.* (2015) goes ahead to say that it is a sampling method where each component in the populace has an equivalent shot of being chosen. In agreement with the aforementioned authors, Alvi (2016) postulate that there are various branches to which random sampling can be conducted.

(a) Simple random sampling

Rose and Grals (2005) acknowledges a simple random sampling method as one in which each element within a population has an equal probability of being selected randomly to be part of a sample. An illustration was given by Saunders *et al.* (2007), where in a population consisting of 20 elements, each element will have a 5% chance of being chosen at random to be part of the sample. “The population must contain a finite number of elements that can be listed or mapped,” Alvi (2016). Simple random sampling can be said to be a method that assigns an equal opportunity of selection for every individual to be part of the sample.

(b) Systematic Sampling

Allison *et al.* (2001) mentions that systematic sampling is when elements are chosen from the population at a uniform interval that is measured in time, order or space. In support of that, a systematic sampling is expressed as a method of selecting sample members from a larger population according to a random starting point and a fixed, periodic interval (Rose and Grals 2005). Saunders *et al.* (2007) describes stratified sampling as involving the dissection of a population into groups or strata along some dimension that uniquely distinguishes each stratum from the rest and is relevant for the information sought after. It is further stated that, an algorithm can then be applied to pick each employee that is assigned an even number to be included in the sample.

(c) Stratified Sampling

Stimpson (2012 p147) denotes that, “the method involves subdividing the population into groups and only sampling from those subgroups that are likely to be interested in the product in question.” On the other hand, stratified sampling involves the splitting of a population into distinguished layers, groups or strata that are different from each other but still representatives of the entire population, (McClave and Sincich, 2013). Alvi (2016) explained by stating that, from a population of employees in a company three layers can be made by splitting the employees with respect to

age or gender. Stratified sampling, places greater emphasis in grouping the population according to homogeneous traits before randomly selecting sample participants.

3.3.5 Significance of Random Sampling

Alvi (2016) expressed that the sampling technique is suitable for populations that are too general, but for the population precisely defined and limited to an infinite number of elements. He further alludes that the use of random sampling reduces the chances of systemic errors and sampling bias. More so, Malhotra and Dash (2010) added that the technique gives a better representative sample through the use of probabilities.

3.3.6 Sample size

According to Parahoo (1997:223) in non-probability sampling researchers use their judgment to select the subjects to be included in the study based on their knowledge of the phenomenon. On the other hand, Doane and Seward (2011) postulate that a sample size is the number of items or individuals that are considered in a research as a representative of the population. Haralambos and Holbon (2008) indicated that a sample size ought to be more than 33% of the objective populace. In this study the researcher used non-probable and purposive judgmental sampling. The rationale for choosing this approach was that the researcher was seeking knowledge about the day-to-day operations of Econet Life, as well as, the operational risk exposures being faced by the organisation, which the participants would provide by virtue of their experience. In this study, the researcher selected those that have the information about the risks faced by Econet Life, amongst which is the Claims and Admin Manager, the Risk Manager, Claims Offer and 5 of the Back Office operators. The sample size of 8, constituting 36% of the population has therefore, been selected.

3.4 Research instruments and Data collection

According to Parahoo (1997), research instruments are tools that are used for data collection. Data collection instruments refer to devices used to collect data such as questionnaires, tests, structured interview schedules and checklist, ((Mbambo 2009). On the other hand, Pierce (2009 p159) states that, “a research instrument is a survey, questionnaire, test, scale, rating, or tool designed to measure the variables, characteristics or information of interest, often a behavioural or psychological characteristic.” Langkos (2014) alludes defined an instrument is a tool designed to measure knowledge attitude and skills. Furthermore, stated that the instrument used depend on

whether the data to be collected is primary or secondary. The researcher made use of the following during this study:

3.4.1 Primary data

This type of information is the first hand information collected exclusively for the purpose of the research (Kumar 2005). Pierce (2009) argues that primary data is raw data that is being collected for the first time for a particular purpose by the researcher and not a third party and where the main merit of objectivity and accuracy is sort. Monette et al. (2011) explained questionnaires, interviews and observations as part of primary data collection.

(a) Questionnaire

According to White (2000), a questionnaire is a series of questions, each one providing a number of alternative answers from which the respondent can choose from. Haralambos & Holborn (2008), held that questionnaires are a good way of collecting data especially where factual information is required. This concurs with Monette et al. (2011 p164) who regards a questionnaire as “a way to collect data in survey research that contains recorded questions that people respond to directly on the questionnaire form itself, without the aid of an interviewer.” From the notion above, it can be noted that questionnaires can accommodate both subjective and objective data, providing privacy to the respondents, thus, allowing them to be more open.

(i) Advantages of questionnaires

Wilkinson & Birmingham (2003 p39) asserts that “questionnaires are familiar to users and allows them to complete the questionnaire at their own convenience, while allowing some time to think about their answers.” In addition, Best and Kahn (2006) believed that questionnaires facilitate the collection of vast amounts of data with minimal effort as the availability of a number of participants in one place makes possible economy of time and expense and provides a high proportion of useable responses. Haralambos & Holborn (2008) expressed that the technique can be used time again to measure differences between groups of people. There is uniformity since all the respondents in a particular target group receive identical questions hence this means it becomes easier to interpret the data received, making it a reliable data gathering tool, (Doane and Seward, 2011). More so, Langkos (2014) postulates that questionnaires avoid bias as they maintain anonymity.

(ii) Drawbacks of questionnaires

Wilkinson & Birmingham (2003) argues that questionnaires are everywhere, competing for participants' time, hence, the lack of adequate time to complete the instrument may result in the return of superficial data. In the same regard, Best and Kahn (2006) denotes that ease of production and distribution of questionnaires can result in the collection of far more data than can be effectively used. With that in mind, Monette et al. (2011) expressed that tend to be time consuming in terms of follow-ups and data entry. There is usually no room to probe further responses or even to explain more on points in the questions which respondents may misinterpret and there are built on assumption that every participant will understand the questions.

(b) Interview

Monette et al (2011) explained interviews as a data collection tool in which data is collected by asking questions in a verbal manner, either through listening or the use of audio recordings. McClave and Sincich (2013) viewed interviews as conversations initiated by the interviewer for purposes of obtaining specific relevant information. Alvi (2016) further explains interviews as tools that seeks to follow up on interesting responses and investigating underlying motives and attitudes that self-completed questionnaires could not sufficiently explain.

(i) Advantages of interviews

Saunders et al., (2009) expresses that with interviews, the researcher is face to face with the interviewee, hence, misunderstandings can be cleared immediately, making the response rate higher. On the same note, Fitzpatrick and Kazer (2012) asserts that material needed to be shown to respondents are properly presented and the respondents can be encouraged to answer fully. The researcher, through interviews, can rephrase or repeat the research question to ensure that the respondent has clearly understood the question, (Langkos, 2014). It is worth noting that Alvi (2016) suggests that interviews can accommodate complicated questions that cannot be asked in questionnaires, and that the respondents' answers will not be limited since they are not provided on paper, thus, the respondents can exhaust all issues relating to a given topic.

(ii) Limitations of interviews

Saunders et al, (2009) argues that, though interviews are favorable, they are time consuming, considering the length of the interview as well as costs associated with an interview, such as transport. Fitzpatrick and Kazer (2012) added that the cost of these interviews results in the sample

size being smaller comparing to questionnaires. McClave and Sincich (2013) are of the notion that, interviews tend to be biased as interviewees have a tendency of trying to please the interviewer which may lead to dishonesty in the answers provided. As of the case telephone interviews, Alvi (2016) believes that they lack non-verbal aspect of communication and there is the element of refusal from some respondents who would keep on referring you to the next person.

3.4.2 Secondary data

Kothari (2004) as the data that have been collected, processed and analyzed by someone for other purposes different from the problem at hand. Shiu et al (2009) defines secondary data as historical data and structures of variables previously collected and used for some research problem, opportunity or situation other than the current situation. Secondary data is obtained from a source other than the primary data source (Burt et al 2009). Hence, secondary data refers to the data that has been collected by other researchers for some purposes.

Amongst other methods, the following secondary data collecting techniques were used for the purpose of this study:

(a) Internet

Benfield and Szlemko (2006) alludes that the internet is a networking infrastructure connecting millions of computers globally, forming a network in which any computer can communicate with any other computer as long as they are both connected to the facility. The internet provided the researcher with the widest range of data access, such as, e-books, e-journals and articles other scholars. The researcher used the tool in this current study, some questionnaires and appointments were also sent through e-mail.

(i) Advantages of Internet

According to Nosek, Banaji, and Greenwald (2002) the researcher can access books, references or special collection from any location in a timely manner, provided there is network, as compared to textbooks where one needs to visit the library. Berry (2004) reiterates that, the use of internet as a research method is convenient as data can be accessed through mobile internet at any place and at any time, thus, access to worldwide coverage of the literature which will be available on the particular subject. Furthermore, Benfield and Szlemko (2006) alludes that finding information on

the internet is easier as internet allows access to online catalogs which helps to check availability of books in the library.

(ii) Limitations of Internet

Apart from the need to have network connectivity, internet provides a wide range of sources but not all are reputable, recommended, accurate and reliable in terms of content, (Benfield and Szlemko, 2006). For example; Wikipedia is not recommended for research and thus could lead to misguided information. more so, Kinnane & Milne (2010) stated that the internet is susceptible to virus risk and the researcher's documents can be corrupted.

(b) Textbooks, Journals, Magazines and Newspapers

Johnston (2014) alludes that the use of published document results in some level of information authenticity. Cheng and Phillips (2014) argued that published books and articles are easily accessible by all, taking into account that not everyone is privileged to an extent of having network connectivity so as to access online articles. Constant reference was made to published articles so that a thorough appreciation of the research topic would be obtained.

3.5 Reliability and Validity of findings

McNeil (1990) asserts that validity refers to the extent to which an empirical measure adequately reflects the real measuring of concepts under consideration. The concept acts as a qualifying check or measure for their research, Golafshani (2003). Shiu et al (2009) defined the concept of research reliability and validity as the degree to which a research instrument serves the purpose which it was constructed for.

With reference to Phelan and Wren (2005) reliability also relates to the extent to which conclusions drawn from an experiment are unbiased. To then ensure that the research instruments are valid and reliable, the researcher had an academic supervisor who helped setup the instruments to attain the information relating to the research questions and objectives.

3.6 Data Analysis and presentation plan

Data analysis will be performed in order to achieve the research objectives. Responses from open-ended questions will be summed up with the view to present them in diagrammatic form, such as, charts, tables and graphs. All recommendations from the respondent are to be documented and will

form the basis of research recommendations.

3.7 Conclusion

The chapter gave a description of the research design employed to provide an inclusive approach for addressing the research questions for this study. It highlighted the tools and techniques used in both primary and secondary collection of data. It provides the basis for the next chapter which focuses on analyzing and presenting findings of this study in a systematic form. The answers to the research questions and attainment of primary objectives are expected to be derived from these findings.

CHAPTER FOUR

FINDINGS AND DATA ANALYSIS

4.0 Introduction

This chapter presents the findings of the research, analysis, and the interpretation of findings. The findings are analyzed in relation to the objectives of the study and the literature reviewed earlier, presenting the results of the observations and derivative statistics that emerged from questionnaires and interviews. Statistics analysis was done with the aid of tables, pie charts and bar graphs, were necessary, in order to effectively illustrate associations and trends.

4.1 Response Rate

Response rate is a statistical relationship of the people who responded to the survey proportion to the total number of people in a sample. (Shukla, 2008). Keller (2014) alludes that there is a varying acceptable response rates basing on the difference in the sample sizes used during the survey. He went further and cited Vanderleest (1996) setting the response rate at 36%, Babbie (1998) at 50% and Dillman at 70%. In light of that, Fryrear (2015) preferred to get a high response rate (80% or higher) from a small, random sample rather than a low response rate from a larger pool of potential respondents. In this study the researcher selected a sample of 8 employees and issued 8 questionnaires, along with interviews to obtain data. All the employees 8 responded, making the response rate 100%.

4.2 Data Presentation and Analysis

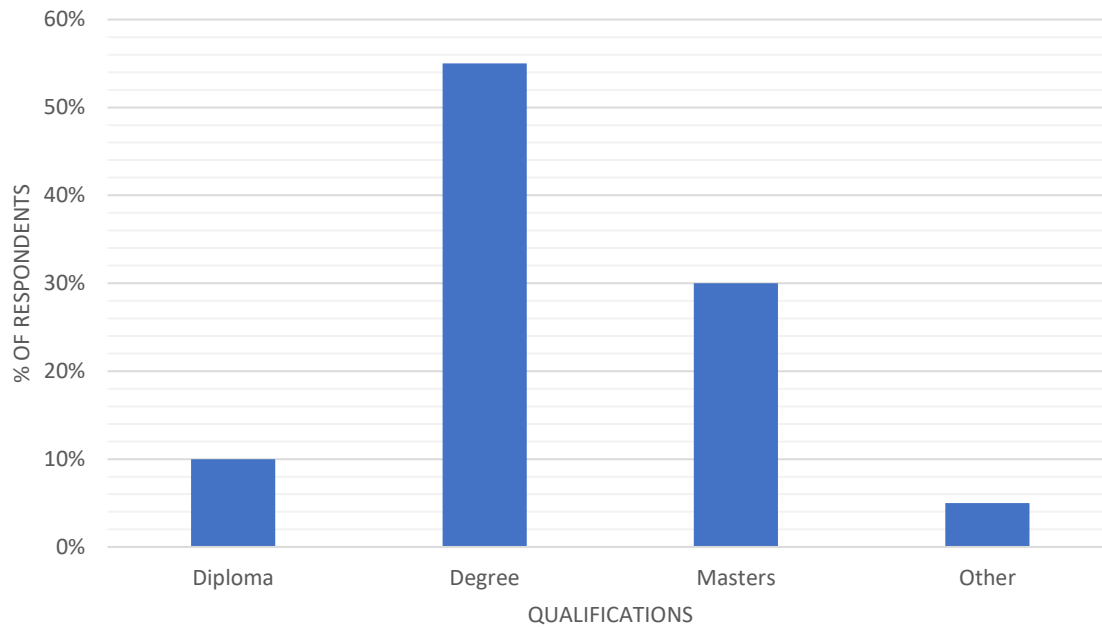
After the information concerning operational risk management at Econet Life Pvt Ltd was collected, the following analytics were made;

4.2.1 General Findings

(a) Academic qualification

The aim of the question was to assess the relevance and significance of data provided. The researcher analysed the highest qualifications of the respondents and their composition is shown on the following bar graph.

Fig. 4.1 Academic qualifications



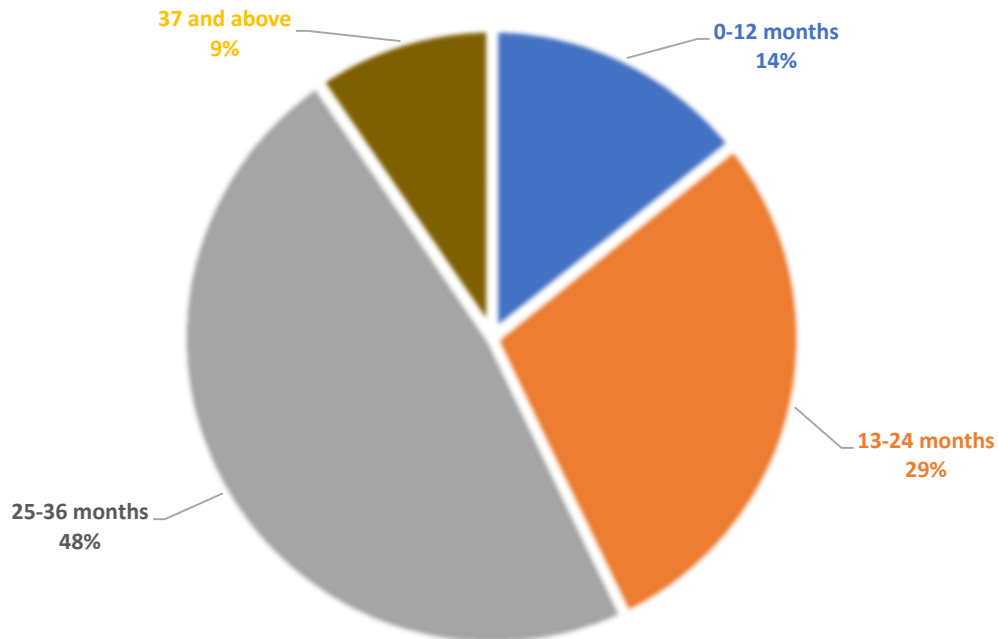
Source: Primary Data (2017)

Of the respondents, those with degree qualifications constituted a greater proportion, with 55% people, followed by masters' qualifications which has 30% of the respondents. 10% had diplomas according to the survey, and 5% other people had other academic qualifications. Wade et al (2003) acknowledges that, the more educated a responded is, the more accurate the data is likely to be. In support of this notion, Dey (2005) alludes that one's qualification determine whether the information given can be relied upon. The level of education that the employees have increases the likelihood of identifying operational risks, measurement, as well as, their management.

(b) Work experience

The aim of the question was to ascertain the probability of the respondents having some knowledge of microinsurance and on operational risk, by looking at their work experience in microinsurance. The research findings indicated that at Econet Life, the majority of the employees served between 25-36 months in microinsurance business, having constituted 48% of the population sample. 29% spent 2 years or less in the microinsurance business, whilst 3 people (14%) served for a year or less. On the other hand, 9% make up the longest serving members at Econet Life who have more experience in microinsurance business.

Fig 4.2 Work experience



Source: Primary data (2017)

Damasio, (1994) asserts that experience plays a major role in determining how much knowledge one has on certain issues. Linden (2014) supports the notion by arguing that there is a positive relationship between experience and knowledge, such that it is implied that the more experience one has, the more knowledge he has on relative subject.

From the aforementioned schools of thought, it can be deduced that the length of experience in the microinsurance, reflects how well versed the respondents were in the subject matter. On the contrary, Garling (2007) states that having experience does not entirely resemble knowledge or information in the area of focus.

4.2.2 Factors affecting Operational risks

(a) Knowledge of Operational Risk

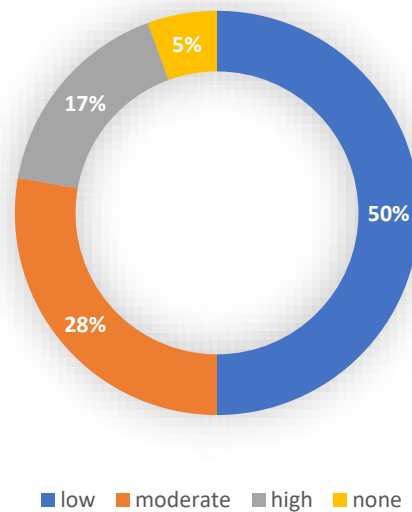
The researcher had the need to ascertain if the responses could be used to make conclusions by purposefully questioning their knowledge so as to investigating the respondents' understanding of operational risk. Dorfman (2007) believed that an organisation cannot identify risks if it does not acknowledge the existence of risk. Hence, Hubbard (2009 p46) expresses that "risk management

identifies a new type of a risk that has a 100% probability of occurring but is ignored by the organization due to a lack of identification ability.” Furthermore, he stated that when deficient knowledge is applied to a situation, a knowledge risk materializes. However, all the respondents at Econet Life confirmed to have knowledge of the term operational risk and its meaning. The respondents deal with the risks on a daily basis, hence, the findings can even be more accurate.

(b) Risk Culture

The aim of the question was to examine the risk culture that reflects upon the value placed by Econet Life on operational risk management. The data collected showed that 5% of the employees failed to recognize if Econet Life placed value on the ORM, whereas 17% express believed the organisation to have commendable risk culture, placing high value on risk management. 28% acknowledge some value being placed on ORM but could neither classify the value as low nor high. The greatest population (50%) were certain that Econet Life does not value ORM.

Fig. 4.3 Risk Culture



Source: Primary Data (2017)

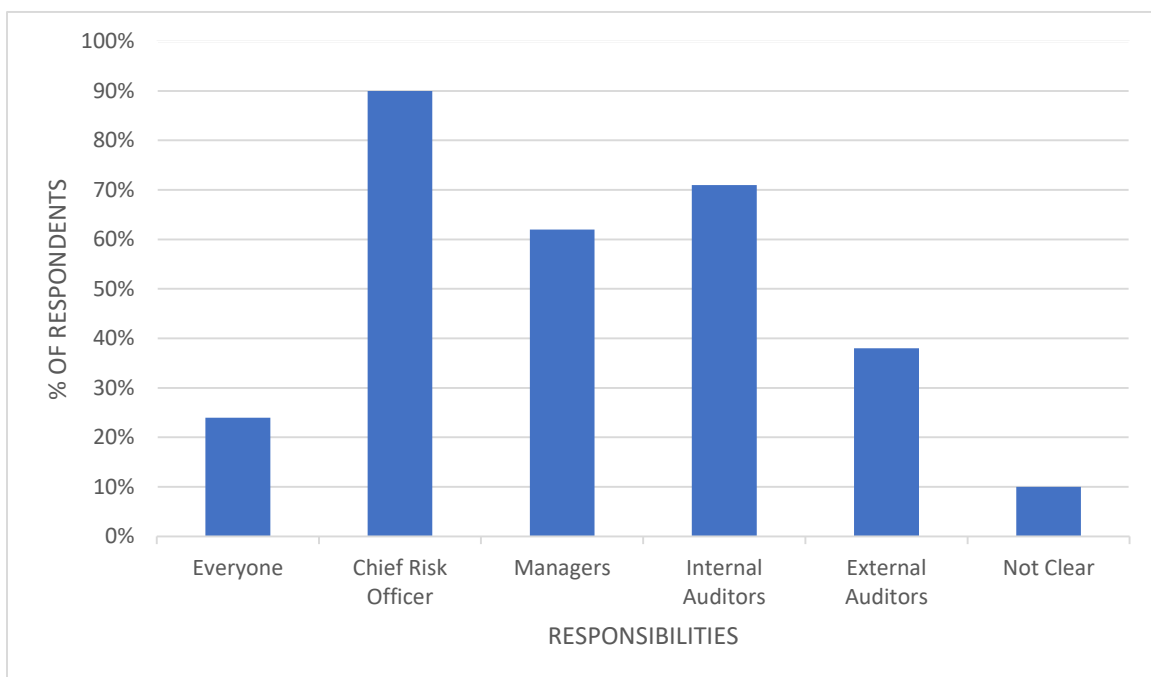
A low risk culture indicates that an organisation does not value risk management, hence, risk unaware, Jameson (2004). DeLoach (2015) asserts that a low risk culture discourages open and upward communication, disrupts continuous process improvement and commitment to ethical and responsible business behavior, however, it promotes a silo approach of managing risk. A risk culture develops to be part of the overall strategic business processes that allows risk to be

considered more openly and breaks down silos with respect to how risk is managed, (Kreiser, 2013). The statistics suggests that Econet Life places low value on managing risk, and the organisation might be treating risk in a vacuum. This makes it vulnerable to operational risks.

(c) ORM Responsibilities

The aim of the question was to obtain information on who is responsible for managing risk at Econet Life, the researchers gave the respondents the option to indicate multiple candidates, were necessary.

Fig. 4.4 ORM Responsibilities



Source: Primary Data (2017)

From the data gathered 90% of respondents stated that the chief risk officer is responsible for operational risk management. 10% argued that it is not clear as to who really is responsible for ORM. On the other hand, 24% assigned the responsibility to everyone at Econet Life. 38% of the respondents viewed ORM as external auditors' responsibility. More so, 71% and 62% believed ORM to be the responsibility of internal auditors and managers respectively.

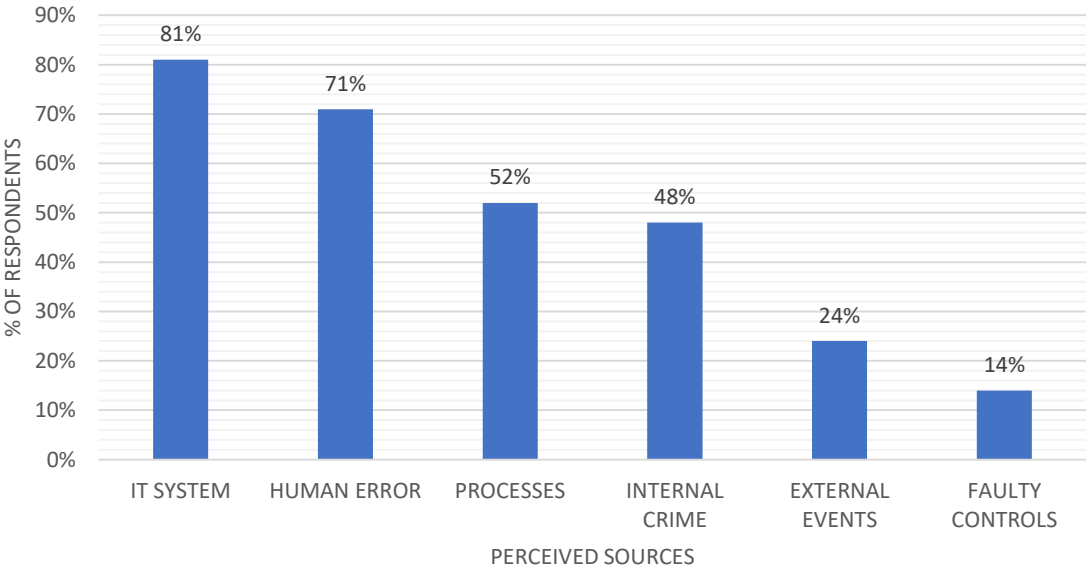
Dcosta (2011) asserts that, there is a clear dependency of risk management on the risk management responsibilities assigned to respective personnel. The COSO ERM (2013) denotes that the risk management process should involve every employee in an organisation, assigning overall

responsibility to senior management in order to effectively mitigate risk of loss. More so, Ray (2017) alluded that, where risk management responsibilities are not known, communication deteriorates which delays risk identification, hence, mitigation, bottom-line profits are affected. Assigning. Unfortunately for Econet Life, there seem to be a misconception as to whose responsibility it is to management risk. The finding signifies that Econet Life is vulnerable to potential operational losses.

(d) Operational Risk Perceptions

The aim of the question was to assess how the employees view risk and possible areas off origin. The respondents were at liberty to select multiple sources off risk they perceive. The following graph represents the major sources of operational risks identified by the 8 respondents;

Fig. 4.5 Perceived Sources of risk



Source: Primary Data (2017)

With reference to the above data presentation, 81% of the respondents pinpointed information system’s potential failure as the major source of risk. Human errors were nominated by 71% of the respondents to be another source of risk. Business processes on the other hand, were believed to give rise to risk by 52% of the respondents. 43% viewed internal crimes as a potential threat to the business’ operations, whilst 24% were of the notion that external events also result in operational risks. Only 14% were of the impression that operational risks emanate from faulty controls.

Cope (2012) in his article said that operational risk emanates from the people with insufficient knowledge of procedures, fraud, incompetence and human error. Churchill and Matul (2012) technical processes and systems are the backbone of microinsurance, hence, their flaws results in operational losses. More so, Brink (2002) recognised the existence of external risks, arguing that outsourcing services largely contributes to the exposure, apart from hacking and third-party fraudulent activities. As evidenced by the data presented above, the employees at Econet Life have knowledge of the existence of operational risk and the likely sources thereof. This calls for the implementation of strategies, so as to mitigate the potential losses.

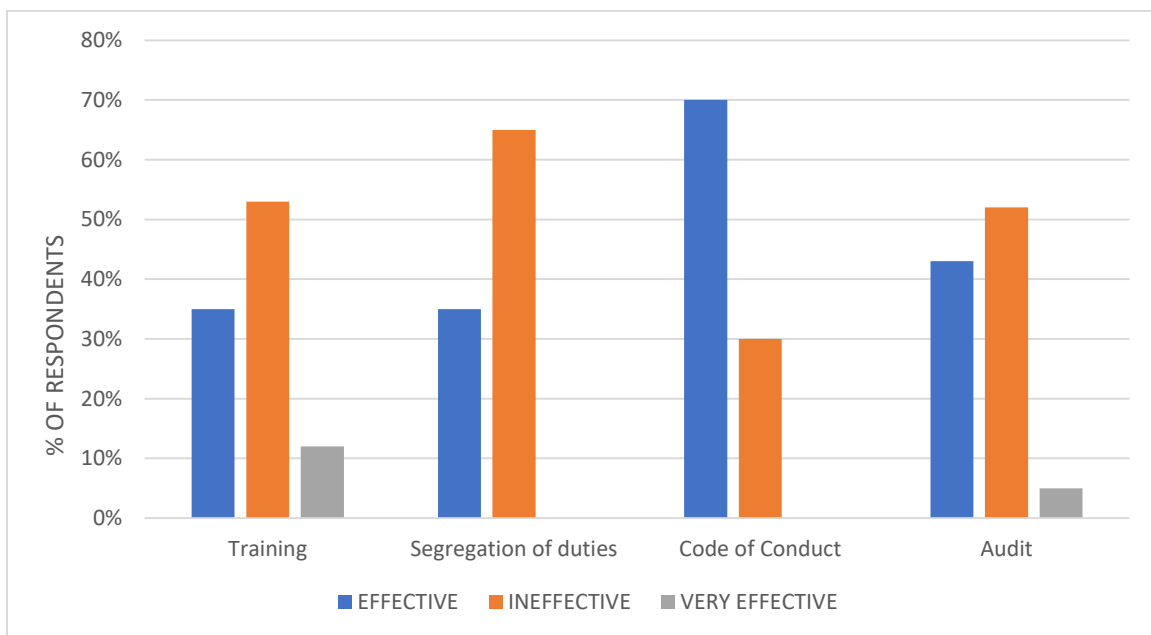
4.2.3 ORM Strategies

Rejda (2013) expressed risk management tools as the instruments used to address uncertainty. The question aimed at determining the different tools currently being used by Econet Life to address the components of operational risks. Again, the respondents had the liberty to select more than one response.

(a) People

Cope (2012) refers ‘people’ to the personnel providing the service in most cases, selling a promise, claims, underwriting and /or customer care. They can either build or destroy the product. Below are techniques implemented to curb risk that are people centred.

Fig. 4.6 People



Source: Primary Data (2017)

(i) Training

It can be noted from the findings that, of the 53% viewed training as an ineffective strategy to manage risks emanating from ‘people’, 35% viewed the strategy as effective, whilst 12% are of the notion that training is highly effective in managing people risks. Gaetano (2015) states that bad habits are hard to fix and without providing the proper learning support to help employees reach their potential, an organisation risk them normalizing the abnormal at a work place and accepting unacceptable risk. Moreover, Inadequate training leaves the organisation prone to human error, narrowed focus and perspective towards risk management, (Kreiser 2013). One can therefore note that training is viewed as ineffective by the majority of the employees. From the interviews, the ineffectiveness largely emanates from the infrequent trainings conducted. More so, some senior employees confessed to have attended only one training (induction training) in their tenure at Econet Life.

(ii) Segregation of duties (SoD)

The research revealed that 35% of the respondents believe that SoD is an effective in managing risks emanating from people side, while 65% are in contradiction. The Basel Committee alludes that tasks that establish conflicting duties for individuals or a team without dual controls or other countermeasures may enable concealment of losses, errors or other inappropriate actions. Kobelsky (2014) asserts that SoD is a fundamental element of internal control, whose failure depends on the firm’s ability to categories duties into functions, namely; authorization, custody, record keeping and reconciliation. Botha and Eloff (2017) expressed that the concept of SoD, if not properly done, can lead to duplication of duties, as well as, concealment of losses. Therefore, giving reference to the findings, one can note that the strategy has flaws that makes the organisation vulnerable to fraud, errors, loss concealment and duplication of duties.

(iii) Code of conduct

Of the 8 respondents, 70% were in agreement that the use of code of conduct is effective in managing operational risk. On the other hand, 30% shared the view that operational risk can be better managed by other strategies other than establishing a code of conduct. Disparte (2016) argues that an effective code of conduct enables information to be shared quickly and openly across the organization, rooting out bad dealings before they spread. More so, the Institute of Risk Management South Africa (2017) postulates that the purpose of the code of conducts is to state the

values to which an institute is committed to, setting out the ethical principles and standards of acceptable behavior. Considering the findings, the researcher can derive with certainty that majority of the respondents are of the notion that the using a code of conduct is one effective way of managing operational risk, with regards to people.

(iv) Audits

From the findings, 5% indicated auditing as a very effective tool to manage operational risks, whilst 43% agreed that audits are effective in managing risk that emanate from individuals undertaking operations. On the other hand, 52% of the respondents contradicted the first two groups mentioned above as they believe that internal audits are ineffective in managing risks at Econet Life.

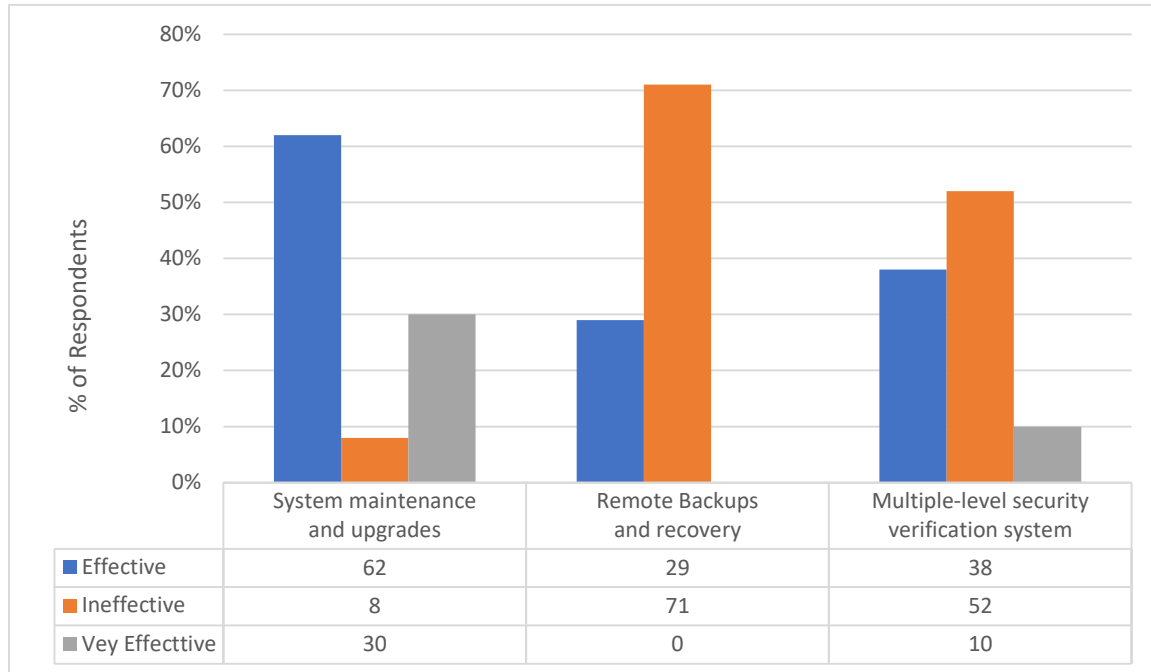
From the interview conducted, it can be noted that, although audits are conducted at least 4 times a year, the majority of the respondents still believe that audits are a waste of time. Davis (2015) alludes that an audit is said to be ineffective when it fails to monitor the risk management process, from identification to implementation of control measures. Broadleaf (2014) further explains that the ineffectiveness is reflected in the failure to provide assurance to Boards and senior management about their adequacy and effectiveness, with regards to strategic decisions in relation to overall objectives if the business.

The Chartered Institute of Internal Auditors (2015) expressed that the failure in auditing may result from having the internal auditor and risk manager reporting to one senior manager, this compromises the objectivity of the auditing system in questioning the management's commitment to respond to the current level of risk. However, the findings indicate that there are flaws in the audit system of Econet Life.

(b) System

Sirohi (2010) denotes that the system refers to a set-up consisting of hardware, software, data and the people who use them. Microinsurance is characterised by high market volumes, hence processes are automated to services the greater number of customers, hence, technical processes and systems makes the backbone of microinsurance, (Churchill and Matul, (2012). The findings below reveal the strategies being implemented to manage system risks.

Fig. 4.7 System



Source: Primary Data (2017)

(i) System maintenance and upgrades

The data collected shows that 62% of the employees at Econet Life view system maintenance and upgrade as an effective tool to manage system related risks, whilst 30% actually believe that the tool is very effective in operational risk management. On the contrary, only 8% indicated that system maintenance and upgrades are ineffective in managing system risks. TLM (2011) asserts that maintenance prioritizes resources toward assets/systems that carry the most risk if they were to fail. Kohnke, Shoemaker and Sigler (2016) alluded that constant monitoring, maintenance and upgrades cater for changes in the work environment, so as to retain control of the system. Risks are inherent in all technological projects, with some projects directly affecting the operations of the finance function, (Bailey and Riffel, 2010). Although some employees at Econet are of the view that system maintenance is effective in managing system risks, the data supports the notion.

(ii) Remote Backups and Recovery

The majority of the respondents, constituting 71%, believe that Econet Life does not have a proper ‘remote backup and recovery’ program to manage its risk exposure. The remaining 29%, however

believe that remote backup and recovery is a better tool to manage risk emanating from system failures. Kinsey (2017) believes that absolutely care about backup & disaster recovery risks management relies on top management. More so, Singleton (2011) alludes that the backup and recovery program highly affects those that; rely heavily on IT and data to conduct business, operate solely online (e-commerce) and operate 24/7. Econet Life as a microinsurance company that deals with huge volumes of data is at risk of losing the data as the majority of the respondents have highlighted the remote backup and recovery plans are ineffective in managing the data such risk.

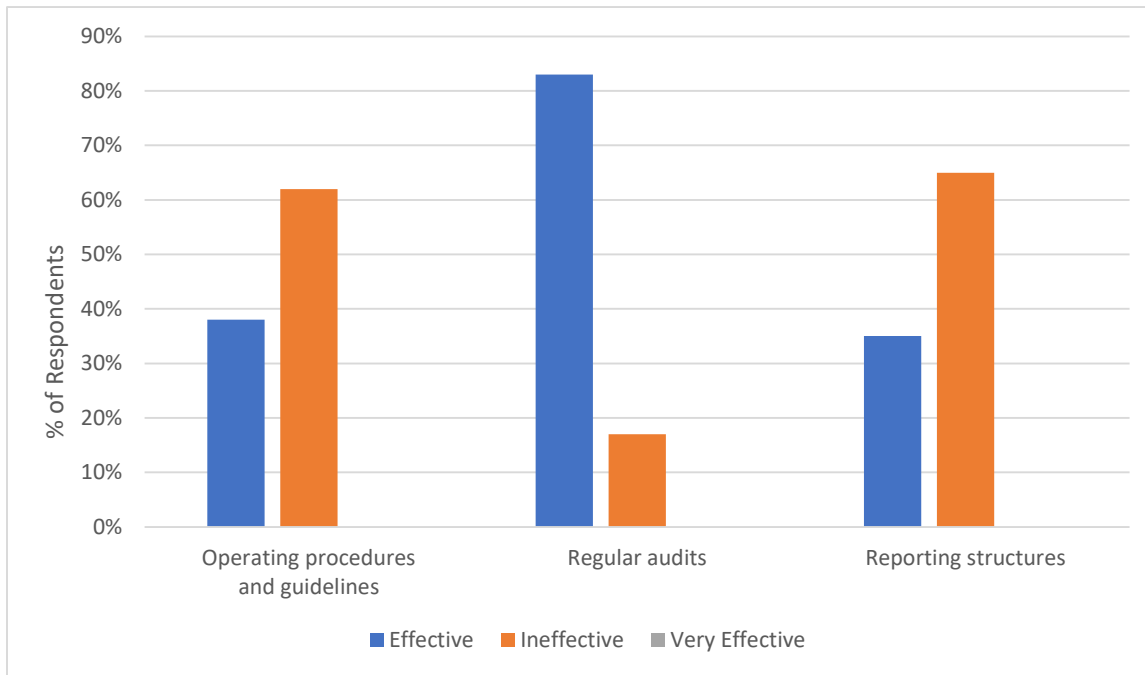
(iii) Multiple-level security verification system

The findings show that more than half the people (52%) argue that having multiple-level security verification system does not work in managing system risks. 38% believe that multiple-level security verification system is effective and 10% view the tool, as very effective. The Monetary Authority of Singapore (2013) expressed the failure to be associated to system access by random users, such as, vendors and contractors which leads to system failure, internal sabotage and/or fraud. In support of the aforementioned notion, Rosado (2012) asserts that as people play an important role in managing systems and processes in an IT environment, an organisation should implement a screening process that is comprehensive and effective to restrict access to company's sensitive or confidential information. With regards to the research findings, Econet Life has a greater proportion of the respondents arguing against multiple-level security verification system, citing that the tool is not effective, although there exist a number that strongly advocate for the tool's effectiveness.

(c) Process

Baskerville (2014) postulates that organisational policies and procedures are a set of written steps taken by a company to provide employees with the least amount of risk when performing assigned tasks. the Insurance Institute of South Africa advocates for the implementation of internal procedures to accompanying internal controls so as to avoid risks. The research findings, however, revealed the following about Econet Life's processes.

Fig. 4.8 Process



Source: Primary Data (2017)

(i) Operating procedures and guidelines

The data shows that 62% view currently employed operating procedures and guideline as ineffective in curbing operational risk management. On the other side, 38% believe that the operating procedures and guidelines are effective, as a tool to manage risks emanating from processes and procedures. Baskerville (2014) argues that shortfalls in operating processes and procedures deprives the employees from attaining a standardised approach to assigned tasks and responsibilities, ensuring safety at a workplace. Furthermore, Amadei (2016) expressed that the absence of proper documented operating policies and procedures overlooks the importance of proactive risk management practices, maintains a siloed view of the organization and key operations, and limits the upside for performance-improvement initiatives. At Econet Life Pvt Ltd, existing operating procedures are viewed as ineffective by the majority of the respondents.

(ii) Regular Audits

With reference to the above graph, one can note that regular audits are effective in managing process risk, as indicated by 83% of the respondents, whilst 17% are of the view that there are other better tools to manage process risk than regular audits. Broadleaf (2014) denotes that auditors have to audit processes and procedures, to provide assurance to senior management on employee

competence and compliance with set procedures. The Chartered Institute of Internal Auditors (2015) believes that auditing allows for monitoring and review of processes, assessing their impact and effectiveness. The ISO 31000: 2009 framework states that audits should be conducted on a regular basis so as to keep close control and view of the activities within the business, ensuring that changes in the business environment are captured and plans modelled accordingly.

(iii) Reporting Structures

35% of the employees acknowledge the existence of effective reporting structures within Econet Life, whereas, 65% indicated that reporting structures leaves a lot to be desired when it comes to managing process risks. Botha and Eloff (2017) postulates that, ineffective reporting structures diminishes the ability of a firm to establish a comprehensive risk reporting system that is aligned with other organisational performance management structures and processes. The Institute of Risk Management (2017) argues that inconsistent reporting structures hinders effective risk reporting, thus, missing out on emerging threats and opportunities. From the research data, one can note that the greater proportion of the respondents expressed dissatisfaction with the existing reporting structures.

4.2.4 Benefits of effective ORM

The question aimed at determining the extent to which respondents agreed or disagreed with points that are believed to be benefits of effective operational risk management. The table below shows the benefits against the response, making use of the following abbreviations:

SA- Strongly agree, **A-** Agree, **U-** Uncertain, **D-** Disagree, **SD-** Strongly Disagree

Table 4.1 Benefits of Effective ORM

Benefits	SA	A	U	D	SD
Efficient use of resources	71%	29%	0%	0%	0%
Creation of a more focused risk culture	26%	48%	16%	10%	0%
Standardised risk reporting	18%	37%	10%	35%	0%
Improved focus and perspective of risk	0%	52%	18%	30%	0%

Source: Primary Data (2017)

From the data above, it is noted that 71% of the Econet Life employees strongly agreed, and 29% agreed that effective ORM results in efficient use of resources. 26% strongly agreed that creation of a more focused risk culture is a direct benefit of an effective ORM. on the same note, 48% agreed to the notion, while 10% of the respondents expressed uncertainty. 35% however, argued that creation of a more focused risk culture is not a resultant of an effective ORM. Standardised risk reporting is a benefit of an effective ORM as supported by 18% of the respondents who strongly agree and the 37% who agrees with the statement. Contrary to that, 35% disagree with the statement, whereas, 10% chose to remain neutral. 52% of the respondents simply agree to the fact that effective ORM improves the focus and perspective of risk at Econet Life, although 30% disagree. However, 18% could neither agree nor disagree to the aforementioned fact.

BCBS (2013) asserts that an effective ORM enhances the overall business performance, hence profitability. Pritchard (2015) further expressed that effective ORM builds on the reputation of the organisation, instilling customer confidence. It can therefore, be noted that the benefits are feasible and true, although they vary from one organisation to another as resembles by the different perceptions of risk within Econet Life Pvt Ltd.

4.3 Interview Findings

During the interview, the risk manager affirmed the information provided through the questionnaires on the sources of operational risks, strategies to mitigate them and the benefits derived from effective operational risk management.

The risk manager pointed out other general approaches to operational risk management employed at Econet Life. She expressed that Econet Life uses the ISO 31000 and Enterprise Wide Risk Management approach. She alluded that the firm is still modelling the frameworks to suit the organisation's size and structure. The risk manager believes the frameworks will help the microinsurance firms to establish risk management policies in line with the overall objectives of the business.

More so, the risk manager believes that more can be done by the senior management in terms of resources allocation towards risk management activities. In line with that, she stated a risk management committee is desirable to enhance the risk management process, but Econet Life does not have such a committee.

4.4 Summary

This chapter provided qualitative and quantitative analysis of both the primary and secondary data gathered during the research through the use of questionnaires and interviews, books, newsletters, journals and websites. The data was presented in tabular form, graphical representations, as well as on pie charts, so as to better elaborate the findings. The next chapter contains the summary of findings, conclusion of the study, as well as recommendations.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The foregoing chapters sought to assist the researcher in coming up with plausible conclusions and recommendations. The recommendations based on the research findings are made to the microinsurance firms in Zimbabwe with reference to Econet Life on operational risk management strategies they could implement to mitigate and or prevent operational losses.

5.1 Summary of findings

The research findings show that almost every individual at Econet Life has knowledge of operational risk management and are aware of the existence of the risks. In as much as they are aware of the risks, less value is placed on managing the operational risk exposures. From the findings, it can be noted that Econet Life has the signs and symptoms of an organisation failing to cultivate a good risk culture, as highlighted by Kreiser (2013).

The research suggested the existence of a fallacy concerning operational risk management responsibility. The question of who exactly is responsible, within the organisation, could not be unanimously answered. It could be noted that the chief risk officer, internal auditors and managers were the top three ranked suggestions responsible for operational risk management, although the COSO ERM (2013) framework perceives every employee to have some degree of responsibility in managing operational risks.

In Econet Life, there seem to be traits, of approaching ORM in silos, as the findings reveal that there is no regular operational risk management training for everyone, but for a few selected individuals. The greater proportion on the employees indicated that training on OM does not exist, but on the other hand, few respondents acknowledged attending a couple of regular training workshops. Training has been identified as an essential element of successful implementation of operational risk management techniques. Not only does it reduce the likelihood of human error, but it also improves the focus and perspective towards risk management.

Just as alluded in the earlier chapter, the study revealed that operational risks emanate from a wide number of factors in insurance. It can, however, be noted from the findings that the most threat comes from people, processes and systems.

The findings, therefore, identified operational risk management tools being used in the microinsurance company, with reference to Econet Life, in an attempt to reduce the frequency and severity of operational losses. However, some of the respondents expressed that the tools failed to satisfy the expectations placed on them, whilst some view them as effective, showing the gap in ORM knowledge. The gap in the organisation has been referred to as information asymmetry.

There are, however, a couple of benefits that can be derived from an effective ORM, though the degree varies with risk perception. The finding indicated that microinsurance can enjoy efficient use of resource, more focused risk culture, standardized risk reporting as well as enhanced risk focus and perspective, just to mention but a few.

5.2 Conclusions

5.2.1 Sources of risk

From the discussions it can be noted that potential at Econet Life can emanate from the three components of operational risk management, namely; peoples, processes and system. From the people's perspective, risk accrue due to insufficient knowledge of procedures, fraud, incompetence and human error, poor recruitment and selection, lack of support from senior management, and ineffective assignment of operational risk management responsibilities, just to mention but a few. Process related risk threats largely emanated from ever changing operating procedures, unavailability of properly documented policies and procedures, as well as, code of conduct and unclear reporting structure. System related risks sources include, poor system maintenance and upgrades, lack of proper training on the system operators, unavailability of remote backup and recovery of data

5.2.2 Strategies implemented to manage operational risk.

The research findings, both primary and secondary, suggested quiet a number of techniques to be used to curb the potential losses from the sources mentioned above. Some of the strategies given are new and recommended for adoption, whilst some are to be amendments to existing and already implemented strategies in microinsurance companies in Zimbabwe. Such strategies are aimed at the three components of operational risk management, and includes, frequent risk management

trainings for all the workforce, internal auditing, transparency and accountability, development of a risk culture, adoption of other risk management frameworks and formulation of a risk committee to address the gap in the strategies.

5.2.3 Benefits of effective ORM

As discussed in the thesis, there are benefits that can be derived from an effective ORM, though they vary from one company to another. The finding indicated that microinsurance can enjoy efficient use of resource, more focused risk culture, standardized risk reporting as well as enhanced risk focus and perspective. Furthermore, an effective ORM enhances the overall business performance, hence profitability. One school of thought further expressed that effective ORM builds on the reputation of the organisation, instilling customer confidence. It can therefore, be noted that the benefits are feasible and true, although they vary from one organisation to another, one market to another, as resembles by the different perceptions of risk within Econet Life Pvt Ltd.

5.3 Recommendations

Although operational risk cannot be eliminated completely nor can they be hedged like credit risk and market risks, it can, however, be minimized in terms of the exposure frequency and severity. From the summary of the findings given above, the researcher has the following recommendations, including recommendations to areas of further study.

5.3.1 General Recommendations

These are recommendations aimed at addressing the position of the whole organisation and affects all the categories of operational risks.

(a) Operational risk management as a cycle

Griling (2013) asserts that the management of operational risks should be treated as a cycle, thus from risk identification, risk assessment, risk treatment and monitoring. On the other hand, Rejda (2013) alludes that adding a risk monitoring and review function on the four steps of risk management mentioned above. Treating the operational risk management as a cycle allows for identification of new risks inherent to business environment dynamics as well as, changes in implemented strategies.

(b) Top management's commitment and support

Dionge (2005) denotes that the essence of commitment and support from top management supports the effective decision-making process in order to manage risk, as they assume overall responsibility of the business operations. In line with that, Galorath (2006) asserts that the top management play key role in influencing the success in any initiative within an organization as they play the role of a model employee in which everyone else is supposed to copy from. Management's support involves allocation of resources for effective ORM. The aforementioned scholars are all in agreement with the fact that top management's commitment and support is crucial to curbing operational risks.

(c) Formulation of risk management committee

The Basel II accord (2006) motivates for the formulation of a risk management committee that has member representing various department within the organisation. Rippel (2009) supports the notion by adding that, having diverse people within the committee will enhance and broaden the risk perception, thus aiding to better risk management strategies being formulated to address various risks that an organisation may be facing. Baskerville (2014) is of the notion that a group can make a better and informed decision comparing to one made by an individual, thereby reducing the degree of bias. It can be, therefore, noted that the aforementioned schools of thoughts agree to the formulation of risk management committees by microinsurance companies, so as to better manage operational risks.

5.3.2 People

These are recommendations aimed at mitigating risks associated with people carrying the business operations.

(a) Training

In addition, to assigning ORM responsibility to all the employees, microinsurance firms should train their employees so as to embrace the system, increase competence and, has a better view of the operations and operational risks, (Galorath, 2006). Training reduces the likelihood of human error in carrying out day-to-day operations, as well as, during the risk management process, (Stimpson, 2012). Kreiser (2013) on the other hand, alludes that training ought to be frequent. Hence, firms should conduct training regularly so as to cultivate a good risk culture and improve the focus and perspective towards risk management.

(b) Recruitment and selection

Microinsurance firms should recruit individuals who have some background and knowledge of microinsurance operations and operational risk management, (Dey, 2005). Employees with experience reduce costs of frequent staff training and can use past experience to correct mistakes, (Cope, 2012). More so, Mago (2013) argued that recruitment and selection process must be strict, allowing only those who qualify to fight for the job. The recruitment team will therefore attain the best labour, which will likely be more competent.

(c) Governance

Rippel (2009) suggested that ORM should be every individual's responsibility within the organisation. A microinsurance company is to determine who has overall responsibility for operational risk management and the role every individual should play in the operational risk management, according to Girling (2013). The risk reporting structure (bottom up) should be set, stressing the point that the institution should be able to escalate operational risk issues from any section of the institution to the appropriate senior manager to ensure that it is addressed. Robertson (2016) expressed that good governance comes with sound risk reporting structures, enabling risk to be reported timely giving the responsibly authorities time to modify and make changes were necessary. Clearly defined structures will be established, giving employees guidance in conducting their duties, thus linking the people to the processes.

5.3.3 Process

These are recommendations aimed at addressing potential threats emanating from flawed processes.

(a) Regular audits

The ISO 31000: 2009 framework states that audits should be conducted on a regular basis so as to keep close control and view of the activities within the business. Broadleaf (2014) postulates that internal controls must be strict with audits being done regularly to ensure proper processes are being done. Internal controls are a way of reviewing the performance of employees against set procedures and guidelines, as well as, monitoring risk management frameworks put in place, (Kohnke, Shoemaker and Sigler, 2016) Frequent checks will lead to risks being identified early and measures implemented timely. Amadei (2016) expressed that the audit requires a committed internal audit team to make sure that the risk management objectives are met, but effectively

communicating with departments and functions. The regular audits will therefore, make the employees more conscious of firm's processes and procedures, in relation to operational risks.

(b) Operating procedures and guidelines

Operating procedures and guidelines should be clearly articulated, documented and communicated to the employees for standardised approach to assigned tasks. Baskerville (2014) argues that uniformity in employee conduct is attained by setting clear realistic procedures, ensuring safety at a workplace. Furthermore, Amadei (2016) emphasized on the proper documentation of operating policies and procedures, as well as, regular review of the procedures to captures changes and avoid boring routines, but not shifting focus on the overall business objectives.

5.3.4 System

These are recommendations aimed at addressing potential threats emanating from system failure of manipulation.

(a) Remote Backups and Recovery

As microinsurance firms are characterised by high technical systems and volumes of customer data, there is need to ensure that there exist a remote backup and recovery program. Singleton (2011) supports the notion as he alludes that, firms that rely heavily on IT and data to conduct business as well as operating solely online (e-commerce), must have a program to store data apart from the mainframe and site of operation. The program will be to secure customer information and system data in the event of physical disruption or system. Furthermore, Kinsey (2017) believes management should be highly involved as the threat of loss is imminent to the firm. that absolutely

(b) Multiple-level security verification system

The system is affected by the users granted access to it, the more unverified users the greater the risk of loss from system failure, (Rosado, 2012). There is need to have different levels of access to the company data, categorised according to the hierarchical authority to avoid. On the same note, a fir, should established a dual-verification system, where final logon access is approved by the system administrator. In relation to this, The Monetary Authority of Singapore (2013) expressed the need to have IT personnel set to monitor system logons activity, approving users at different levels to access the system. The program will aim at minimizing failures associated to system access by random users, such as, vendors and contractors, internal sabotage and/or fraud.

5.4 Recommendations for further studies

The researcher focused on assessing strategies implemented in operational risk management strategies. Further research needs to be carried out on what the insurance regulatory boards can do to mitigate operational risks in microinsurance companies. There is also need to investigate the use of microinsurance as a risk management strategy.

5.5 Summary

In the first chapter, the researcher presented the topic which highlighted the problem being investigated in the background of study and gave a brief history of the Econet Life Pvt Ltd which was being used as a case study. The chapter also presented the researcher's intentions in the statement of the problem. Chapter two exhibited literature from various schools of thoughts in relation to the topic under study, drawing references from other markets globally. In chapter three the researcher reviewed different research instruments and data collection techniques to adopt in collecting relevant data, enough to validate the main objective of the research. The researcher in chapter four zeroed in on the presentation and analysis of the primary and secondary findings through the use of questionnaires, interviews, books, press release, journal and websites, just to mention but a few. The researcher presented the data in a logical manner by use of diagrams such as pie charts and tables. The last chapter (chapter five), summarized the findings presented in chapter four. Furthermore, recommendations were made in chapter five, providing the basis conclusions. The recommendations will help Econet Life and other microinsurance companies in Zimbabwe to improve their operational risk management.

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APPENDIX A: QUESTIONNAIRE

Instructions

Where spaces are provided please fill in detail and where there are boxes kindly tick

Section A: Demographic factors

The purpose of this section is to establish the general profile of the company and the respondents.

1) Gender

Male Female

2) Years of experience in life assurance industry

0-12 months 13-24 months 25-36 months

3) Educational qualifications

Diploma Degree Masters Other

Section B: An evaluation of operational risk management strategies

4) Do you understand the meaning of operational risk?

Yes No

5) What value is placed on operational risk management at your organization?

High Moderate Low Not important at all

7) Who is responsible for operational risk management at your organization?

Everybody

Chief risk officer

Manager

Internal audit

External audit

Not clear

8) How often does your organisation provide operational risk management training?

Quarterly Half yearly Once a year Never

9) Where does operational risk emanate from? *(Tick were applicable)*

I.T systems failure	
Human Error	
Processes	
Internal Crime	
External Event	
Faulty Control	

10) What are the strategies used to manage the components of operational risk, and how effective are they? *(tick were applicable)*

Operational risk components	Strategies	Please tick		Ineffective	Effective	Very effect
People	Training					
	Segregation of duties					
	Formulation of a Code of conduct					
	Audit					
System	Frequent System maintenance and upgrades					
	Remote backups and recovery					
	Multiple-level security verification system					
Process	Establishing of operating procedures/guidelines					
	Regular audits					
	Reporting structures/line of authority					

13) Operational risk is said to have the following benefits. How much do you agree to the following statement? (Where 1- Strongly agree, 2- Agree, 3- Uncertain, 4- Disagree, 5- Strongly Disagree)

Benefits	1	2	3	4	5
Efficient use of resources					
Creation of a more focused risk culture					
Standardised risk reporting					
Improved focus and perspective of risk					

Thank you for participating in this survey!

APPENDIX B: INTERVIEW GUIDE

Do you understand the meaning of operational risk management?

How is operational risk viewed at your organization?

Who is responsible for operational risk management at your organization?

What are the current operational risk management strategies that are being used in your organization?

Does the top management provide necessary support ORM endeavors?

Is there a risk management committee at Econet Life?

What are the benefits of having effective operational risk management strategies?

How often do you conduct risk management training and workshops?

How often are the internal audits conducted?

How effective are the audits?

Thank you for your cooperation!