

FINANCIAL RISK MANAGEMENT STRATEGY FOR A BUSINESS

SCHOOL: A CASE STUDY OF NAMIBIA BUSINESS SCHOOL.

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ABSTRACT

The study explored financial risks faced by educational institutions in their operations. It focuses on how educational institutions identify, measure, monitor and manage the financial risks they are faced with and how the risk management strategy benefits the institutions. The main objective of the study was to study the nature and extent of credit and liquidity risks faced by Namibia Business School for the period between 2009 up until 2011. The study aimed to identify an effective risk management strategy to ensure the School's competitiveness and sustainability. Research work is based on a case study approach where interviews and survey were used to gather primary data, and a mixed method approach was used for data collection, data analysis and interpretation. The study was explorative in nature. The major findings of the research pointed out that NBS has been experiencing difficulties in collecting revenue and has adopted the UNAM risk management policies. The results echoes that by developing and implementing a formal and integrated risk management framework, an institution will hold a dynamic tool that can serve as a road map for identifying and managing risk exposures. However, a more customized strategy including the review of governance structure, introducing risk procedures and methodology manuals as well as creating a better risk awareness culture amongst staff will yield better results than a wider framework.

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DEDICATION

This report is dedicated to my boys, Fanuel Snr. and Fanuel Jnr. for the love and support.

DECLARATION

I, Anna Amutenya, hereby declare that this study is a true reflection of my own research, and that this work, or part thereof has not been submitted elsewhere.

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ACRONYMS

AFS	Audited Financial Statements
ANT	Actor-Network Theory
BIS	Bank for International Settlements
BON	Bank of Namibia
CRM	Credit Risk Management
CPA	Certified Public Accountants
COSO	Committee of Sponsoring Organisations
ERM	Enterprise Risk Management
FNB	First National Bank
GAAP	Generally Accepted Accounting Practices
HEFCE	Higher Education Funding Council for England
IBM SPSS	IBM Statistical Package for Social Sciences
IFRS	International Financial Reporting Standards
IOSCO	International Organisation of Securities Commissioners
ISO	International Organisation for Standardisation
MBA	Master of Business Administration
MDGs	Millennium Development Goals
MSM	Maastricht School of Management
NAMDEB	Namibia Diamond Corporation of Namibia
NBS	Namibia Business School
O&L	Olthaver & List
PGSC	Post Graduate Students Committee
SWOT	Strength Weakness Opportunities and Threats
UNAM	University of Namibia

CHAPTER ONE: INTRODUCTION

1.1 Orientation of the study

Namibia Business School (NBS) was established in 2008 in response to the need of the Namibian market. The School started functioning from a humble beginning in 1999, when the University of Namibia (UNAM) entered into a collaboration agreement with the Maastricht School of Management (MSM) in the Netherlands, to offer an Executive Master of Business Administration (MBA) programme at UNAM. Following the success of Maastricht School of Management (MSM) Executive Master of Business Administration (MBA) programme the NBS Management launched its Management programme. The programme has grown exponentially and by to date close to 250 students have graduated. The First National Bank of Namibia (FNB) committed to financially support the business school. This commitment is in existence to date. FNB was joined by Bank of Namibia (BON), Namibia Diamond Corporation of Namibia (NAMDEB), Olthaver & List Group of Companies (O&L) and UNAM as founders of NBS.

The School is academically an integral part of the UNAM, under the Faculty of Economics and Management Sciences. It is administered as an independent not-for profit institution, which is registered as a trust. NBS does not receive financial support from the parent university or from the government. The institution funds

its operations from tuition fees, program revenues and donations, in addition to financial commitment from the founders. The School's main budget is based on projections from students' enrolments and tuition fees, which are the main sources of the School's revenue. NBS requires students to deposit 50% of the total tuition fees at registration. In many instances, students do not have the required amount (50% of tuition fees), to deposit as their tuition fees at the time of registration, as required by NBS. NBS in such cases allows students to register with any amount, and enter into a 'debt acknowledgement agreement' with the School that requires the students to settle their outstanding fees in monthly installments. As most students do not abide by the signed agreements the NBS is prone to students' default on their payments. This exposes the School to liquidity risk and credit risk. Such inherent risks need to be periodically monitored, managed and controlled.

The objective of NBS are to equip aspiring managers and entrepreneurs with required skills in conducive learning environment, to enable them to excel in the competitive business environment in which business leaders have to operate. Since its inception and the official inauguration in 2008, the business school has grown immensely and it is expected to continue to grow, as the interest shown by stakeholders including students is on the increase.

1.2 Risk management

Risk management is a practice of systematically selecting cost effective approaches for minimizing the effect of threat realization to the organization. Risk management is also a critical success factor for achieving strategic goals and objectives of business. For risk management to be effective, it needs to be linked and integrated with all business processes, from strategic planning to all operational activities. It is critical that risk management concepts and principles are incorporated into existing processes to develop and manage business strategies and objectives. However, all risks can never be fully avoided or mitigated because of financial and practical limitations. As a result thereof, an organization has to accept some level of residual risks (Ezigbo, 2013 & Poonia, 2010).

For the purpose of this study, researcher emphasized on credit risk and liquidity risk. This is mainly because liquidity risk and credit risk are manageable and controllable by an institution, and also because the implications of credit risk and liquidity risk are more severe and pose a major threat to the financial management of institution.

Liquidity risk is the risk that a business will have insufficient funds to meet its financial obligations in a timely manner (CPA, 2010). It is further defined as the

risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities (University of Cape Town, 2010).

Liquidity risk can arise from a number of areas within an organization, including unplanned reduction in revenue, increase in operational costs, inadequate cash flow management, and sustained reduction in profitability. NBS as an institution is no exception to being exposed to liquidity risk, and thus needs to manage liquidity risk to ensure that the school remains financially solvent. The consequences can be wide-ranging, including impact on supply of goods and services due to the inability to meet payment terms, breaching bank loan covenants, increase in penalties for non-payments and late payments, such as tax obligations, and may lead to insolvency and or bankruptcy. This is in agreement with the Bank of International Settlements (BIS), (2006), which states that risk management does not only affect liquidity, but liquidity can also affect risk management practices.

Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments (BIS, 2000). Valsek (1983), defined credit risk as the risk that one party to a financial transaction will cause a financial loss to the other party by failing to discharge its obligation. NBS is exposed to credit risk because students fail to pay their tuition fees on time as agreed and or pay at their own pace and discretion. In addition, the school trades with other service providers on credit. In

order to reduce and manage credit risk exposure, the school needs to subject its customers to random credit verification procedures.

There has been a lot of research that explored risk management. Amongst the many scholars, the works of Halim (2007), Herring and Santomero (1991), Stulz (1984), Jensen and Meckling (1976) can be cited as examples. In addition, the development of risk management frameworks and standards by the risk committees such as the Committee of Sponsoring Organizations (COSO) and the International Organization for Standardization (ISO), serves the proof that risk management is a worldwide activity that requires effective management. This effort is still continued today and scholars are constantly searching for the best and effective ways of managing risks in different environments.

The expected growth in student enrollment and institutional expansion, and being one of the two business schools in the country exposes the School to different financial risks. In response to that the business school needs to identify, assess, develop and implement financial risk management strategies that will enable it to manage its risks and use its financial resources to achieve its financial objectives that will enhance its financial sustainability

1.3 Statement of the problem

Extensive research indicates that institutions are faced with different types of risks such as financial risk and business risk, and apply different models to mitigate the risks. Financial risk, (credit and liquidity risks) have devastating effects on the

operations of institutions. According to the Bank of International Settlements (BIS, 2006), the effective management of risk is a critical component of a comprehensive approach to risk management and is essential to the long-term success of any institution.

NBS as an institution is exposed to credit risk and liquidity risk. At the moment, NBS does not have a strategy to manage its credit risk as well as liquidity risk. The absence of risk management strategy exposes the School to not being able to identify, measure, and manage its risks, including the risks that can be effectively managed by the School. Crafting a financial risk management strategy will enable the School to keep abreast of the risks that it is exposed to. This will enable it to identify the risks, measure the risks and use appropriate mechanisms to manage the risks.

To determine the nature and extent of credit risk NBS was exposed to, measures such as the method of payment of tuition fee during studies, late payment or delay in payment of tuition fee, NBS tuition fee collection and outstanding dues collection policy and strategy, NBS internal policies and procedures, staff motivation and morale in respect of the above and pressure on management to manage risk were analysed.

Further, to determine the nature and extent of liquidity risk NBS was exposed to, measures such as creditors and suppliers' payment policy, suppliers' records

(accounts statements), delay in meeting creditors' obligations, liquidity ratios and current ratios were analysed.

1.4 Research objectives and questions

As the study seeks to determine the types of financial risks NBS is exposed to, it entails identifying the risks, assessing the levels of risk exposure and recommending for the development of an appropriate financial risk management strategy to mitigate the identified risks, which could also be useful to other business schools operating under similar environment.

The objectives of the study accordingly are:

1. To study the nature and extent of credit risks and liquidity risks the NBS is exposed to; and
2. To identify and assess the levels of risk exposure at the NBS as well as identification and development of a risk management strategy to mitigate the identified risks.

In view of the broad objective stated above, the study attempted to find answers to the following questions.

1. What is the nature and extent of credit risks and liquidity risks faced by Namibia Business School in its operations?

2. What strategy should Namibia Business School use to proactively manage the credit risks and liquidity risks?

1.5 Significance of the study

The study was conducted for both academic and professional purposes and thus has significant contributing factors. The study enabled the researcher to gain academic knowledge in the area of risk management specifically with regard to decision making when it comes to financial risk management strategies as well as gain general business experience. This study contributed to the knowledge of financial risks faced by educational institutions and can be used as a point of reference by future researchers. The outcomes of this research will benefit NBS and will highlight the implications and benefits of having a risk management strategy in place and will enable NBS's management to make informed decisions. The study will also benefit policy makers, specifically in institutions of higher education and in Namibia in particular, when it comes to financial risk management decision making.

Given the above scenario, some personnel at the NBS were of the opinion that by developing financial risk management strategies for the School, more synergy can be gained and activities can be better managed to improve the financial position of the School while some others were undecided. This is a general feeling of the management in decision making within the institution. It had not been verified as to whether developing a financial risk management strategy is the best way forward.

The uncertainty of the strategy remained a worrying situation to the researcher and this has motivated the researcher to conduct a research of this sort in order to find out whether the development of financial risk management strategy will be in the best interest and can add economic value to NBS, and will enhance and strengthen decision making by the NBS Board of Trustees, management as well as staff with regards to effective management of credit risk and liquidity risk NBS is exposed to.

1.6 Limitation of the study

Apart from the limited scope, that is NBS alone being the subject of study and the time limit; this study also faced the following challenges and limitations.

Risk management and its strategies are involving and institution specific. As a result, most institutions including business schools are still in the process of drafting strategies and have fragmented activities, which are conducted by financial institutions. This puts a limit on the literature available on the specific subject.

In most jurisdictions, the function of risk management falls within the ambit of the Audit department, whose structures are usually different from those of conventional institutions. This again puts limitations on comparing functions amongst responding institutions. The time provided in which to complete the research was also limited. The quality of the outcome of the analysis also depended upon the timely responses obtained from correspondents.

Since the study was based on a case study, it limited generalisation of the results. The study entailed deep exploration into the financial information of NBS between 2009 and 2011, to assess the nature and extent of credit risks and liquidity risks that the School was exposed to. The study period was limited mainly because, prior to the official launch in October 2008, the School offered only one program. The School until then did not meet the standard requirements of a business school. In addition, the finance function at the School was outsourced and only audited financial information for 2009 till 2011 could be available.

A major limitation in conducting this study was accessibility of individuals with relevant and required information. Finally, the researcher encountered problems with regards to obtaining information in the format the study required. Information had to be processed in the form useful to enable to analyse the information and be able to draw sound conclusions. The researcher also did not get adequate support from NBS staff with regards to obtaining information and as a result had to limit the study to limited available information. The confidential nature of the information, especially on the shortcomings of internal processes, was an inhibiting factor.

1.7 Conclusion

Chapter one covered the introduction and background to the study. The statement of the problem is widely covered in this chapter. The chapter also focused on the research objectives and research questions, creating a relationship between the two and linking them to the problem and the statement of the study. The objectives of the study inform the research questions. Significance of the study as well as the limitations and delimitations of the study are also covered in this chapter. This chapter is fundamental in that it introduces the reader to the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Literature review is the corner-stone of every research as it enables a researcher to connect his study with previous studies, find facts, relate them and be certain that the study being undertaken is relevant. This chapter presents a review of theories and literature relevant to financial risk and strategies for the management in institutions of higher education and to help the readers to comprehend the basics of financial risk and risk management strategies. The review of literature further provides knowledge of the problem areas, identifies the need for the study as well as the gaps in the existing body of knowledge in the literature. Finally, literature review emphasises upon the strategies for effective financial risk management in institutions of higher education.

2.2 Risk

The presence of risk is not new. Risk is universal, has been all around and has been a central concern for many societies. In fact, it is experienced in daily lives as it is a persistent element of human condition. Everything done in life has some degree of risk attached to it. From past days to the modern day organisations, uncertainties have continued to disrupt activities. However, in living with risks, certain actions and events will be required to take corrective action. For instance, risk to one's life or possessions can be covered by insuring. Over the last few decades, the financial

sector has been volatile and has been exposed to a large number of risks. In particular, the turbulence in the financial markets in 1970 and 1987, the turmoil of the financial industry during 2007-2008, and the European debt crisis stemming from 2009, confirm the existence of risk and emphasize the importance of effective risk management procedures. The outcome of the increasing risk in global markets is that the risk may originate from events thousands of miles away and may have nothing to do with the domestic market still the local market may be severely impacted. The same is the case with firms and institutions.

Many definitions of risk exist in common usage, as there are also different approaches to risk management. Helsloot and Jong (2006) indicated that it is a fact that there is no single, unambiguous definition of the term 'risk' that has unalloyed support of all experts and conclude that we find all sorts of definition in the literature. The above statement is in support of Moles (2010), when he stated that each discipline makes use of the idea of risk in the context of its particular objectives.

Increasingly in today's environment, risk is being more broadly defined as any issue that affects an organization's ability to meet its objectives.

Partnerships, B.C. (2005) defines “risk as a function of the likelihood of something happening and the degree of losing, which arises from a situation or event”. The likelihood of something happening will impact the achievement of the objective. Risk provides a basis for opportunities and arises as a result of the exposure, which is the possibility of a loss. Consequently, risk is the likelihood of losses resulting from events such as changes in market prices (Horchner, 2005).

Accordingly, risk can be seen as relating to probability of uncertain future events. The International Organization for Standardization (ISO 31000) (2009) defined risk as ‘the effect of uncertainty on objectives’. The word ‘risk’ is used to imply a measurement of the chance of an outcome, the size of the outcome or a combination of both (Ansell & Wharton, 1992). It is further stated that individuals, organizations and governments make decisions that are based on perceptions on the likely consequences of their actions, while some consequences may not be recognized.

Further to the above, there is a physiological meaning of risk, which according to Moles (2010), is the state of uncertainty or doubt in the face of a situation with beneficial and adverse consequences.

Based on the above definitions, it can be construed that risk involves the likelihood and consequence of something happening, the likelihood of something happening

and the likelihood impacting the achievement of the objectives. These definitions lead to the notation that risk is the likelihood of an event to take place that may bring about consequences that impact the achievement of the organisations' objectives. The definitions further implies that risk may have a positive or negative impact on the objectives of the organisation, that the impact may be hazardous and pose threats to the objectives or may present opportunities to the organisation. It is therefore important to manage both the downside and the upside in order to lessen the possibility of adverse developments and increase the possibility of success.

Risks faced by educational institutions are no different from those faced by any other type of organization, which threaten institutions' efficiency. Education is central to development. It is a necessary condition for achieving the Millennium Development Goals (MDGs) for developing countries. Risk management thus is a fundamental building block for poverty reduction, human development and inclusive economic growth. It plays an increasingly pivotal role in meeting the evolving labour market needs and sustaining growth performance.

It is thus not new that individuals and organisations have always sought to reduce uncertainties (Skipper & Kwon, 2007), and through time have devised methods to deal with such uncertainties. As a result, it is important for all institutions including educational institutions to ensure that risks are identified and managed

appropriately. Cassidy et. al (2003) concluded that organizations need to agree on a common definition of risk that is clearly understood throughout the organization and fits fully into the organisation's context before risks can be effectively managed. Further, a balanced view of risk that tries to minimize the threats, influence and control uncertainties and manage opportunities is essential.

Academic institutions face many of the risks encountered by traditional businesses, like the availability of funding or reputational risk. The actions by the institutional stakeholders and administrators which include donors, government, faculty, students, boards and trustees, can impact the institution's reputation, including future enrolments and funding, which can further have an impact on the institutions objectives.

2.3 Types of risk

Helam (2005) states that there are various risks that hamper organizations sustainability and that categorizing risks would make it easier to manage the events, whilst Hopkins (2012) noted that there is no right or wrong subdivision of risks. It is however important that organizations adopt a risk classification system that is most suitable for their own circumstances. In an organizational context, thus categorising risks is important and the useful way to identify risks from the

organizational perspective, which categorised risks into pure risks and speculative risks (Halim, 2007).

Risk has been described by Partnerships BC (2005), as the likelihood and consequence of some events happening and impacting the objectives of the organisation. One way of classifying risks is to classify risks as both pure and speculative risks (Waring & Glendon, 1998). Pure risks are generic risks, which are external to an organisation, are beyond the control of the organisation and result in disruption of organisation's activities. On the other hand, speculative risks consist of risks that arise out of the activities of an organisation and are inherent to the type of organisation.

A risk that is the result of external causes is less amenable to control than a risk that arises outside the walls of the institution concerned. It was further stated by Halim (2007) that, if speculative risk is managed well, it allows for the improvement in profits, meeting specified organisational objectives and at the same time avoid any downside risk.

Another perspective to further categorise risk is to identify risks from an organisational perspective, being business risk and non-business risk. However, these categories are subjective in nature and overlap across categories and industries. As a result, there is no absolute method in which to preferably classify

risk. With this difficulty in classifying risks, the recognition that the higher education sector also faces a variety of risks from external and internal sources (Cutler, 1993) is indeed important.

Further, risks can be divided according to the impact they have, which may be internal impact or external impact. Accordingly, the responsibility of tackling the problem lies with the primary owner in case of the internal impact. However, the same is done in consultation with the external stakeholders for the external impact. According to Halim (2007), irrespective of the classifications of risks, the goal of an organisation should rest on to eliminate or best mitigation the impact and reduce the impact on outcome but not the uncertainty itself.

2.3.1 Financial risk

Financial risk is more evident in financial services sector. It affects other institutions as well. Volatile interest rates, changes in exchange rates etc., affect organizations that borrow or lend money. In the education sector for example, a university that borrows funds from a financial institution faces interest rate risk when interest rate fluctuates resulting in higher interest payments. On the contrary, in the banking sector, financial institutions face the primary risk of default by a counterparty in meeting due obligations.

Financial risk does not exist in isolation and interactions of several exposures may have to be considered in developing an understanding of how financial risk arises. Financial risk arises through countless transactions of financial nature, including sales and purchases, investments and loans, legal transactions, through activities of management, stakeholders, competitors and various other business activities (Horchner, 2007). It can also arise from an organization's exposure to changes in market prices, from the actions of and transactions with other organizations as well as from internal actions or failures of the organization, particularly people, processes and systems. Financial risk further arises from the practice of financing part of a firm's assets with interest-bearing debt, with a view to increasing the ultimate return to the ordinary shareholders (Correia, Flynn, Uliana & Wormald, 1993).

Accordingly, institutional leaders must deal with complex risks that can potentially have substantial effect on the institutions and need to be aware of the hazards facing the institutions' programs and operations as well the need for information about the potential risk embedded in opportunities that may present themselves.

2.3.1.1 Liquidity risk

All institutions require liquidity in order to replace their liabilities, meet contractual obligations and fund growth, all at reasonable price, when needed. Liquidity risk is the risk of loss arising from the inability to obtain funding at economically reasonable level, or sell or pledge an asset at carrying price, in order to cover an expected or unexpected obligation (Banks, 2005). The International Organization of Securities Commissioners (IOSCO) (2002) defined liquidity risk as the risk due to an institution's inability to meet commitments in a timely and cost-effective manner while maintaining assets, and in the inability to pursue profitable opportunities and continue as a viable business due to lack of access to sufficient cost-effective resources. It is also defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities (University of Cape Town, 2010).

Liquidity risk can arise from a number of areas within an organization, including unplanned reduction in revenue, increase in operational costs, inadequate cash flow management and sustained reduction in profitability. NBS as an institution is no exception to being exposed to liquidity risk, and thus needs to manage liquidity risk to ensure that the School remains solvent. The consequences of liquidity risk can be wide-ranging, including impact on supply of goods and services due to the inability to meet payment terms, breaching bank loan covenants, increase in

penalties for non-payment and late payment of liabilities and dues, such as tax obligations, and it may lead to even insolvency and or bankruptcy. This is in agreement with the Bank of International Settlements (2001), which states that risk management does not only affect liquidity, but liquidity can also affect risk management practices.

Generally, the causes of many business failures stem from the inadequate management of available cash, the lack of available cash resources, or lack of access to appropriate financing facilities. An institution with adequate liquidity has less risk of being unable to meet its short-term financial obligations than an illiquid one. Where a business has adequate liquidity, there is also the possibility of improved profitability through reduced interest expense or increased interest income, together with greater financial flexibility due to enhanced terms from suppliers and financiers and participation in new business opportunities.

Liquidity risk may be mitigated by careful cash flow management including unused, committed financing facilities or liquidity buffer. These allow a business to easily meet its future requirements or contingencies. Brunnermeier and Yogo (2009) concluded that one way to reduce liquidity risk is to hold excess cash reserves.

2.3.1.2 Credit risk

Credit risk is a form of financial risk and is the most prevalent risk of finance and business. In general, credit risk is a concern when an institution owed money and alternatively the institution relies on other institutions to make payments to it or on its behalf. As a result, credit risk affects the financial performance of institution and can lead to insolvency and bankruptcy. Consequently institutions are exposed to credit risk through all business and financial transactions that depend on the payment and the obligations of others.

Credit risk is the risk of loss due to failure by counterparty to perform on its contractual obligations (Banks, 2005). This denotes that one party, a defaulter, fails to make payment on the agreed terms. Amongst the risks faced by institutions of higher education, credit risk is the most familiar and common one. A safe credit risk is one that performs as expected, and where relevant, provides the firm with a planned cash flow. A poor credit risk is one that either delays or defaults on its obligations, creating a cash flow disruption. Caouette, Altman, Narayanan and Nimmo (2008), stated that an element of credit risk exists whenever an individual takes a product or service without making immediate payment for it. Managing credit risk is one of the next big challenge institutions are expected to face. The importance and relevance of efficiently in managing credit risk is evident from the

huge investment that many institutions are making in this area, including on training, IT audit etc. Both Banks (2005) and Coaouette et al. (2008), concluded that a firm that is highly exposed to credit risk is almost certainly exposed to a great deal of liquidity risk also.

Oldfield and Santomero (1997) pointed out that credit risk may arise from either an inability or an unwillingness to perform in the pre-committed manner and when there is money lent and there is a possibility that the borrower may not repay the lent funds as obligated (Horchner, 2007). This can affect the lender who underwrote the contract, other lenders to the creditor and the debtors' own shareholders. In addition, conventional credit risk arises through lending, investing and credit granting activities and concerns the return of borrowed money or the payment for goods and services (Horchner, 2007). It further arises from exposure to counterparty, the deterioration of credit quality as well as from the environment of rising interest rates or poor economic fundamentals. Counterparties that may cause credit risk range from individuals to corporate firms to sovereign governments.

Institutions of higher education suffer from credit risk due to poor credit administration, poor management practices and ineffective machinery for debt management. After the financial crisis in 2007, institutions have realized that the conventional methods of managing credit risk, although important, may not always

be sufficient. In addition to traditional credit risk management methods, institutions are therefore, now looking at more adaptive and innovative approaches to manage credit risk. There is a focus on understanding the interdependencies between credit risk and all other types of risks, as organizations look for an integrated enterprise-wide risk management system. To closely monitor credit risk, institutions including educational institutions are carrying out rigorous credit analysis of counterparties and various products.

2.4 Risk Management

The concept of risk management is not new and there is substantiation of risk management activities dating back to the dawn of time. There are indications of forward dealing dating back as early as 2 000 BC, forward trading in grains in the early years and by the middle ages risk sharing was widely used. The development of risk management as a formal and structured method to deal with uncertainties in an organizational context has taken over the last several years. Risk management has evolved from the traditional insurance to the invention of quantification techniques. Similarly, various institutions have developed unique and institution specific risk management standards that arise out of business and statutory requirements. Institutions such as education and health care institutions have developed industry specific practices, which govern their risk management standards and practices.

There has been a lot of research that explored risk management. Amongst the many scholars, the works of Halim (2007), Herring and Santomero (1991), Stulz (2005), Jensen and Meckling (1976) can be cited as examples. In addition, the development of risk management frameworks and standards by the risk committees such as the Committee of Sponsoring Organizations (COSO) and the International Organization for Standardization (ISO), serves the proof that risk management is a worldwide activity that requires effective management. The need to manage risk is widely acknowledged throughout the corporate world, and well-developed knowledge is available to guide efforts to do so. This effort is still continued today and scholars are constantly searching for better and more effective ways of managing risk in different environments.

Risk management has expanded from a mechanism for managing credit and market risks in the financial sector (Wahlstrom, 2009) to a dominant mechanism for governance and controlling public institutions in the regulatory state (Hood et al., 2001; Moran, 2003). The outcome of increasing risk in global markets is that risk may originate from events thousands of miles away and may have nothing to do with the domestic market; still the local market may be severely impacted. For example, an earthquake can cause loss of buildings, lost reputations, lost customer confidence and increased operational costs during and after recovery. For the

reason, risk management is more important and developed in the financial sector than in any other sector (Carey, 2001).

Many scholars have defined risk management in many different ways. For example, Partnerships (2005) maintain that risk management is a process to manage the potential risks by identifying, analysing and addressing them. The process helps to reduce the negative impact from emerging opportunities, whereby the outcome may help to mitigate the likelihood of risk occurring and the negative impact when it actually happens.

The Committee of Sponsoring Organizations (2004) defined Enterprise Risk Management (ERM) as a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the organizations, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of the entity's objectives.

Anderson and Terp (2006), maintain that risk management can be defined as a process that should seek to eliminate, reduce and control risks, enhance benefits, and avoid detriments from speculative exposures. The objective of risk management is to maximise the potential of success and minimise the probability

of future losses. They concluded that risk that becomes a problem can negatively affect cost, time, quality, and system performance.

Managing risk is important for organization's success. It is thus imperative that organizations have processes in place for risk management to be effective. Risk management is a dynamic process that should evolve with an organization and its business objectives as it impacts many parts of an organization. For the process to be effective, it should involve both internal and external analysis. Horcher (2005) identified three broad alternatives to manage risk, viz., actively or passively by default, accept all risks, hedge a portion of exposure by determining which exposures can be and should be hedged and hedging all exposures possible. This sentiment was shared by Oldfield and Santomero (1997) who also identified the same mitigating approaches.

Some colleges and universities equate risk management to crisis management, whilst some associate risk management with compliance risk. Some universities focus on managing the downside, rather than seeing risk as an opportunity, whilst others equate risk management with lessening exposures. However, the risk management is about the process to eliminate, reduce and control risk, which involves identifying, analysing, measuring, monitoring and controlling risks, reducing the negative and enhancing emerging opportunities and achievement of business strategy and objectives

Cassidy, Mattie, Johnson and Morley (2003) stated that risk management is about encompassing all of the operational, financial, compliance and strategic issues that an organization might encounter in its attempts to achieve its objectives. As a result, a balanced view of risk is ideal, one that tries to minimize hazards, influence and control uncertainties and manage opportunities. A key benefit from risk management is to enhance the efficiency of operations within the organization. It should further help ensure that business processes are effective and that the selected strategy is efficacious. Although risk management is a business process, it is not a process that functions in isolation. It is also not a once-off activity but is performed on a daily basis as a part of the ongoing operations.

2.4.1 Financial risk management

Financial risk management has always been imbedded in the management of the organization. Its development as a major management responsibility is the result of two post-war developments, the collapse of the fixed exchange rate system and the first oil shock during the 1971-1974. The above evidence is testimony of the ongoing problems presented by risk in human life and the willingness of the individuals to provide or make arrangements to moderate risk's worse effects. As a result of the increased risk, organizations have responded to increased financial risk by searching for better methods to manage the risk.

Financial risk management is a process to deal with uncertainties resulting from financial markets and involves assessing the financial risk facing an organization and developing strategies consistent with internal priorities and policies (Horcher, 2007). Moles (2013) stated that financial risk management is the task of monitoring financial risks, managing their impact and falls within the financial function of an organization. Well-known authors in the field, Smith, Smithson and Wilford (1995) expressed that financial risk management is a value enhancing strategy aimed to motivate management to concern itself with risk and embark upon a careful assessment of both the level of risk associated with any product and product risk mitigating technique.

Financial risk management is defined as the process of evaluating and managing current and possible financial risk at a firm as a method of decreasing the firm's exposure to the risk. It is an ongoing dynamic and interactive process that involves assessing the financial risk facing an organization and developing risk management strategies consistent with internal priorities and policies. Moles, (2013) concluded that financial risk management is the task of monitoring financial risks and managing their impact. Managing risk is part of an organization's strategic and operational activities.

Managing financial risk necessitates making organizational decisions about risks that are acceptable versus those that are not. The passive strategy of taking no action

is the acceptance of all risks by default. Organizations manage financial risk using a variety of strategies and products. It is important to understand how these products and strategies work to reduce risk within the context of the organization's risk tolerance and objectives. The process of financial risk management is an on-going one and organizations manage financial risk using a variety of strategies and products. The financial risk management process includes identifying and prioritizing key financial risks, determining an appropriate level of risk tolerance, implementing risk management strategy in accordance with policy and measuring, reporting, monitoring and refining it as needed.

Horcher (2005) identified diversification as an important tool in managing financial risk. Diversification among counterparties may reduce the risk that unexpected events adversely impact the organization through defaults. Diversification of customers, suppliers, and financing sources reduces the possibility that an organization will have its' business adversely affected by changes outside the management control. Although the risk of loss still exists, diversification may reduce the opportunity for large adverse outcomes.

Recent literature has highlighted the importance of sound financial management systems that enable institutions to gain better understanding of risk management procedures and examine the critical success factors to effective risk management

procedures. Effective risk management is required to maximize efficient use of resources, create the highest level of transparency and accountability and ensure long-term economic success.

2.4.1.1 Liquidity risk management

Liquidity risk management (LRM) is an integral part of the asset and liability management process. Failure in LRM may result in institutions becoming unable to meet their obligations, which scenario if played out may easily cause institutions to fail. LRM sets down clear policies, which should be communicated to key decision makers within an institution. LRM should be managed within a defined risk management framework. Accordingly, liquidity risk may be mitigated by careful cash flow management including optimising working capital and by maintaining unused financing facilities or liquidity buffer.

The Certified Practising Accountants (CPA), Australia (2010) has identified two main methods of managing liquidity risk, namely cash flow forecasting and optimising working capital. For effective cash flow forecasting, the annual operating budget should form the basis for monitoring and managing cash flow forecasts. Cash flow forecasts should be compared to the annual budget for the identification of variances and subsequent corrective actions to offset unfavourable trends. However, a budget without the necessary basic ingredients to manage the

above can also be devastating to the budget and financial flow of the programme.

According to the Basel Committee on Banking Supervision (1999), all institutions are responsible for sound management of liquidity risk including developing robust liquidity risk management framework that ensures that they maintain sufficient liquidity, including liquidity buffer or cushion. It is imperative that businesses understand their risks, including the potential liquidity risk within their business and how to manage and monitor them.

2.4.1.2 Credit risk management

All activities have some risk component that can be managed. Subsequently methods, tools and techniques for risk management have been developed and continue to be developed as the risks and industries evolve. Badu (2012), described Credit Risk Management (CRM) as a management tool which attempts to eradicate, reduce and manage risk, increases the benefits and avoids harm from taking risk. In effect, CRM enables organisations to improve in terms of financial performance.

The CRM processes should cover the entire credit cycle starting from the origination of the credit in a financial institution's books to the point the credit is extinguished from the books (Glantz, 2002). Credit risk management is a managing tool that helps to lessen the rate of credit risk. The essential functions of credit risk

management according to Raghavan (2003) are to identify, measure and more importantly monitor the clients' profiles.

Wenner, Navajas, Trivelli & Tarazona (2007) spelled out that CRM enables institutions to become viable and attain sustainable growth, leads to solvency and reduces costs and improves profit margins. Santomero (1997) highlighted some benefits of CRM. He articulates that the practice of CRM helps reduce the chances of losses from standard activities by eliminating risks that are unnecessary to the institution's business purpose. Furthermore, Santomero (1997) argued that CRM leads to standardised credit ratings across borrowers and a credit portfolio report that presents meaningful information on the overall quality of the credit portfolio.

According to the Basel Committee on Banking Supervision (1999), maintaining an appropriate credit administration, measurement and monitoring process, establishing adequate controls, specifying role of supervisors in order to measure, monitor and control credit risk is part of an overall approach to credit risk management. With the effective and efficient use of these methods, institutions can attain high financial performance and remain solvent.

On the contrary, there are some demerits that may prevent some institutions from practicing credit risk management. These are costs on systems and expertise, which

are high and can easily affect the firm's performance. These costs are usually experienced in the early stages of implementation. As a result, due diligence is required in order to keep costs at parity to ensure an effective management of credit risk. Further, the success of CRM is dependent on the institution's relationship with its employees as well as quality management and successful execution of the risk management process.

The most effective credit risk management solutions focus on processes, culture, people and the organisation as a whole. Additionally, there is a focus on understanding the interdependencies between credit risk and other types of risks as firms look for the integrated enterprise-wide risk management system.

2.5 Strategy

Mintzberg and Quinn (1991) and Mintzberg, Quinn, Lampel and Ghoshal (1998) defined strategy as a plan, a ploy, a pattern, a position and a perspective. Strategies articulate the goals and objectives of an organization and clarify how the organization as a whole responds to the various stakeholders (Buckland, 2009; Mintzberg, 1987; West, 2008). However, no single strategy or single strategic direction is self-evident (Rose, 2003). Strategy as a position looks outside an organization seeking to locate the organization in its environment, whereas strategy as a perspective looks inside the organization and inside its member's heads, referring to a shared way of perceiving the world.

2.5.1 Strategic planning

Dooris, Kelley, and Trainer (2002) acknowledged that strategic planning is still new as a management practice. They identified the period between 1950 and 1970 as the time when strategic planning emerged and further noted that strategic planning has been booming for the last decades. Bryson (2004) defined strategic planning as a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it. It is an organizational management activity that is used to set priorities, focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working toward common goals, establish agreement around intended outcomes/results, and assess and adjust the organization's direction in response to the changing environment.

Accordingly, Wilkinson and Monkhouse (1994) stated that strategic planning is “a method used to position an organization, through prioritizing its use of resources according to identified goals, in an effort to guide its direction and development over a period of time”. It typically involves a process of planning, which results in the organization’s strategic plan. Institutions need to understand their strategies and objectives, identify and assess their risks, determine mitigation actions and develop communication and monitoring plans. To successfully do this, institutions need to consider their underlying business and financial model including funding sources.

The institutions need to know their key funding sources and make provision for changes from year to year to ensure that their business and financial model is not intuition dependent.

Effective strategic planning articulates not only where an organization is going and the actions needed to make progress, but also how it will know if it is successful. This includes planning the organizational goals, the actions needed to achieve the goals and other critical elements that will ensure the successful planning and achieving of the strategic goals. The process involves discovering a variety of strategic options on the road to reaching other major strategic decisions that become the essence of the corporate strategy.

2.5.1.1 Environmental scanning

There has not been complete agreement among researchers on specific steps in strategic planning process. Much of the literature acknowledges that strategic planning process must include the scan of the environment and assessment of the impact of environmental changes on the organisation. Trainer (2004) stated that environmental scanning is crucial at the beginning of any planning process. Wheelen and Hunger (2003) maintained that environmental scanning is monitoring, evaluation and dissemination of information from the external and internal environments to key people within the corporation. Its purpose is to identify strategic factors that are the external and internal elements that will determine

future of the organization. The simplest way to conduct environmental scanning is through SWOT (strengths, weaknesses, opportunities and threats) analysis.

According to Thompson and Strickland (2003), Wheelen and Hunger (2003), Anheier (2005), the study of Strategic Management involves the monitoring and evaluating of external opportunities and threats in the light of the organization's strengths and weaknesses (SWOT). Opportunities are positive environmental trends or changes that will help the organization to improve its performance. Strengths are resources that the organization possesses and capabilities that the organization has developed which can be exploited and developed into, attainment of sustainable competitive advantage. Weaknesses are resources and capabilities that are lacking or deficient, which prevent the organization from developing a sustainable competitive advantage. Ruocco and Proctor (1994) suggested that environmental analysis is a critical step in the planning process that must be performed to collect all relevant information to develop appropriate strategies. The authors are also in support of the use of the SWOT analysis as an effective and systematic way of matching the organizations strength and weaknesses with the opportunities and threats that exist in the environment.

Nevertheless the strategic planning process has been depicted as the development of decision making rules that guide future organizational actions. To understand the strategy making process by examining the organizational environmental context is

crucial (Miller & Freesen, 1978). Strategy formation can be viewed as the interplay between external and internal dynamics of changing environment with leadership mediating these two variables (Mintzberg, 1978). When the scanning intensity is insufficient, the managers will confront some serious problems (Yukl, 2002).

There has been a tendency to emphasize the role of strategic planning propensity of managers in recent years (Andersen, 2000). Managers must correctly perceive the nature and dictations of the environment. Environmental scanning and the perceptions on the environment have powerful effects on strategic planning approaches and strategic orientations of managers (Goll & Rasheed, 1997; Pelham, 1999; Barringer & Bluedorn, 1999).

Thus it can be deduced that environmental factors such as market dynamism, technological change, market munificence, environmental uncertainty, necessitate higher level of environmental scanning and strategic planning efforts of top managers aiming to increase their organizational performance by making appropriate strategic choices. Environmental scanning extends to learning and gathering about events and trends in the organizations' environment (Hambrick, 1981). Scanning intensity is related to strategic choices (Mintzberg, 1973; Ansoff, 1975; Barringer & Bluedorn, 1999). These choices usually seek to increase the

firm's innovativeness, adaptation, and agile strategic responses to changes in the external environment (Zahra & Garvis, 2000).

2.5.1.2 Strategic planning process

Authors have commonly identified the steps involved in the planning process and have treated planning as a thoughtful process that result in to explicit plan. Bryson (2004) provided a simple structure for the strategic planning process by defining the ABC's of strategic planning. According to Bryson, A is where you are, B is where you want to be and C is how you get there. The vision, mission, and goals of the organization help it move from A to B. Strategy formulation connects A to C and strategy implementation connects B to C.

However, Bryson cautions against the temptation by organizations to adopt the planning process as written, but to note that strategies change cycles and it should be tailor made to fit the specific situation of an organization for it to be most effective. This notion is supported by Lorange and Vancil (2000) who stated that there is no single best system for planning and they suggested that the process must be developed to be organization specific and to take into account the unique characteristics of each organization.

2.5.2 Strategy formulation

Wheelen and Hunger (2003) defined strategy formulation as the development of long range plans for the effective management of environmental opportunities and threats in the light of corporate strengths and weaknesses. Concurring with the foregoing definition, Stahl and Grigsby (1997) stated that strategy formulation involves decisions that determine the organization's mission and establish its objectives and strategies. It is this stage, therefore, that the definition of an organization's vision, mission, objectives, strategies and setting out of policy guidelines takes place.

Katsidoudes (2002) suggested that organizations need to establish a base from which realistic and achievable plans can be formulated. At the foundation of such a base SWOT analysis needs to be undertaken. Examination of strengths and weaknesses constitutes an internal analysis and an examination of opportunities and threats is an external analysis.

Strategy formulation is about how the firm chooses to define its strategy and how it approaches its implementation through strategic management (Bowman, 1998). The approach to strategy formulation will ultimately dictate the eventual management style. In contrast, the managerial style and the degree of effectiveness of senior managers involved can influence the nature of strategy formulation in

organizations (Analoui, 1997). Only after a firm has determined how it will formulate its strategy can the path of strategic management be effectively undertaken. The development of a strategy can be either formal or rational (Mintzberg, 1994), emergent or progressed (Whittington, 2001) under a logical incremental path.

Corporate strategy formulation according to (Armstrong, 2006) can be defined as a process for developing a sense of direction. In theory the process of formulation of strategy consists of the following steps:-

- i. Define mission
- ii. Set objectives
- iii. Conduct internal and external environmental scans to assess internal strengths and weaknesses and external opportunities and threats (SWOT Analysis).
- iv. Analyze existing strategies to determine their relevance in the light of the internal and external appraisal.
- v. Define in the light of this analysis the distinctive capabilities of the organization.
- vi. Define the key strategic issues emerging from the previous analysis.

- vii. Determine corporate and functional strategies for achieving goals and competitive advantages taking into account the key strategic issues.

In addition, Bryson (1995) maintained that strategy formulation may be a five step process, which includes the identification of practical alternatives and dreams or visions for resolving strategic issues phrased in action terms, enumerating barriers to achieving these alternatives, developing major proposals for achieving the alternatives either directly or indirectly by overcoming the barriers, listing actions that must be taken over a period of time to implement the major proposals and a detailed work program for a period of time spelt out to implement the actions.

2.5.3 Strategy implementation

Strategy implementation has received increasing attention in literature. Thompson and Strickland (2003) wrote that strategy implementation is the least charted, most open ended part of strategic management. Wheelen and Hunger (2003) stated that strategy implementation is the process by which strategies and policies are put into action through the development of programmes, budgets and procedures. Lynch (1997), concurring with other authors defined strategy implementation as the process by which organization's chosen strategies are put into action and entails converting the organization's strategic plan into action and finally into results. Stahl and Grigsby (1997) defined strategy implementation as those activities and

decisions that are made to install new strategies or support existing strategies. According to Wheelen and Hunger (2003) strategy implementation is the process by which strategies and policies are put into action through the development of programs, budgets and procedures. The Balance Scorecard, which is widely used in most institutions, is one tool to organize management system and put the strategic goals in practice (Kettunen, 2009).

Consequently, it has been observed of late that most organizations are in a position to formulate comprehensive corporate strategic plans but encounter serious problems during the subsequent implementation stage. Emphasizing the importance of strategy implementation Carrols (2000) highlighted that organizational success depends not only on designing strategies that are appropriate for external and internal environments but on implementing those strategies successfully. Poor strategy implementation practices have been blamed for a number of failed attempts at changing the strategic direction of organizations.

The strategy implementation process is linked to the external and internal environments of an organisation. According to Kaplan and Norton (2002), and Welsh (2006), strategy must be a continuous process in which the ability to skilfully balance the tensions between the stable and changing circumstances is of paramount importance. Strategy implementation is arguably the most important stage in the process for the simple reason that without successful implementation,

an organization's strategy is really nothing more than a fantasy (Harris & Moran, 2000). Implementation according to Katsioloudes (2002) should not be treated as a separate part of the process. It should be explicitly considered in the formulation stage so that any resulting strategy is implementable. Grant (2005) suggested that without effective implementation, the best laid strategies are of little use.

2.6 Strategic management

A study of this kind cannot pass without a discussion and an understanding of the concept of strategic management. The concept of strategic management is widely studied and as a result various definitions emerge. Wheelan and Hunger (2002) defined strategic management as a set of managerial decisions that determine the long term performance of a firm. Bracker (2001) argued that the concept entails the analysis of external and internal environments of a firm to maximize the effective use of resources in relation to its objectives. According to Mintzberg (1979) strategic management is a mediating force between the organization and environment: consistent patterns in streams of organizational decisions to deal with the environment. Vinzant and Vinzant (1996) defined strategic management as “a process that focuses on the long-term health of an organization. It primarily relies on the integration of strategic planning, resource allocation and control, and evaluation processes to achieve strategic goals”.

Anheier (2005) stated that strategic management is the process which organizations develop to determine their long – term vision, direction, programs and performance. Strategic planning involves various techniques and tools to ensure careful formulation, effective and efficient implementation and evaluation. Strategic management integrates organizational functions and unites them into a more cohesive, broader strategy. It involves the ability to steer the organization as a whole through strategic change under conditions of complexity and uncertainty.

Wheelen and Hunger (2003) stated that the strategic management process can be viewed as having four basic elements as illustrated below:

BASIC MODEL OF STRATEGIC MANAGEMENT PROCESS

Figure 2.1: Strategic Management Basic Model

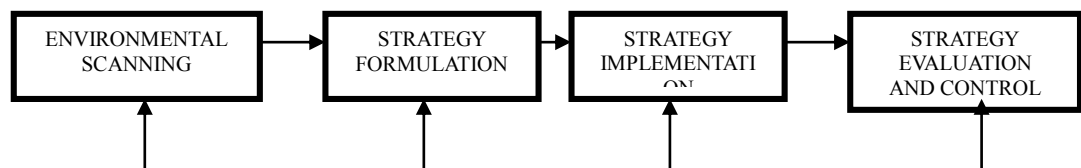


Figure 2.2: Conceptual framework of strategic management as a concept and fundamental elements involved in strategic management.

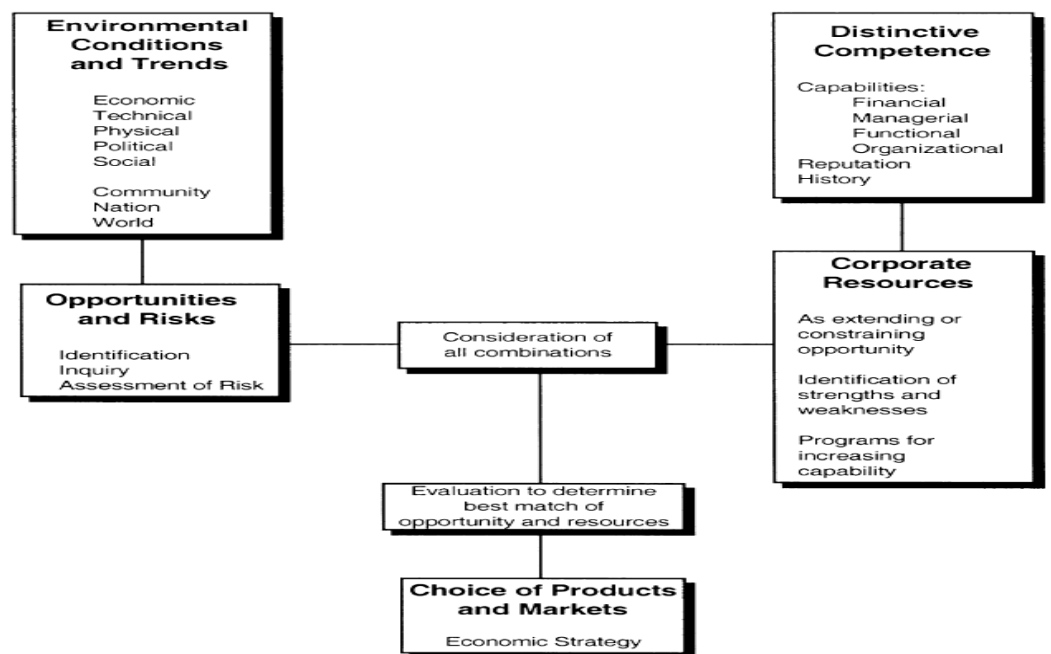


Figure 1. Andrews's Strategy Framework. (Source: Kenneth Andrews, *The Concept of Corporate Strategy*, rev. ed. [Homewood, Ill., 1980], 69.)

2.7 Role of governance in risk management

Increasingly, developments in corporate governance standards and guidelines in both developed and developing economies have helped boost the case for risk management. This has been driven by corporate scandals involving organizations such as Enron and others and general concerns surrounding corporate governance standards. This had led to the commissioning of reports which sought to provide

remedial suggestions. For example, the Cadbury report (1992) addressed the role of the Board of Directors and internal control mechanisms. Other reports have looked at other areas of concern ranging from Greenbury Report (1994) on Director Remuneration to the Combined Code of Corporate Governance (1998), which addressed financial reporting, disclosure, accountability etc. In Namibia, the Nam code on corporate governance was commissioned to address the issue of role of directors.

These reports have embedded risk management themes and emphasized on the importance of sound internal controls and risk management systems (Keasey, Short & Wright, 2005). Though these reports and codes are all voluntary in nature and are meant for public listed organisations, however, they are adhered to by both listed and non-listed organisations.

The Higher Education Funding Council of England (HEFCE) guidelines for the higher education sector defined corporate governance as the means by which strategy is set and monitored, managers are held to account, risks are managed, stewardship responsibilities are discharged and viability ensured (HEFCE, 2005). However, for all other institutions it has become impractically unthinkable to relate to governance and management without referring to risk management and in some cases, it has become a legal requirement and necessity (Huber, 2009).

2.8 Studies in strategy management

Ragui and Weru (2013), studied the managerial process of crafting and executing strategy and identified and laid significant emphasis on the five major phases of the managerial process of crafting and executing a strategy. The five phases are the development of the strategic vision, setting objectives, crafting a strategy to achieve objectives, implementing and executing the chosen strategies efficiently and effectively, and evaluating the performance of the new adjustments within the organisation. The scholars stated that although Senior Managers have the lead responsibility for crafting and executing a company's strategy, it is the duty of the Board of Directors to exercise strong over-sight in ensuring that the five tasks of strategic management are carried out for the benefits of the shareholders as well as stakeholders.

They alluded that today's success does not guarantee tomorrow's success, and therefore suggested that there is a need to understand the evolution of strategic management processes with the view to determining how managers are likely to strategically craft and implement strategies that will ensure their firms attain strategic fit. The scholars stated that it is important for the firms to have skilled people or hire experts to always scan the environment in order to come up with better strategies. The conclusion from the study is that Good Strategy + Good Strategy Execution = Good Management and that competent execution of a well-

conceived strategy is the test of managerial excellence and a proven recipe for organisational success.

Halim (2007) studied the development of a formal and integrated risk management framework in the higher education sector in the United Kingdom, case study of the University of Nottingham. Information on risk management was obtained from the financial industry on the techniques and applications. He found that the financial industry's risk management framework is more advanced and at the same time also concentrate on preserving and enhancing the shareholders values. He further found that the risk management techniques and practices of the financial industry can be applied to the higher education sector. However, these techniques and practices requires modifications to fit the education sector, institutions constitutions as well as regulatory requirements. He concluded that a risk management framework that is integrated and structured works to the advantage of the Universities, that if leverage upon can enhance the Universities competitiveness, stability and sustainability.

2.9 Gaps in knowledge emerging from literature review

From the review of literatures on risk and risk management and strategy and strategic management given above the following gaps in knowledge were identified.

- a) Most of the literary works reviewed were from financial sector and not from education sector. The financial sector is very much different from the education sector in terms of development and structures in place. Thus the experiences, impacts and processes in the financial sector may not be the same as in the education sector. This is in support of the statement by Stulz (1996) and Crouchy, Galai and Mark (2000), who stated that most of the traditional research on risk management has been finance dominated and technical.
- b) Most of the literature reviewed was from foreign countries and not from Namibia. The environment, experiences and level of development of the foreign countries may not be the same as those of Namibia.
- c) In Namibia, the education sector has been going through a lots of changes and most of the business schools have only been in existence for a short period of time after being established during the last 10 years and are still in the development stage. The literature on how risk management functions, how risk management strategies are implemented, how educational institutions have adopted risk management strategies, what are the problems faced by these institutions during and after the implementation of risk management strategies, what are the cost and revenue implications to the institutions of such initiatives, how the stakeholders faced and overcame the

problems and the prospects of risk management remain unknown and need further investigation.

The reviewed literature should not be used as a representation of the Namibian institutions, as it will not construe to similar insights of the variables under study. The present study on 'Financial Risk Management Strategy for a Business School: A Case Study of Namibia Business School' has attempted to fill in this gap in the context of the requirements of business schools in developing countries.

2.10 Conclusion

This chapter covered review of literature on risk management. The literature reviewed focused on risk management in institutions including profit making and not for profit institutions with specific focus on risk management strategies employed by the institutions to manage risk. Risk is a common factor for all organizations and this section substantiated that risk is not limited to large corporations such as banks but higher education institutions also face a host of risks. Further, most organizations have developed risk management strategies. However, implementation of these frameworks remains a challenge and has seen many institutions failing.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The term methodology refers to a systematic, theoretical analysis of the methods applied to a field of study or the theoretical analysis of the body of methods and principles associated with a branch of knowledge (Saunders, 2012).

This chapter on research methodology broadly described the research process undertaken including the research methods used to obtain information from different stakeholders. It further focused on discussing the research design, population of the study including how the participants were selected and approached, described how the data were collected, processed and analysed as well as ethical considerations and the protection of rights of the research participants.

3.2 Research design

Research design is the blue print for any research. It provides the road map for undertaking a research. This research is based on case study of Namibia Business School (NBS). In this research, the researcher has used the mixed method approach, which is both quantitative and qualitative, which investigates liquidity and credit risks that NBS is exposed to and is explorative in nature. The study used qualitative research method for data collection and quantitative research method for data analysis and interpretation. Quantitative research method includes surveys and controlled experiments of which various tools such as, on line questionnaires for

field survey and telephone interviews, can be used to collect data (Aliaga & Gunderson, 2002). It focused on the study of NBS's audited financial statements, bank statements, internal policies and procedures, service provider's records as well as students' financial records for the period from 2009 to 2011, in order to identify and determine the nature and extent of financial risk NBS is exposed to in its operations.

3.3 Population

The research population is described by Akpo (2006) as the entire group of persons or set of objects and events of interest to the research. There were three different but related populations in this research. One set of population targeted for this research consisted of NBS Assistant Director and Officer: Corporate Services. The second population that participated in this research included the service providers who were contracted by NBS between 2009 and 2011. The third set of population consisted of former students of NBS enrolled during these academic years.

3.4 Sample

A sample consists of a group of entities that are representative of the population. A sample is drawn in case not the whole population but a part of it is considered adequate for the purpose of the study. The size of the sample is generally determined by the population of the research subjects to be covered under the

survey. According to Leedy and Ormrod (2010, p.213) if the population is less than 100, there is no need to sample, but to survey the entire population. If the population size is around 500, sample may be 100. However, there is no hard and fast rule that specifies the correct number of participants in a qualitative study. Qualitative studies can be carried out with a single participant or, when studying multiple contexts, may have as many as 60 or 70 participants. The authors further argued that, there are two general indicators used to determine whether a sample is of sufficient size, namely representativeness and redundancy of information. Redundancy of information can only be ascertained after collection of field data, at the data analysis stage.

The sample for this research was drawn from the former students who were enrolled at NBS during the academic sessions from 2009 to 2011 and the service providers who were contracted and engaged with the School during the same period. The researcher drew the sample using simple random sampling method. The sample thus drawn consisted of ten (10) students from each year ($10 + 10 + 10 = 30$) for three years and three (3) service providers from each year ($3 + 3 + 3 = 9$) for three years. Thus the size of the sample was 39. Access to all available records of financial transactions including NBS annual financial statements, debtors' ledger, bank statements, suppliers' records as well as students' fee records were sought and information was drawn from the same as per the requirement of the research.

Besides the official records and documents of the NBS such as UNAM's Finance policy and procedure Manual that guides its operations and decisions were also scanned.

3.5 Research Instruments

The research was primarily based on the study of existing policies, procedure manuals and records of NBS on the one hand and extensive interviews conducted with the staff of NBS to understand the policies and procedures in practice on the other hand. Besides, questionnaires were designed by the researcher for the collection of information former students and service providers through a survey. A questionnaire is a research instrument used to collect data in a field study in a personally administered manner from the desired sample frame. Maree (2000) emphasised that by completing the questionnaires in a short possible time questionnaires allow many respondents to provide information.

Extensive interviews were conducted with NBS staff to gather information that addressed the research questions. The interviews were recorded and described in field notes. In addition, official records and documents such as suppliers' records, former students' accounts as well as NBS' bank statements were also used as sources of information. This method was more flexible and yielded information that the researcher required.

3.6 Questionnaire Construction

The questionnaire used for this research consisted of 26 structured and semi-structured questions and was divided into four sections as follows:

- a) Section A: Four (4) structured questions on demographic and personal data of respondents.
- b) Section B: Four (4) semi-structured questions on understanding and identifying financial risks.
- c) Section C: Six (6) Likert scale type structured questions, two (2) Yes/No questions on service delivery by service providers and three (3) open ended questions for suggestions by the participants.
- d) Section D: Two (2) check list format structured questions on the work environment and working conditions at Namibia Business School

This type of questions allowed easy computer analysis of data using IBM SPSS 21 software package. The Likert rating scales allow the researchers to assess the behaviour of participants (Welman, Kruger and Mitchell, 2005). This is also supported by Leedy and Ormrod (2010) and they mentioned that rating scales are more useful when behaviour, attitude, perceptions or other phenomenon of interest need to be evaluated on a continuum basis. Since financial risk management is a behavioural aspect in operations management, the researcher found it necessary to use the Likert scales in some of the questions in the questionnaire.

3.7 Procedures

The main source of primary data for this research was the NBS audited financial statements, debtors' ledger and students' financial records. The researcher chose to use only audited financial statements as these show compliance of the School to the International Financial Reporting Standards (IFRS) and the Generally Accepted Accounting Principles (GAAP) requirements. The students' financial records are the primary source of students' financial information. Besides, the researcher examined the NBS bank statements, current and existing policies and procedure manuals and other documents. After developing adequate understanding of the state of affairs of the study variables, the researcher undertook data collection through questionnaires and interviews.

The majority of the questionnaires were emailed to participants, while the rest were handed over to the participants personally. The questionnaires were collected from the research participants at minimum time, one day after being handed over. A checklist was used to ensure that the questionnaires distributed were collected. Each questionnaire collected was checked for completeness. For the questionnaires found incomplete, the participants were informed and explained the questions and thereafter advised that they should provide complete answers. This facilitated the field survey work.

3.8. Data Analysis

The data collected from different sources were organised and analysed using appropriate methods and procedure. Quantitative data and qualitative data were organised separately.

3.8.1 Quantitative Data Analysis

Leedy and Ormrod (2010) stated that the important tool for organizing data is the electronic spread sheet, a software program that allows a researcher to manipulate data displayed in a table, where the Microsoft Excel is widely used. The researcher used SPSS and Microsoft Excel for coding, data management, data organization and data analysis. The researcher made use of descriptive statistics such as tables, charts and frequencies for the presentation of results. The responses to all items were classified and tabulated in different categories using the IBM SPSS 21 software. The coded data was inputted into SPSS and frequencies were generated in order to determine the percentages and cumulative percentages of the variables.

Variables forming part of the study were identified and their status, change and trend were identified and interpreted and where possible linked to literature review to gain fuller understanding from both categories of primary data and secondary data in this research. The findings of the study are presented in chapter four of this research report.

3.8.2 Qualitative Data Analysis

Qualitative data was analysed differently using qualitative methods. Interpretive researchers attempt to derive their data through direct interaction with the phenomenon being studied. An important aspect of data analysis in qualitative case study is the search for meaning through direct interpretation of what is observed by themselves as well as what is experienced and reported by the subjects. Bogdan and Biklen (2003) defined qualitative data analysis as “working with the data, organising them, breaking them into manageable units, coding them, synthesising them, and searching for patterns”.

The aim of analysis of qualitative data is to discover patterns, concepts, themes and meanings. Regarding case study research, Yin (2003) discussed the need for searching the data for “patterns”, which may explain or identify causal links in the data base. In this process the researcher concentrates on the whole data first, then attempts to take it apart and re-construct it again more meaningfully. Categorisation helps the researcher to make comparisons and contrasts between patterns, to reflect on certain patterns and complex threads of the data deeply and make sense of them. The process of data analysis begins with the categorisation and organisation of data in search of patterns, critical themes and meanings that emerge from the data. A process sometimes referred to as “open coding” is commonly employed whereby the researcher identifies and tentatively names the conceptual categories into which

the phenomena observed would be grouped. The goal is to create descriptive, multi-dimensional categories that provide a preliminary framework for analysis.

These emerging categories are of paramount importance as qualitative researchers tend to use inductive analysis. In a case study like the present one, the data collection and analysis can also go hand in hand in an iterative manner in that the results of the analysis guide the subsequent collection of data. Data collection and analysis inform or drive each other, with the result that the analysis becomes a higher level synthesis of the information. The iterative cycle is repeated and themes and sub-themes checked and revised as the process continues.

In the present study, the interview results were recorded and transcribed. The individual responses were analysed, compared and categorised. The collected data was interpreted and explained against the relevant research questions. The data collected through interviews were analysed only qualitatively. Interviews were tape recorded for systematic analysis. The recorded information was analysed in order to search for common themes and patterns for understanding the extent of financial risk on NBS operations and performance. Content analysis through coding was then used to draw conclusions. The process followed in analysing and presenting the data was based on data analysis depicted in figure 3.1 below. The model was derived from the logic model approach. Actor-Network theory (ANT) could have

been an appropriate framework to use in this study. The theory is a philosophical approach which attempts to comprehend complex social situations by paying attention to relation elements, referred to as associations (Latour, 2005). Initially, the theory emerged as a way to study the process of producing scientific knowledge (Shapin, 1995). The theory focuses on human and non-human actors (in form of ideas), (Sheehan, 2010). This underpins the weaknesses of the theory. The theory is further compounded by its focus on investigating micro-contexts (Mclean & Hasard, 2004). However, the theory only provides structural explanations. Given these limitations, the theory was not used in this research.

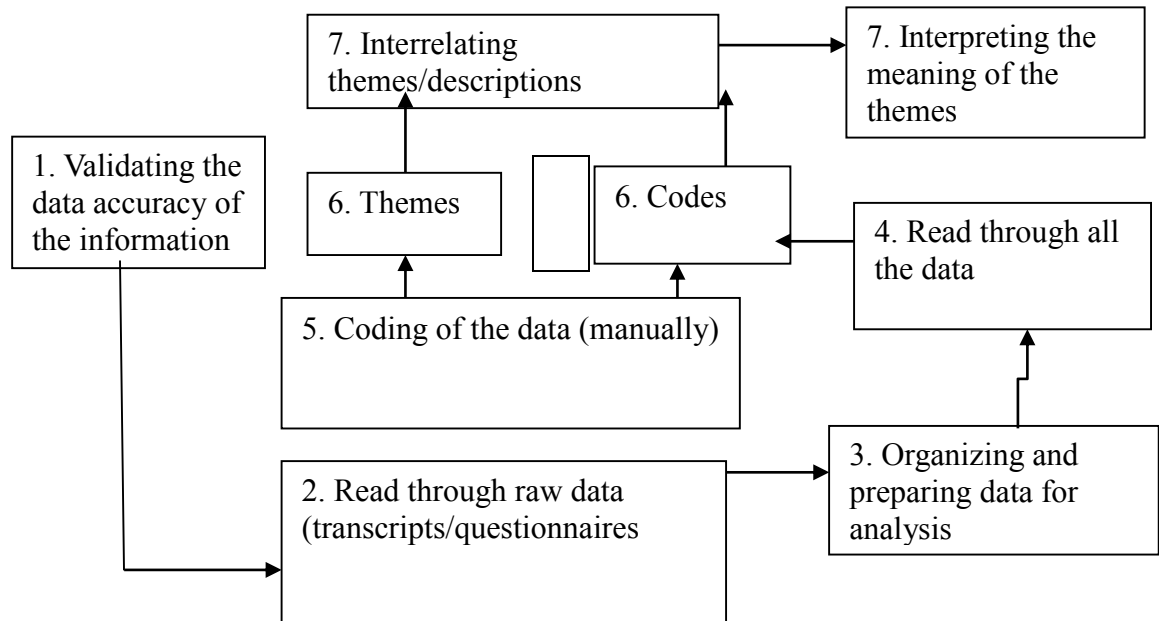


Figure 3.1: Data Analysis process (Source: Creswell, 2009)

Figure 3.1 above depicts the various steps that are involved in the explanation of the data analysis model. The steps range from step 1 up to step 7.

Step 1: Involves the validation of data for accuracy of information. In this process, the researcher validated the accuracy of the data transcribed by professionals, by reading through each transcription several times comparing them against their respective recordings.

Step 2: In this part of the process of data analysis, the researcher carefully read through all raw data of the transcripts several times to get a general sense of the information and to reflect its overall meanings and identify themes and sub-themes of the interview.

Step 3: The researcher organized and prepared the data for analysis by sorting and organizing the data into different categories/themes as per sub questions formulated from the main research question.

Step 4: The researcher read through all data carefully once again. The reason was to find out what the participants are really saying, what ideas emerge from the data and what is the impression of the overall depth, credibility, and use of the information. At this stage the researcher started to look for general patterns, similarities and differences in the responses from the subjects.

Step 5: At this stage the coding system used in this research was outlined. The researcher began by making detailed analysis with a coding process. In this case the researcher only coded the interviewees as N1 and N2 respectively.

Step 6: At this stage, themes and sub-themes were identified. The researcher focused on themes and sub-themes predetermined from the sub-questions of the main research question by organizing the material into segments of text before bringing meaning to information. Data were then fitted to these themes and sub-themes through sentence construction. The procedure involved organizing the data according to a data analysis memo/summary, by tabulating it under the sub questions of the main questions. Themes were formulated based on the questions under each sub question.

Step 7: This final step in data analysis process involved making an interpretation or meaning of the data. Data were interpreted by means of reading with understanding what emerged from the themes and the sub-themes according to the information provided by the subjects' personal opinions, experiences and appreciating the study based on Namibia Business School.

A summary of the overall analysis of the raw data was then given under each sub question based on the information gathered under each theme and sub-theme. Discussion of the findings was based on an integration of the researcher's personal interpretation with a meaning derived from a comparison of the findings with

information assembled from the literature or theories. This could result in either a confirmation of past information or a divergence from it, or could also suggest new questions that could be asked – questions raised by the data and analysis that the researcher had not foreseen earlier in the study. These are discussed in chapter five of the thesis - discussion of findings, conclusions and recommendations.

3.9 Reliability and Validity

Research findings are meaningless and unacceptable unless this can be proven that the processes that have been applied were reliable and valid.

Reliability: Reliability is the extent to which the data collection technique or techniques will yield consistent findings, similar observations would be made or conclusions reached by other researchers or there is transparency in how sense was made from the raw data (Saunders, Lewis & Thornhill, 2007). Welman et al., (2005) stated that if the research findings can be repeated, it is reliable. Maree (2009) described reliability as the extent to which a measuring instrument is repeatable and consistent.

Validity: Validity is the extent to which the data collection method accurately measures what was intended (Saunders *et al.*, 2007). Maree (2009) defined content validity as the extent to which the instrument covers the complete content of the particular construct that it is set out to measure. One widely accepted classification

consists of three major forms of validity such as content validity, criterion-related validity and constructs validity.

To ensure reliability and validity of research results in the present research the research instruments were tested. The data collection tools were pretested with a similar population, which did not form part of the research population to verify the validity of the tools. The questionnaire used was also evaluated by two experts in the field of risk management. Before actual implementation, the questionnaires were pre-tested with two (2) employees working at NBS to eliminate ambiguity, duplication, ensure reliability and minimize errors. Two experts were identified and requested to rate the reliability of the questionnaire. The degree of agreement of the two experts determined the reliability of the questionnaire. The inter-rater reliability was used to rate uniformity of the questionnaire.

Face validity and content validity are the two forms of validity that were used to measure what was to be set out in the questionnaire. The questionnaire was empirically tested for validity and reliability purposes through IBM SPSS 21 software package. The Cronbach's Alpha was determined at coefficient 0.7, in order to test the reliability and validity of the questionnaire. The Case Process Summary and the test statistic of reliability test are depicted on table 3.1 and table 3.2 respectively below:

Table 3.1 - Reliability - Case Processing Summary

		N	%
Case	Valid	19	100.0
	Excluded ^a	0	.0
	Total	19	100.0

a. List wise deletion based on all variables in the procedure.

Source: Survey data

Table 3.2 - Reliability Statistics

Cronbach's Alpha	No of Items
0.523	21

Source: Survey data

The Cronbach's Alpha statistic shows that the research instrument was reliable at 0.523, that is, the reliability was about 52% reliable. The results showed that the research instrument, although reliable, falls short of the standard coefficient value of 0.70.

3.10 Research Ethics

Welman, Kruger and Mitchell (2005) stated that ethical behaviour is important in research, as in any other field of human activity. Welman et al., (2005) further explained that the principles underlying 'research ethics' are universal and concern issues such as honesty and respect for the rights of individuals. In this study, the researcher observed the research ethics throughout the study.

Leedy and Ormrod (2010) stated that researchers should not expose the research participants to unnecessary physical or psychological harm. Furthermore, Leedy and Ormrod (2010) argued that researchers must keep the nature and quality of participants' performance strictly confidential. This means that ethical issues of participants' rights and privacy should be considered in the research.

To comply with the research ethics requirements the University of Namibia guidelines on research ethics were followed in conducting the study. The researcher obtained written consent from the NBS to conduct the study. Participants were notified of the upcoming interviews and survey. Participants were informed of their right to partake in the research study on a voluntary basis and that it remained their right to withdraw from the research process, if they feel so at any stage. Participants were asked to give open and honest personal responses to various questions. Anonymity and confidentiality of information obtained from them was also communicated to the interviewees and highlighted on the questionnaires. This was

done to assure the participants that the information will be handled with confidentiality, the research data will be password protected and will only be used for the purpose of this research. Further, that the research participants' identity would not be revealed, that the report on results would be submitted to the PGSC of UNAM as academic output and would be shared with NBS after obtaining permission from competent authorities for this purpose

3.10 Conclusion

The research methodology provides the blue print for the study that needs to be followed in carrying out the research. A mixed research method was used for this research to enrich the study with quantifiable description of the risks faced by the School and in-depth analysis of information on the impact of such risk on the performance of NBS. This chapter covered the research design, and discussed the population of the study, sample frame, methods of data collection and analysis as well as the ethical considerations that were followed in the research.

CHAPTER FOUR: DATA ANALYSIS DISCUSSION

4.1 Introduction

This chapter focuses on the presentation of analysis and discussion on the data collected for the study on ‘financial risk management strategy for a business school’. In discussing the research findings, comparison of the results obtained during the review of literature in Chapter 2 was also undertaken with a view to identify similarities and departures from the knowledge gained from similar studies by other scholars.

The study was based on the case study of Namibia Business School on financial risk management strategy for a business school. The independent variable used in this study was financial risk management strategy. The critical dependent variables that cause and influence the financial risk at NBS as identified by the SPSS analysis were, payment period, payment method, liquidity problems, debt collection strategy, management strategy for on time payments, level of management and managing risk.

4.2 Objectives of the study

The broad objective of this study was to identify and develop a financial risk management strategy, which could be useful to NBS and other business schools operating under similar environments. The study therefore, investigated the nature and extent of financial risk NBS was exposed to, identified the risks, assessed the nature and level of risk exposure and used the knowledge for the development of a strategy to mitigate the identified risks, which NBS was exposed to. In view of the broad objective stated above, thus the study attempted to find answers to the following research questions.

- a) What was the nature and extent of credit and liquidity risks faced by Namibia Business School in its operations?
- b) What strategy should Namibia Business School use to proactively manage the credit risks and the liquidity risks that it faced?

4.3 Primary data collection and analysis

For the collection of information necessary to answer the research questions a sample of 41 respondents was selected. The sample consisted of thirty (30) former students, nine (9) former service providers and two (2) senior staff of Namibia Business School. Thus the size of the sample was 39. All possible efforts were made to contact and get the questionnaires completed by the persons selected for the study. However, the total number of respondents could only be nineteen (19) out of thirty nine (39) persons selected in sample.

A field survey was conducted using a pre-tested questionnaire. Besides information about systems and procedures in place at NBS was collected from the executives of the School. The aim of collecting primary data was to establish the respondents' views on the nature of financial risk that NBS was exposed to and use the data gathered to determine the patterns and ultimately draw conclusions pertaining to financial risk management at the NBS. The responses based on the five point Likert –type scaled questions were given weights as under:

- Strongly Agree 5
- Agree 4
- Neutral 3
- Disagree 2
- Strongly Disagree 1

4.4 Response rate of respondents

As the sample selected consisted of former students and service providers of NBS for the years 2009 to 2011 there were difficulties in establishing contacts with them and motivating them to fill in and return the questionnaires. With great persuasion 19 respondents could be persuaded to complete and return the questionnaires and the response rate of 63.3% could be achieved. The response rate was considered satisfactory as this could be feasible under the given conditions in spite of continuous appeals and telephone calls made prior to and post the dispatch of questionnaires and personal follow ups undertaken by the researcher. The covering letter accompanying the questionnaire assisted in explaining that the study was not only beneficial to the researcher for meeting the academic requirement of the degree of Master of Business Administration but also that the findings from the study shall help the Namibia Business School in its endeavours to embrace effective financial risk management strategies and reap the benefits associated with its implementation. The cover letter and the questionnaire provided to the respondents are attached as Appendix 1.

4.5 Data Analysis

Analysis of the data was done using the Statistical Package for Social Sciences (SPSS). For this, the information collected from the respondents was properly tabulated using the Microsoft Excel and then the data from the file was transferred to SPSS for analysis. Frequencies were generated and interpreted using figures and tables. Descriptive statistics remained indispensable in this study.

4.5.1 Analysis of data from field survey

The data collected from the field survey was analysed to find answers to the research questions. In this process first the demographics of the respondents was obtained. This was followed by information on method of payment of fee by students,

4.5.1.1 Analysis of demographics of respondents

Completely filled questionnaires were received from 19 respondents. The demographic profile of the respondents is given in table 4.01- Period of study; table 4.02- Academic qualifications attained); table 4.03 – Gender; and table 4.04 Age distribution wise classification of respondents.

Table 4.01: Period of study wise classification of respondents (N= 19)

	Period of Study	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2010-2011	3	15.8	15.8	15.8
	2011-2012	11	57.9	57.9	73.7
	Others	5	26.3	26.3	100.0
	Total	19	100.0	100.0	

	Level of study	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Post graduate diploma	6	31.6	31.6	31.6
	Master of Business Administration	11	57.9	57.9	89.5
	Doctor of Business Administration	2	10.5	10.5	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: Empirical statistic in table 4.1 reflected that 57.9% respondents studied between the 2011 and 2012 academic years, 15.8% respondents studied between 2010 and 2011 academic years and 26.3% respondents studied during other years (Respondents did not mention the period of study) at the Namibia Business School.

Table 4.02: Academic qualifications attained by respondents (N= 19)

Source: Field survey data

Comments: The tabulated data in table 4.02 showed that majority of the respondents (57.9%) were in possession of masters of business administration degree, followed by 31.6% of the respondents post graduate diploma, and 10.5% of the respondents acquired the doctor of business administration degree. The results show that majority of the respondents were well qualified and could grasp the significance of the study.

Table 4.03: Gender of respondents (N= 19)

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	13	68.4	68.4	68.4
	Female	5	26.3	26.3	94.7
	Others	1	5.3	5.3	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: The information depicted in table 4.03 reflected that the response rate for male respondents was 68.9% and the response rate for female respondents was 26.3%. The result also indicated that males dominated the environment at Namibia Business School.

Table 4.04: Age distribution of respondents (N=19)

Age		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	up to 30 years	8	42.1	42.1	42.1
	31-40 years	6	31.6	31.6	73.7
	41-50 years	5	26.3	26.3	100.0
	Total	19	100.0	100.0	

Source: Field survey data

	Fee Payment Method			Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Full	payment	at	9	47.4	47.4	47.4
	registration						
	Partial	payment	at	10	52.6	52.6	100.0
	registration						
	Total			19	100.0	100.0	

Comments: Table 4.04 depicted that 42.1% of the respondents were up to 30 years in age, 31.6% of the respondents were between 31-40 years in age and the age of the remaining respondents was within the range of between 41-50 years. The results showed that majority of the respondents were young within the work active age group category of 30 years and below.

Section B – Method of payment of fee by students

Table 4.05: Method of payment of fee at registration (N = 19)

	Fee Payment Method	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Full payment at registration	9	47.4	47.4	47.4
	Partial payment at registration	10	52.6	52.6	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: The results in table 4.05 showed that 47.4% of the respondents made full payment of fees at registration and the remaining 52.6% of the respondents made partial payment of fee at registration. Thus, about half the students made full and about half made partial payment of fee at the time of registration.

Table 4.06: Method of payment of tuition fee during studies (N = 19)

	Method of Payment of fee	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Payment as per school policy	5	26.3	26.3	26.3
	Payment in Instalments	12	63.2	63.2	89.5
	Payments after completion of study	2	10.5	10.5	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: Majority of the respondents (63.2%) indicated that their method of payment during study was in the form of instalments, about one fourth (26.3%) of the respondents indicated that their method of payment during study was as per school policy, and the remaining 10.5% of the respondents indicated that their method of payment during study was after completing the study. Thus, the findings showed that majority of the respondents made payment of fee in instalments or as per the policy of the NBS and only 10.5% made payment afterwards.

Table 4.07: Late payment or delay in payment of tuition fee (N = 19)

Delay in settling Fee		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	9	47.4	47.4	47.4
	No	10	52.6	52.6	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: Responses depicted in table 4.7 show that 52.6% of the respondents did not experience any problem in settling their tuition fees, whilst 47.4% of the respondents indicated that they experienced some problems in settling their tuition fees. The results showed that the system of payment of fees was favourable to the students, though this created liquidity problems for the institution.

Table 4.08: Problems faced in payment of tuition fees (N - 19)

Problems faced		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	5	26.3	26.3	26.3
	No	14	73.7	73.7	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: Majority of the respondents (73.7%) indicated that they did not experience any problems in settling of fees, while the remaining 26.3% indicated that they actually experienced some problems in settling the tuition fees. The results showed that the system of payment of fees at the NBS was favourable to the students and did not create significant problems for the students.

Table 4.09: Opinion on method of collection of fee and exposure of institution to risk (N= 19)

Opinion on risk exposure		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	2	10.5	10.5	10.5
	Disagree	0	0	0	10.5
	Neutral	1	5.3	5.3	15.8

Agree	10	52.6	52.6	68.4
Strongly agree	6	31.6	31.6	100.0
Total	19	100.0	100.0	

Source: Field survey data

Comments: On being asked to indicate whether the NBS method of collection of fees exposes the institution to risk due to delays and defaults in payment of fees by the students, the respondents who participated in this survey expressed different opinions. Of the total respondents, 84.2% agreed that the method of payment of tuition fees at the NBS exposes the institution to risk. However, 10.5% of the respondents strongly disagreed to the sentiment, while the remaining 5.3% of the respondents remained neutral as they did not express their opinion. From the statistics in table 4.09 above, it is evident that the method of tuition payment at the NBS is not working and exposed the institution to financial risk.

Table 4.10: Need of improvements in the methods of tuition fee payment by students (N = 19)

Method of payment- Need improvement	Frequency	Percent	Valid percent	Cumulative percent
Valid				
Strongly disagree	0	0	0	0
Disagree	1	5.3	5.3	5.3
Neutral	6	31.6	31.6	36.8
Agree	9	47.4	47.4	84.2
Strongly agree	3	15.8	15.8	100.0
Total	19	100.0	100.0	

Source: Field survey data

Comments: The results depicted in table 4.10 show that majority (63.2%) of the respondents agreed that NBS needs to improve on its' method of payment of tuition fees by students. However, 5.23% of the respondents disagreed with the majority opinion and believed that the NBS method of tuition fee payment was good and 31.6% of the respondents remained neutral. Thus, the general consensus emerging from the statistics presented in table 4.10 showed that NBS needs to improve its method of payment of tuition fees by the students as a mechanism to manage financial risk.

Table 4.11: Risk associated with default in payment of fees for other service deliverables

	Risk associated with default	Frequency	Percent	Valid percent	Cumulative percent
Valid	Agree	13	68.4	68.4	68.4
	Strongly agree	6	31.6	31.6	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: Table 4.11 above depicted that high majority (68.4%) of the respondents agreed that the risk associated with default in payments affected other service deliverables at the NBS. This was further supported by about one third (31.6%) of the respondent who strongly agreed that the risk associated with default in payments affected other service deliverables at the NBS. Overall all the respondents unanimously agreed that the risk associated with default in payments of fees by the students affected other service deliverables at NBS.

Table 4.12: Liquidity problems faced by the NBS (N = 19)

Liquidity problems faced		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree				
	Disagree	1	5.3	5.3	5.3
	Neutral	16	84.2	84.2	89.5
	Agree	2	10.5	10.5	100.0
	Strongly agree	0	0	0	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: The results showed that more than three fourth (84.2%) of the respondents remained neutral on the issue whether NBS faced liquidity problems. Only 10.5% of the respondents agreed that the NBS faced liquidity problems. Further, 5.3% of the respondents disagreed with the opinion of other respondents and they believed that the NBS was actually not facing liquidity problems. May be the students were not fully aware about the internal problems of management NBS and as such could not grasp the liquidity problems faced by NBS.

Table 4.13: Appropriateness of NBS debt collection strategy (N = 19)

	Debt collection strategy	Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	1	5.3	5.3	5.3
	Disagree	6	31.6	31.6	36.8
	Neutral	12	63.2	63.2	100.0
	Agree	0			100.0
	Strongly Agree	0	0	0	
	Total	19	100.0	100.0	

Source: Field survey data

Comments: On the issue whether the NBS strategy of debt collection was appropriate or not, majority (63.2%) of the respondents did not express themselves on the matter and remained neutral. But remaining about one third (36.8%) respondents disagreed that the NBS strategy of debt collection was appropriate. The results thus showed that in the opinion of respondents the NBS strategy of debt collection was not appropriate and exposed it to liquidity risk.

Table 4.14: Need for improvement in debt collection strategy of the NBS (N = 19)

	Change in debt collection strategy	Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	1	5.3	5.3	5.3
	Disagree	0	0	0	5.3
	Neutral	4	21.1	21.1	26.3
	Agree	12	63.2	63.2	89.5
	Strongly agree	2	10.5	10.5	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comment: The results depicted in table 4.14 above echoed that about three fourth (73.7%) of the respondents agreed that the NBS strategy of debt collection needs improvement. But at the same time, 21.1% of the respondents remained neutral whilst the remaining 5.3% of the respondents strongly disagreed that the NBS strategy of debt collection needs improvement. However, overall the impression derived from responses in table 4.14 above showed that, in the opinion of almost three fourth of the respondents (73.7%) the NBS debt collection strategy needs to be improved as a risk mitigating strategy.

4.15: Measures suggested as necessary for improving tuition payment at the NBS (N = 19)

	Measures necessary	Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	Monthly debit/stop order	10	52.6	52.6	52.6
	Deduction via employer Payroll	7	36.8	36.8	89.5
	Any other	2	10.5	10.5	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: To ensure the payment of tuition fees in-time by students, majority (52.6%) of the respondents suggested that the NBS should implement monthly debt/stop order, about one third (36.8%) of the respondents suggested that the NBS should deduct the tuition fees via employer payroll, while the remaining 10.5% of the respondents suggested that any other method of collecting tuition fees from the students will do. The results thus indicated that majority of the respondents believed that stop order is the best option to collect tuition fees from the students followed by deduction through the employer of the student.

4.16: Management strategies for in time tuition payment (N = 19)

Management strategy	Frequency	Percent	Valid percent	Cumulative percent
Valid Communication	5	26.3	26.3	26.3
Penalties	7	36.8	36.8	63.2
Reminders	7	36.8	36.8	100.0
Total	19	100.0	100.0	

Source: Field survey data

Comments: On the issue of management of payments in time, about one third (36.8%) of the respondents suggested that it is important for the NBS to give students reminders to pay up the tuition fees, about one third (36.8%) of the respondents considered imposing penalties to make the students pay tuition fees in time. However, the remaining about one fourth (26.3%) of the respondents believed that communication of reminders will be effective in making the students pay up tuition fees in time. Thus, though a large proportion of respondents suggested measures that will deter students from delaying payment of tuition fees in time, but perhaps they also feel that one measure may not work with all students and the NBS should therefore, use all methods to persuade the students to pay the tuition fees in time.

4.17: Opinion on quality of infrastructure available at the NBS (N = 19)

		Frequency	Percent	Valid Percent	Cumulative Percent
Infrastructure					
Valid	Good	4	21.1	21.1	21.1
	Acceptable	12	63.2	63.2	84.2
	Bad	3	15.8	15.8	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: More than half (63.2%) of the respondents believed that the infrastructure at the NBS was of acceptable standard. The sentiment was further supported by about one fourth (21.1%) of the respondents who expressed that the infrastructure at the NBS was good. The remaining 15.8% of the respondents however, commented that the infrastructure at the NBS was bad. Overall impression derived from the responses thus was that the NBS infrastructure was satisfactory, though it may be further improved and upgraded with the changing requirements of the School, particularly in areas where the students and other stakeholders faced problems.

Table 4.18: Quality of management at the NBS (N = 19)

Management quality		Frequency	Percent	Valid percent	Cumulative percent
Valid	Good	2	10.5	10.5	10.5
	Acceptable	9	47.4	47.4	57.9
	Poor	8	42.1	42.1	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: About half the respondents (47.4%) expressed that the management at the NBS was of acceptable standard. This was further supported by 10.5% of the respondents who expressed that the NBS management was good. However, the remaining 42.1% of the respondents expressed that the NBS management was poor. Thus, though the majority ($47.4\% + 10.5\% = 57.9\%$) of the responses indicated that the NBS management was good and satisfactory and hence acceptable, there is a need to further improve it, particularly in areas where the students and other stakeholders faced problems.

4.19: Opinion on adequacy of staff compliment at the NBS (N = 19)

	Staff adequacy	Frequency	Percent	Valid percent	Cumulative percent
Valid	Adequate	3	15.8	15.8	15.8
	Acceptable	7	36.8	36.8	52.6
	Too few	9	47.4	47.4	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comment: During the field survey about half (47.4%) of the respondents expressed that the staff complement at the NBS was too few (short). On the contrary about one third (36.8%) of the respondents expressed that the NBS staff complement was acceptable. Their opinion was supported by another 15.8% of the respondents who expressed that the NBS staff complement was adequate. Overall the opinion regarding NBS staff complement indicated that the opinion among the respondents was divided. May be some students experienced problems during service delivery. This aspect as such needs further probe and appropriate action should be initiated by the management of the NBS to ensure that the staff complement is adequate.

4.20: Pressure on management in managing risk at the NBS (N = 19)

	Pressure on management	Frequency	Percent	Valid percent	Cumulative percent
Valid	Moderate	14	73.7	73.7	73.7
	Low	5	26.3	26.3	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: About three fourth (73.7%) of the respondents expressed that the pressure on the management to manage risk at the NBS was moderate and about one fourth (26.3%) of the respondents believed that the pressure on the management to manage risk at the NBS was low. Thus, overall in the opinion of the respondents the pressure on management to manage risk at the NBS was at manageable level, neither too low nor too high.

Table 4.21: Staff motivation and morale at the NBS (N = 19)

	Staff motivation	Frequency	Percent	Valid percent	Cumulative percent
Valid	High	1	5.3	5.3	5.3
	Moderate	11	57.9	57.9	63.2
	Low	7	36.8	36.8	100.0
	Total	19	100.0	100.0	

Source: Field survey data

Comments: The results depicted in table 4.23 showed that majority (57.9%) of the respondents expressed that staff morale at the NBS was moderate. This sentiment was supported by 5.3% of the respondents who expressed that the NBS staff morale was high. The remaining about one third (36.8%) respondents expressed that the staff morale at the NBS was low. Overall the picture depicted by table 4.24 shows

that the NBS staff morale was moderate to high. However, there is a need for continuously monitoring and managing the staff motivation and morale in order to ensure better quality of service delivery to the stakeholders.

4.6 Qualitative Results

4.6.1 Themes and Sub-themes interpretation

The overall analysis and discussion on the themes and sub-themes of the data collected through interviews is given under this section. Discussion on the findings is based upon the participants' output and the integration of the researcher's interpretation and meanings derived from relevant literature and theories reviewed. The findings either confirm historical results or refute them. At times, the findings suggest new questions derived from the analysed data that could be asked. The inter-connectedness of the findings is presented in chapter five of the study.

4.6.2 Summary of review of interview questions (N1)

Summary: Sub Questions -		
1. What is the main source of revenue for the NBS?		
1.0	Themes and Sub-themes Interpretations/Reflections/Observations	Participants Responses
1.	Theme 1: Source of revenue	
	<ul style="list-style-type: none"> • Student tuition 	<p>N1: “NBS derives its revenue from student tuition.”</p> <p>“... We also get revenue from training, consultancy and fundraising.”</p> <p>“.. Student tuition constitutes about 90% of the revenue at the NBS.”</p> <p>N1: “... The revenue collection is enough to cover the expenses.”</p>

	<ul style="list-style-type: none"> • Challenges faced in revenue collection • Creditors obligations 	<p>N1: "...The major challenge is that of timely collection of students' tuition fees."</p> <p>N1: "...We impose penalties for late payment, like blocking the examination results."</p> <p>N1: "... Payment is done on negotiations most of the time."</p>
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Source: Interview

Summary: Theme 1 and Sub-theme 2: Source of revenue and payment to creditors

The responses about the sources of revenue and payment to creditors thus were as follows:

- Revenue collection is mainly (90%) derived from students through tuition fees.
- There is no timely collection of revenue, especially tuition fees.
- NBS imposes penalties for late payment.
- Creditors are mainly paid through negotiations.

2	Summary Data: Sub-question 2: Risk Management 2. Who is responsible for risk management at NBS?	
	Sub-theme 2: <ul style="list-style-type: none"> Managing risk Cash flow problems Policies for risk management 	<p>N1: "...The function is done by the Assistant Director."</p> <p>N1 "...The function of risk management is very effective ..."</p> <p>N1: "Cash flow problems are usually experienced during October/November"</p> <p>N1: "...The policies for risk management and collection of revenue are available and in place." "...Current strategy is that of cutting costs"</p>
	<ul style="list-style-type: none"> Financial policy 	<p>N1: "...Yes the financial policy is in place as well as the strategic plan is in place."</p>

Source: Interview

Summary: Theme 2, Sub-theme 2. Summary of opinion on policies to manage risk

Responses provided by the respondent may be summarised as under:

- Policies for risk management are in place
- Strategic plan of the NBS is in place, which also helps in risk management.

4.6.3 Summary review of interview questions (N2)

Summary Data: Sub Questions		
1. Given your experience at the NBS, do you think there is risk exposure at the school?		
1.0	Themes and Sub-themes Interpretations/Reflections/Observations	Participants Responses
1.	Theme 1: Risk exposure	
	<ul style="list-style-type: none"> • Meeting creditors obligations • Risk policy in place • Risk management 	<p>N2: “We face difficulties of paying our creditors.” “...This means that our collection methods are not adequate...” “.. We have put in place measures of blocking defaulters’ results.”</p> <p>N2: “...Yes the NBS has</p>

		<p>risk management policy in place.”</p> <p>N2: “Risk management is done by corporate services department at the NBS.”</p>
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Source: Interview

Summary: Theme 2 and Sub-theme 1: Risk exposure

The respondent expressed the following on the sub theme – risk exposure of the NBS:

- NBS Faced difficulties in paying to its creditors
- Revenue collection methods are not adequate
- NBS has put in place measures of blocking examination results of defaulters
- Risk policy is in place.
- Collection of payment is done by the corporate services department.

4.6.4 Summary of findings

The summary of findings from the analysis and discussion on the responses regarding the risk exposure and measures to handle it is as under:

- NBS has a strategic plan in place.
- NBS faced difficulties in paying its creditors in time.
- Revenue collection methods at the NBS are not adequate
- NBS has put in place measures for blocking the examination results of defaulters for non-payment of tuition fees.

- NBS has a robust risk management policy in place.
- Collection of debt is done by the Corporate Services Department at the NBS.

Thus, there is a risk management policy in place at the NBS, action is taken against the defaulters in payment by sending reminders and blocking their examination results, and collection of debt is handled by the Corporate Services Department. However, the revenue collection methods are not adequate to the requirement and the NBS faced difficulties in making payments to their creditors in time as per commitments.

4.6.5 Internal policies and procedures

One key aspect of a sound risk management framework is the availability of policies and procedures at an institution. As a guide and source of reference for work processes, policies and procedures reflect the standards of internal controls in an organisation. Furthermore, they have the mandate of approval from the organisations' authorities and serve as a source of reference for further work.

The NBS has adopted the University of Namibia (UNAM) Finance policy and procedure manual and has been using this manual as a guide for its operations. The Finance policy and procedure manual has sixteen (16) core activities covered under it, and provided guidelines in terms of activities of responsible persons, timelines and process flows. In the view of the researcher, the Finance policy and procedure manual are adequate and cover a whole range of areas from financial control, administration, risk management, insurance and human resource management amongst all others. The Finance policy and procedure manual also details guidelines and responsibilities of other departments that liaise regularly with the

finance department. However, the NBS business and operational structures, business processes including governance, reporting, funding are not at par with those of the UNAM. This exposes NBS to various financial risks. Moreover, the Finance policy and procedure manual is just a guide and not actual policies that can be enforced on the employees in carrying out their functions at the NBS.

Whilst the Finance policy and procedure manual has explicitly underlined the areas and responsibilities of various bodies and persons in authority, researcher is of the opinion that there could be an overlap in certain areas, particularly those in financial control, audit and risk management. As a result it is recommended that the NBS should ensure that the details in the Finance policy and procedure manual that are not NBS specific and aligned to the NBS structures and processes should be developed and implemented at the NBS.

4.6.6 Audited Financial Statements

Audited Financial Statements (AFS) of the NBS for the years ending 31 December 2009, 2010 and 2011 were obtained. The AFS were assessed in line with the research questions. Further, the AFS records were used to calculate NBS's liquidity ratios and to determine NBS's ability to meet its obligations as they fall due.

Assessment of the AFS for all the years under study (2009 to 2011) revealed that NBS's revenue and operating expenses increased by 66% and 64% on the average over the period. Other income, which is mainly made up of donations, has been decreasing during the three years, (by 12% from 2009 to 2010 and by 75% from 2010 to 2011). Further, the AFS revealed that NBS has been operating under deficit in revenue during the 2010 and 2011 financial years, and only had a surplus for the year 2009 financial year. From the assessment made it was observed that the

operating deficit was due to the reduction in donations and a significant increase in operating expenses.

According to the Assistant Director: Corporate Services NBS, the deficit was as a result of increase in the students' enrolments and new courses offered, which increased the operating expenses. The conclusion from the assessment of the AFS is that NBS has not been generating enough revenue from its core operations, which is student tuition fees, to cover its operations and depended on donations to keep afloat. This statement is in agreement with the statement by the Officer: Corporate Services, who said that NBS financial management, especially the expenses management is not good and the School always experienced financial difficulties during the last quarter of the financial years and that the payments of some expenses are delayed as a result. This is also in confirmation with NBS's bank statements for the same periods, which when assessed, showed that NBS had lots of funds in the bank accounts during the first quarter of the year as a result of the student registrations during the first quarter. However, these funds deplete in the following quarters and only a little amount (about 5% of the first quarter amount) is left in the bank account in the last quarter. This is sign of lack of financial management's ability to effectively manage its financial resources in terms of assets and liabilities matching. This is mainly due to the collection of students' tuition fees not collected timely as per the UNAM finance policy, which has been adopted and implemented by NBS.

4.5.3.1 Liquidity ratio and current ratio

The liquidity ratios are generally used to measure a company's ability to pay the short-term debts, while the current ratio is a liquidity and efficiency ratio that measures a firm's ability to pay off its short-term liabilities with its current assets.

The current ratio and liquidity ratio are two widely used important measures of liquidity. The liquidity ratios and current ratios of the NBS for the years under study are given in table 4.22:

Table 4.22: Liquidity and current ratios of NBS for the financial years 2009 to 2011

Financial ratio	Formula	Financial year		
		2009	2010	2011
Current ratio	Current assets/current liabilities	2.34x	5.38x	1.00x
Liquidity ratio	Total assets/total liabilities	2.36x	5.60x	1.18x

Note: X = times

Source: Audited Financial Statements of NBS for years ended 31 December 2009, 2010 and 2011.

It may be observed that the current ratio and liquidity ratio both improved from 2009 to 2010 but declined significantly from 2010 to 2011, indicating decline in the liquidity position of the NBS.

The trend indicated that the institution may face serious liquidity problem in time to come. Measures should therefore be put in place to meet the impending challenge.

4.6.7 Student records (fee records)

NBS's management refused to provide the students' fee records as it was considered against the UNAM's policy on confidentiality. The researcher tried his best to engage the Director of NBS in this regard but to no avail. As a result, the

status, trends and implications arising from the position of students' records could not be discussed in the report.

4.6.8 Suppliers' records (account statements)

NBS's suppliers' statements were obtained from the management. Observations were made in terms of when the services were provided and when the invoices were raised against payments made. According to the Finance policy and procedure manual, payments are supposed to be made thirty (30) days after the provision of the service. It was found that most of the accounts were paid on time, mostly within the timeframe the invoices were submitted. However, contrary to the Finance policy and procedure manual, it was also observed that some payments, specifically the fixed commitments such as subscriptions and operational expenses were not paid for in time during the last quarters of the same financial years and the payments were delayed and postponed to the following financial year. This was in agreement with the statements of the NBS officials interviewed, who indicated that for the periods under study, the School struggled to meet all its financial obligations, mostly during the last quarters of the financial years. As a result, the School negotiated with the suppliers and service providers to postpone the payments until some funds are available. The officials interviewed indicated that the postponement of payments, although a relief for a short while, had attracted penalties in terms of interest. They concluded that the School's reputation is put at risk as a result, in addition to liquidity and credit risks resulting from the failure not to pay its obligations on time.

4.7. Conclusion

This chapter presented the empirical evidence from the field study under quantitative and qualitative approach both. Quantitative results depicted position on significant variables that were identified through data analysis using the frequencies and descriptive statistics. The overall results reflected that NBS has adopted and implemented UNAM's risk management policy as well as the Finance policy and procedure manual. However, these policies are not aligned to NBS's structures, processes and operations. Further, NBS faced difficulty in revenue collection. However, NBS has put in place some measures to mitigate risk in revenue collection. It is suggested that NBS should ensure that Finance Policy and Procedure Manual as well as the risk management policy that NBS has adopted and implemented be re-evaluated, reviewed and redeveloped into a formal and integrated risk management framework. The risk management procedures and methodology manuals should be customised to NBS structures, processes and operations to enhance the School's competitiveness, stability and sustainability. Further, NBS should create risk awareness culture and review its governance structures.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter re-caps the steps taken in carrying out this research and gives a summary of findings, conclusions and recommendations.

The purpose of the research was to investigate the financial risk and craft a strategy for its management at the NBS. The critical variables that impacted on the financial risk management at the NBS identified through analysis were payment period, payment method, liquidity problems, debt collection strategy, management strategy for on time payments, level of management and managing the risk.

A review of literature related to the area of research was conducted. This enabled the researcher to learn from the experiences and observations of other scholars and researchers in the area on matters that have a bearing on financial risk management at the NBS. This also enabled the researcher to develop a framework for the study of the variables under investigation.

In order to carry out the research, the researcher collected data from the NBS and also carried out a field survey, which covered the former students, the service providers and the executives of NBS (Assistant Director and the Officer: Corporate

Services), to understand their view points and know their opinions. Simple random sampling technique was used to select the sample from the population for the study. A sample of 39 respondents (30 former students and 9 former service providers) constituted the sample frame of this study. Questionnaires were sent to thirty (30) former students and nine (9) service providers and interviews were conducted with two (2) executives of the NBS to obtain the information from the respondents. The respondents were also allowed to air their views pertaining to the subject. Every effort was made to contact them at their addresses and persuade the former students and former service providers to give the information. However, response from seventeen (17) external respondents and two (2) executives of the NBS could be obtained. The findings are based on the responses from this group and analysis of financial records of the NBS.

5.2 Summary of major findings

As stated earlier the objectives of the study were as under:

- i. To study the nature and extent of credit risks and liquidity risks the NBS is exposed to.
- ii. To identify and assess the levels of risk exposure at the NBS as well as identification and development of a risk management strategy to mitigate the identified risks.

The summary of the major findings based on the research is presented here in light of the above objectives of the study as under.

(a) Nature and extent of financial risk NBS is exposed to:

- i. Majority (52.6%) of the respondents made only partial payment of fees at registration.
- ii. Majority (63.2%) of respondents indicated that their method of payment of fees during the study period was through installments.
- iii. High majority (about two third) of the respondents (73.7%) indicated that they did not experience any problem in settling of fees.
- iv. High majority (68.4%) of the respondents agreed that risk associated with default in payment affected other service deliverables at the NBS.
- v. More than three fourth (84.2%) of the respondents however, remained neutral on the issue whether the NBS faced liquidity problems.
- vi. On the issue whether the NBS strategy of debt collection is viable or not, majority (63.2%) of the respondents did not comment and remained neutral.
- vii. Majority (63.2%) of the respondents believed that the infrastructure at the NBS was of acceptable standard.
- viii.** The executives of the NBS stated that the NBS had policy for risk management in place, although it was not effective.

- ix. The executives of the NBS stated that the NBS also had a strategic plan in place.

(b) Identification and assessment of level of risk exposure of the NBS

- i. High majority (84%) of respondents agreed that the method of payment of tuition fees at the NBS exposed the institution to risk.
- ii. About two third (73.7%) of the respondents expressed that the pressure to manage risk at the NBS was moderate.
- iii. About half (47.4%) of the respondents believed that the staff compliment at the NBS was not adequate.
- iv. Majority (57.9%) of the respondents believed that the level of staff morale at the NBS was moderate.
- v. The NBS Executives stated that NBS faced difficulties in paying its creditors in time as per contract.
- vi. The NBS Executives stated that revenue collection methods at the NBS were not adequate.

Overall, it may be concluded from the above statements of findings that the financial risk management systems are in place at the NBS but not effective and efficient. There is much that needs to be done by the management of the NBS for managing the financial risk at the institution. The respondents believed that the

School needs to put better systems in place that will serve as mechanisms for mitigating financial risk faced by the institution. This will contribute to overall efficiency at the institution and the institution will be able to provide better services to its stakeholders.

(c) Risk management strategy to mitigate the identified risks

- i. More than half of the respondents (63.2%), expressed that the NBS need to improve on methods of payment of tuition fees.
- ii. About three quarter of the respondents (73.7%) agreed that the NBS strategy of debt collection needs improvement.
- iii. For improving the strategy of debt collection, 36.8% of the respondents expressed that it is important for the NBS to remind students about outstanding fees and the need to pay up the tuition fees in time.
- iv. At the same time, about three quarter of the respondents (73.68%), considered that imposing penalties and communication of outstanding tuition fees will make the students pay tuition fees on time.

(d) Finance Policy and Procedure Manual

The NBS has adopted and implemented the UNAM Finance Policy and Procedure Manual. However, it was observed that the adopted policy and procedure manual was not NBS specific and not aligned to NBS's processes, operations and structures.

(e) Audited Financial Statements and Bank Statements

The assessment of the AFS revealed that the NBS has not been generating sufficient revenue from its core operations to cover its operations and depended on donations to keep afloat. The assessment further revealed that the School experienced financial constraints during the last quarter of the academic year, as funds are depleted by then. The liquidity ratio and the current ratio, which are used to measure the institution's ability to meet its obligations as they fall due, are not satisfactory.

(f) Suppliers' records

The assessment of the supplier's records revealed that most of the suppliers' accounts were paid within the timeframe agreed upon. However, it was observed that some fixed payments, such as the subscriptions and operational expenses were not paid for on time and the payments were delayed and postponed to the following period. The delay and postponement of payment resulted in penalties in terms of interest.

5.3 Recommendations

The recommendations made on risk management strategy to mitigate the identified risks at the NBS, based on the findings from the survey of opinion of the respondents, data analysis and discussion with the officials, are as under:

5.3.1 The NBS management is urged to constantly send reminders to students to pay tuition fees on time and further impose penalty on the defaulters. It may be stated that among the respondents 36.8% believed that it was important for the NBS to give reminders to students to pay up the tuition fees on time and another 36.8% of the respondents considered that imposing penalties will make the students pay tuition fees on time.

5.3.2 It is recommended that the NBS should review their method of payment of tuition fees, since the current method exposes the institution to risk. This sentiment was supported by majority (52.6%) of the respondents who agreed that the method of payment of tuition fees at the NBS exposed the institution to risk.

5.3.3 It is recommended that as the NBS method of payment of tuition fees was weak it needs improvement. This was supported by about half (47.4%) of the respondents who agreed that the NBS need to improve on the method of payment of tuition fees by the students.

5.3.4 It is recommended that NBS should re-evaluate the UNAM Policy and Procedure manual that they have adopted and implemented and align it to NBS operations, processes and structures.

5.3.5 It is recommended that NBS should strive to improve on its financial management strategies in order to effectively and efficiently manage its financial resources in terms of matching the assets and liabilities, to ensure financial sustainability and competitiveness. In the same vein, it is also recommended that the NBS should be innovative in exploring other means of generating additional funds to support its activities.

5.3.6 It is recommended that NBS should undertake a thorough review of the UNAM Finance policy and procedure manual adopted by it, to customize it to its structures, processes and operations. The reviewed Finance policy and procedure manual should then be adopted by the NBS.

5.3.7 The NBS should develop and a formal and integrated risk management framework, including the risk management policies and procedures.

5.3.8 The NBS should create a risk awareness culture amongst its staff and stakeholders and review its governance structures.

5.4 Directions for further research

Research is a continuous process. Based on the experience gained from this research it is recommended that further research should be undertaken to cover the areas not covered by this research. Some of the areas where research is needed are as under:

- a) Research should be undertaken to determine the variables not covered within the scope of this study. This may be relevant and is expected to contribute to the achievement of the objectives of such a study.
- b) The scope of the present study was limited to one institution, Namibia Business School, in Namibia. Further research should be undertaken by widening the scope and covering more institutions in Namibia. This will provide an opportunity to cover a larger population and benefit from the experiences of a larger group of respondents.
- c) A study complementary to the present research is also recommended. Thus research may be undertaken selecting some business school in the neighbouring country such as South Africa may be suggested. South Africa being comparatively a more developed country the research on financial risk management in educational institution is expected to throw more light on the issue.

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APPENDICES

Appendix 1: QUESTIONNAIRE ON FINANCIAL RISK MANAGEMENT STRATEGY FOR A BUSINESS SCHOOL: A CASE STUDY OF NAMIBIA BUSINESS SCHOOL.

Dear respondent,

I Anna Amutenya, a student at the University of Namibia, Namibia Business School. I am pursuing the Master's Degree in Business Administration (MBA) - Finance.

Thank you in advance for sparing your time to join this survey. This survey is being conducted in partial fulfillment of the requirements for my Master's thesis with a view of understanding your views on Namibia Business School financial risk management. The survey is on liquidity and credit risks faced by NBS in its operations.

Your participation in the survey is voluntary and you are free to quit it at any stage. Information collected and respondents names will remain confidential.. The results will be used only for research purposes and shall be presented only in aggregate without being revealed to outside firms. The results of this survey will be shared with the NBS after permission from appropriate authorities in this respect. This questionnaire consists of 21 questions divided into 4 sections. Your accurate and frank response is important to the success of this survey.

Section A: Biographical and Personal Data of respondents

1. Gender (Tick the appropriate box to show your choice)

Male	
Female	

2. Age (Tick the appropriate box to show your choice)

Less than 20 years	
21 – 30 years old	
31 – 40 years old	
41 – 50 years old	
51 – 60 years old	
61 years and above	

3. Period of Study (Tick the appropriate box to show your choice)

2008 – 2009	
2009 – 2010	
2010 – 2011	
2011 – 2012	
Any other (Specify)	

4. Level of Study (Tick the appropriate box to show your choice)

Post Graduate Diploma	
Masters of Business Admin	
Doctor of Business Admin	
Any other (Specify)	

Section B: UNDERSTANDING AND IDENTIFICATION OF FINANCIAL RISKS

5. What was the method of payment at registration? (Tick the appropriate box to show your choice)

Full registration fees as required	
Partial payment of registration fee	
No payment	

6. What was the method of payment of tuition fee during study? **(Tick the appropriate box to show your choice)**

Full payment of tuition fees as required	
Partial payment of tuition fees	
No payment of fees	

7. Did you experience any delays in payment/settling of tuition fees?

(Tick the appropriate box to show your choice)

Yes	
No	

8. Did you experience any defaults in payment/settling of tuition fees?

(Tick the appropriate box to show your choice)

Yes	
No	

If yes, please specify the reasons

For delay

1.

2.....

3.....

For default

1.....

2.....

3.....

SECTION C: Service Delivery by Service Providers

9. Please state the mode of payment of fees that you received from the students.

(Tick the appropriate box to show your choice)

Cash	
Electronic Funds Transfer (EFT)	
Cheque	

10. Was the payment made as per the terms and conditions of the contract?

(Tick the appropriate box to show your choice)

Yes	
No	

11. Did you encounter any problem/s in getting your payment after providing services to NBS?

(Tick the appropriate box to show your choice)

Yes	
No	

12. Did you experience any delays in receiving the payments?

(Tick the appropriate box to show your choice)

Yes	
No	

If yes, what should NBS do to facilitate payments for services rendered? Please specify

- 1.....
- 2.....
- 3.....

13. The method of payment of college fees by NBS students exposes the institution to risk.

(Tick the appropriate box to show your choice)

Strongly disagree	
Disagree	
Neutral	

Agree	
Strongly agree	

13. NBS need to improve its method of payment of tuition fees by students.

(Tick the appropriate box to show your choice)

Strongly disagree	
Disagree	
Neutral	
Agree	
Strongly agree	

14. Risk associated with default in payment affects other service deliverables at NBS.

(Tick the appropriate box to show your choice)

Strongly disagree	
Disagree	
Neutral	
Agree	
Strongly agree	

15. NBS is currently facing liquidity problems.

(Tick the appropriate box to show your choice)

Strongly disagree	<input type="checkbox"/>
Disagree	<input type="checkbox"/>
Neutral	<input type="checkbox"/>
Agree	<input type="checkbox"/>
Strongly agree	<input type="checkbox"/>

16. NBS strategy of debt collection/ outstanding fee is appropriate?

(Tick the appropriate box to show your choice)

Strongly disagree	<input type="checkbox"/>
Disagree	<input type="checkbox"/>
Neutral	<input type="checkbox"/>
Agree	<input type="checkbox"/>
Strongly agree	<input type="checkbox"/>

17. NBS strategy for debt collection/outstanding fee etc needs improvement?

(Tick the appropriate box to show your choice)

Strongly disagree	<input type="checkbox"/>
Disagree	<input type="checkbox"/>
Neutral	<input type="checkbox"/>

Agree	
Strongly agree	

18. What do you think NBS should do to facilitate on-time payment of tuition fees by students? Use the space provided to write your reasons.

.....

.....

.....

20. Please feel free to add any initiatives that you think are necessary to manage on-time payment of tuition fees by students at NBS.

.....

.....

.....

.....

SECTION D: Work environment and Working conditions at NBS

21. In your own opinions, how do you rate the environmental and working conditions at NBS

(Circle the appropriate word to show your opinion)

Feature/Condition	Ratings		
	Good	Acceptable	Bad
Infrastructure/facilities/Offices			
Management of financial risk			Poor

General administration`	Adequate	Acceptable	Too few
Pressure on management to manage risk	High	Moderate	Low
Staff morale/motivation	High	Moderate	Low

Thank you for participating in this survey.

Appendix 2: REDORDED AND TRANSCRIBED INTERVIEWS

**FINANCIAL RISK MANAGEMENT STRATEGY
FOR A BUSINESS SCHOOL:
A CASE STUDY OF NAMIBIA BUSINESS SCHOOL**

First Interview

Page1 to Pg 10

Second Interview

Page1 to Pg 7

Audio Recording

(Duration 00:23:57)

&

(Duration 00:25:56)

FIRST INTERVIEW

MS AMUTENYA: Thank you very much for your time, more so that you have agreed to take part in the interview.

INTERVIEWED: Any time.

MS AMUTENYA: This interview is based on the research study on the financial risk management at NBS, based on the research topic, “Financial risk management strategy for a business school: A case study of NBS.” The researcher aims to study the levels and kind of financial risk that NBS is exposed to, and will further look at mechanisms to mitigate the identified risks. The study is limited to credit risk and liquidity risk and covers the period from 2009 up until 2011. Please feel comfortable and if I have to pose any question and you are not comfortable answering it please indicate as such.

INTERVIEWED: Okay.

MS AMUTENYA: The reason you were chosen to take part in the interview is because of your role and responsibilities at the school.

INTERVIEWED: Okay.

MS AMUTENYA: The interview is scheduled to last not more than thirty minutes.

INTERVIEWED: Noted.

MS AMUTENYA: But first of all, I just to confirm to you and reassure you that the information that will be collected now and gathered here will be used for research study only. Further, your identity will not be revealed and all the information will be treated with high degree of confidentiality. So the research results will only be used for the benefit of NBS and I am hoping that we will be able to get the best out of it.

INTERVIEWED: I am good.

MS AMUTENYA: Further, just to confirm, before we proceed, that you still agree to partake in the study.

INTERVIEWED: Yes, I confirm to partake in the study.

MS AMUTENYA: Thank you very much.

MS AMUTENYA: As I informed you earlier, the study is all about financial risk. And that is a risk that NBS is exposed to. So what we want is to understand the risk that the school is exposed to, the level the school is exposed, where is that risk coming from and how does the school manage it, because at the end of the day we are looking at a strategy that we can recommend for the development of a strategy that then will benefit NBS in managing its financial risks.

MS AMUTENYA: So to start off with I just want to understand the main sources or revenue of NBS. Where does NBS derive its revenue?

INTERVIEWED: NBS derives its revenue from student tuition which is our core source of revenue. We also have provide executive training, consulting as well as fundraising. So those are the main sources of income, but the core is student tuition.

MS AMUTENYA: Student tuition is the core source of revenue for the school.

INTERVIEWED: Yes.

MS AMUTENYA: And then have executive training, fundraising and consulting?

INTERVIEWED: Yes, those are the sources of revenue for the school.

MS AMUTENYA: And how much how much do you get from these sources? When you say student tuition is core how much do you get from that?

INTERVIEWED: Currently student tuition would make up about ninety percent (90%). And the rest will be split between those other variables.

MS AMUTENYA: And receiving this revenue, is it always enough to cover all the expenses?

INTERVIEWED: Yes, the revenue is enough to cover the expenses, but collection is a problem here at the school.

MS AMUTENYA: Collection?

INTERVIEWED: Oh yes, collections.

INTERVIEWED: What im saying is, if we collect everything on time then it would be enough to cover all the expenses throughout the year.

MS AMUTENYA: So the challenge that you face is the timely collection

INTERVIEWED: Yes, that is correct.

MS AMUTENYA: On consulting, how does it work? Is it your staff consulting or do you have people to consult on behalf of NBS?

INTERVIEWED: It is mainly our staff consulting with the business sector. And in that way, they raise funds on behalf of NBS.

MS AMUTENYA: Oh raise funds? Okay. Have you ever experienced any surplus between 2009 and 2011?

INTERVIEWED: Yes, we had a surplus during 2009-2010 financial year.

MS AMUTENYA: How was the surplus used?

INTERVIEWED: It was reinvested back into the school for future expansions.

MS AMUTENYA: And was there a period when you had a deficit?

INTERVIEWED: Yes, we experienced a deficit during 2010-2011 financial year.

MS AMUTENYA: How did you manage with the deficit?

MS AMUTENYA: How did you make sure that you still pull through, cover all your expenses and meet all your obligations and still be able to provide service as usual?

INTERVIEWED: Most of the time, we negotiate with the suppliers and service providers. For example, we negotiate with our partnerships ie MSN and other memberships to put our payments on hold for sometimes. And then we pay them at a later date when our financial position has improved. Obviously you cannot negotiate with your employees, because they also have obligations to meet.

MS AMUTENYA: Okay. But did this not lead to extra expenses to be incurred? Example, where you not penalised or charged interest on outstanding accounts? Or even worse, cancellation of these memberships?

INTERVIEWED: Yes, we incurred charges but it is a catchy situation because that was the only way we could.

MS AMUTENYA: Now back to the students being the core providers of revenue. Earlier, you indicated that student tuition is the core source of revenue for the school. You also indicated that you are faced with a challenge of collection outstanding tuition fees on time. What did you do to encourage timely payment of tuition fees?

INTERVIEWED: Yes we did. What we did is as follows. We implemented the blocking of exam results until the payment of the outstanding of fees has been effected. In that, it also led to the holding back of qualifications for the students who were in their final years of study.

MS AMUTENYA: Ok. But was these methods effective? Did they improve your collection and financial position though?

INTERVIEWED: It was not effective as we wanted it, but to a certain degree we managed to collect from some students.

MS AMUTENYA: Ok.

INTERVIEWED: And then this year, 2014 we are going to implement a new strategy of collecting debts. This entails putting in specific dates when students are expected to pay a certain amount which is by a certain date. For example, fifty percent (50%) must be paid on registration and then seventy-five percent (75%) must be covered by June of that year and then hundred percent (100%) by October of the same academic year. In addition, if that doesn't work out, then we will immediately hand over the accounts with outstanding balances to the Debt Collectors.

MS AMUTENYA: Debt collectors? OK.

INTERVIEWED: Yes. Because we realised that waiting for students to pay at their own pace led us to the situation I have alluded to earlier. That is of not having

sufficient funds throughout the year and thus leading to postponement of some essential payments for services.

MS AMUTENYA: And are these measures or strategies that you have put in place working or were they effective?

INTERVIEWED: They were somehow effective to a certain level.

INTERVIEWED: The initial measure of the payment of fifty percent (50%) up front and then you had the whole year to pay off was not effective, because by October the students are with the classes for the academic year. And you do not have any hold on the students and that is why we never actually recovered our dues on time with that method.

MS AMUTENYA: Oh okay.

INTERVIEWED: And then, normally they come back in January of the next academic year before the next registration date to settle the outstanding accounts in order to get their exam results and also register for the next academic year for the returning students.

INTERVIEWED: So you could see that there was a pattern of students paying in January or at the time of registration and very little payments were made during the course of the year. But then at most they were unable to settle the outstanding and then pay the whole registration fees so they negotiate again for later payments.

MS AMUTENYA: Thank you for the insight. Moving on, who is responsible for the risk management function at NBS?

INTERVIEWED: The function should be with the Assistant Director.

MS AMUTENYA: Assistant Director? You sound unsure.

INTERVIEWED: Maybe, because I don't see it being practiced or I really do not know.

MS AMUTENYA: What do you see being done or practiced? Or do you think something could have been done better?

INTERVIEWED: What I'm saying is that I don't see it being practiced in any way.

MS AMUTENYA: Uh. Not practiced.

MS AMUTENYA: Moving on. Was there a time where NBS was faced with a cash flow problem or liquidity problem?

INTERVIEWED: Yes, we are normally faced with liquidity problems here around October/November. The thing is, NBS cash flow works like this. In January/February, during the registration process, we've got a huge inflow of cash which can almost amount to three million Namibian dollars (N\$3 000 000-00) or four million Namibian dollars (N\$4 000 000-00).

INTERVIEWED: So what we actually need to do is to manage that cash in such a way that we are able to meet our obligations throughout the year and still provide quality service to our stakeholders. Because we are not sure when the students will pay, if they ever pay and how much the students will actually pay. The problem is to manage that cash flow that we get in the beginning of the year so that it lasts us for the whole year.

MS AMUTENYA: In short you are saying that cash flow management is a problem or challenge? You are also confirming that there is a mismatch between your assets and your liabilities?

INTERVIEWED: Yes, exactly what I mean. Because once we realise that we are faced with low cash flows, only then we start collecting again. So now we start calling students reminding them of the outstanding accounts and demanding payments. Sometimes, some students will pay others don't pay up. And, sometimes with those payments, we are able to see pull through the year.

MS AMUTENYA: Ok. And what if you don't receive enough to see you through the year?

INTERVIEWED: That is where the negotiation for later payments with the suppliers and service providers come in. Or simply let our suppliers' and service providers' accounts stand over to the next period until we have funds.

INTERVIEWED: And that incurs interest/ penalties.

MS AMUTENYA: Maybe just an overview of risk management at NBS. What do you think about risk management at NBS? What are you doing? How are you managing your risk? Do you think you are on the right track? Are you doing what you are supposed to do or do you think something else could have been done just to make sure that you manage all these risks?

INTERVIEWED: We are relatively a small school but things can be improved. There is room for improvement. And that must come from the top.

MS AMUTENYA: Please elaborate on what you mean when you say that the drive for improvement should come from the top.

INTERVIEWED: What I mean is that top management should give us guidelines and policies on how to manage risk. I believe they are the best suited to be the drivers of risk management.

MS AMUTENYA: Are you saying that there are no policies on risk management in place? Or there are policies in place but not implemented?

INTERVIEWED: The policies are there, but not the, they are not enforced/implemented as such. Or at least I think, I know that there are policies, financial policies, I do not know whether this risk management is also incorporated in financial policies.

MS AMUTENYA: Okay. To ensure that the school have enough cash and they are still able to meet their obligations throughout the year, what do you think needs to be done?

INTERVIEWED: Okay, my strategy is actually just to cut cost. Cut unnecessary expenditure like travelling and membership fees of bodies or associations that are not necessary.

INTERVIEWED: But our rule is simple and has been simple. For example, if you are engaging in a project or if you want NBS to sponsor a project, then there should be a known benefit, ie financial benefit or in any other form such as skills transfer

from the project to the school. So in anything you do, if you have to travel to a place some sort of financial gain should come in or flow to the school.

INTERVIEWED: That is our policy.

MS AMUTENYA: Is it a policy or rule as you said earlier?

INTERVIEWED: That is a policy kind of rule.

MS AMUTENYA: Ok.

MS AMUTENYA: Apart from the measures you have referred to earlier, what other measures do you have in place to collect your dues?

INTERVIEWED: Since I said that ninety percent (90%) of the revenue is derived from student tuitions, and the remaining ten percent (10%) is spread over executive training, consulting and fundraising, there is actually no much movement of cash from the later. And the respective departments ensure collection on time.

MS AMUTENYA: Okay. Any problems or challenges that you encountered during that collection of outstanding accounts process?

INTERVIEWED: So students are getting irritated and they think that I am, I'm a bad person, they don't even like me anymore because of collections. They get angry and then they come, some come and pay while some don't pay.

MS AMUTENYA: Oh they won't pay. So the whole debt collection mechanism is not efficient?

INTERVIEWED: To a certain extent yes.

MS AMUTENYA: And what do you think NBS needs to do to make it effective?

INTERVIEWED: As I said we want to enforce this new rule model going forward. The payment on a 50%, 75% and 100% basis.

MS AMUTENYA: Okay.

INTERVIEWED: And then we see, we will see how we will see how it will work out.

MS AMUTENYA: Okay. So there is a prospect that the new measures are going to improve?

INTERVIEWED: Yes, we hope so. The thing is, we took the model from other business schools in South Africa as an example. We saw how they are doing it so we want to try their method of collecting. Since it is a new method of doing things, I believe if we can appoint another or extra person just to deal with debt collection that will improve our financial position.

MS AMUTENYA: Uhm. Will that not push up costs?

INTERVIEWED: Yes, it will incur extra costs, but the benefits will be much higher than because that person will see to it that all the dues are collected on time. I think generally, there's a staff shortage in the finance department.

MS AMUTENYA: So you are saying because there is few staff so you are not able to carry out this function fully?

INTERVIEWED: Yes, exactly what I mean.

MS AMUTENYA: Okay. Further, you said you have a financial policy.

INTERVIEWED: Yes, but I didn't actually take a look at it. I don't know whether there is a risk management plan built in it.

MS AMUTENYA: Okay.

INTERVIEWED: But there are financial policies.

MS AMUTENYA: With the financial policy that is in place, how often do you review that?

INTERVIEWED: It should be reviewed every year I think.

MS AMUTENYA: Every year?

INTERVIEWED: But it's not done.

MS AMUTENYA: Are you saying that the policy was not reviewed for the study period?

INTERVIEWED: Yes it was not reviewed. Or if it was reviewed, the outcome was not communicated.

MS AMUTENYA: Ok. But if you don't review your policies, how do you ensure that your policies are still in line with your strategic goals and objectives?

INTERVIEWED: That I cannot say.

MS AMUTENYA: And any strategic plan in place?

INTERVIEWED: Yes, there is a strategic plan that I know of. And certain aspects of it is implemented.

MS AMUTENYA: Okay. So not all of it is implemented. And how often do you go back to your strategic plan?

INTERVIEWED: I really do not know.

MS AMUTENYA: Who is supposed to do this? Whose function is it?

INTERVIEWED: It is the Director and Assistant Director's responsibility to drive the strategies including the objectives of the strategic plan.

INTERVIEWED: They have to enforce the objective of the strategic plan.

MS AMUTENYA: Now if you have never seen these strategic objectives or plans being reviewed, how do you keep in line with your financial policy and how do you ensure that your financial objectives are talking to the overall strategic objectives of NBS?

INTERVIEWED: That is the problem, that whole thing is not done. That whole strategic plan and financial policies are not looked at the way they should be looked at and not reviewed timeously.

MS AMUTENYA: So what is your suggestion here?

INTERVIEWED: That NBS actually starts having workshops, staff workshops or staff sessions where we discuss the strategic plan. Through that, we are able to see that, as institution, we are in line with the strategic plan.

MS AMUTENYA: Okay.

INTERVIEWED: Maybe we do our performance reviews every third month or quarterly to see where we are and where we are going.

MS AMUTENYA: Okay.

MS AMUTENYA: Then that should also help you to measure performance against strategic objectives

INTERVIEWED: Indeed.

MS AMUTENYA: Okay, I that was all the questions I have for you unless you have any comments, contributions or questions that you would like to pose.

INTERVIEWED: Everything was clear.

INTERVIEWED: I think I said what I had to say.

MS AMUTENYA: Okay.

MS AMUTENYA: In the absence of any further questions, thank you so much for your time.

INTERVIEWED: Okay, thank you.

MS AMUTENYA: And as I have communicated earlier, this interview was for the research study purposes and all these information will be treated with the highest degree of confidentiality.

INTERVIEWED: Okay.

MS AMUTENYA: Thank you so much.

CONCLUSION OF FIRST INTERVIEW

SECOND INTERVIEW

MS AMUTENYA: First of all, I must thank you for taking off your time to partake in this research study. The main reason of our meeting is to get an understanding of financial risks that Namibia Business School (NBS) is exposed to in its' operations. The study looks to get a thorough understanding of the credit and liquidity risks. At the end, the study aims to recommend for a strategy to help NBS manage the identified risks. In addition, you were chosen because of the roles and responsibilities at NBS and I would like you to share the experiences and give insight on risks and its management.

Before we start with the interview, and having heard of the purpose of the research study, please confirm again that you're willing to take part in the study. I also humbly request that you please be honest with your answers and if at any stage you feel like you cannot carry on, please indicate as such or if I pose a question and you are not in a position to answer the question, you are more than welcome to indicate as such.

INTERVIEWED: Thank you for the opportunity. I am willing to take part in the study. I also take note of all the information provided.

MS AMUTENYA: Okay thanks. First of all, can you please give an overview of risk at NBS, including the risk management function, processes and policies?

INTERVIEWED: Thank you for the question. You should know that this is a very small business school. It is still at a very early stage.

INTERVIEWED: Some policies are implemented and some are not implemented as yet, although some things are on paper. On the function, I am not sure who exactly should carry out this function as I'm not aware of it being carried out. Maybe it is done, maybe not.

MS AMUTENYA: Ok. What about the policies?

INTERVIEWED: I hear there was something drafted but I am sure if it was eventually implemented. As I said, I don't see that function carried out or let me say I am not aware of any staff that carries out the function.

MS AMUTENYA: So. But in your own observations, do you think that NBS is exposed to risk in its operations? Specifically financial risk? Are there risk exposures?

INTERVIEWED: Ja, we face some difficulties in sometimes paying our suppliers on time.

MS AMUTENYA: Okay.

INTERVIEWED: So and again there is not something to follow, let me say like a policy to say that in this case I should do A, B, C or whatever. And that is due to a lot of the factors.

MS AMUTENYA: Okay. If you can just go in detail. You said you have something on paper which is not implemented or followed or let me say policies to follow if any but not followed. How do you go about carrying out your roles and responsibilities without policies to follow?

INTERVIEWED: The reason why I am saying that is because according to my predecessor, there was a document drafted and submitted to the seniors for review and approval. However, that policy is still not implemented. Not approved either.

MS AMUTENYA: Okay.

INTERVIEWED: Meaning that what we are doing now is just out of experience and knowledge.

MS AMUTENYA: Knowledge?

INTERVIEWED: All out of the blue as I mentioned. So this was problem number one and the other problem is just ourselves again. The way we organise ourselves I think also contributes.

MS AMUTENYA: Explain on what you mean by that please?

INTERVIEWED: It seems that we are happy at the beginning of the year, we get money in, than we forget to collect or to put that collecting plan and measure in place. That has not been in place in the past but it is slowly only happening now after seeing what we go through during the year.

MS AMUTENYA: Ok. At least you have something now?

INTERVIEWED: Yes, we put something in place now.

MS AMUTENYA: Okay. So having said that, what is the school's main source of income?

INTERVIEWED: You know in all business school, let me just say, in general first, the main income of about ninety percent (90%) of income obviously should come from executive education.

MS AMUTENYA: Okay.

INTERVIEWED: Although that is not the case with us. For us it comes from just learning department through student tuition.

MS AMUTENYA: Okay.

INTERVIEWED: So student tuition is one of the biggest contributors to our revenue stream. The others, which are fundraising, donations and consulting brings in a small amount.

MS AMUTENYA: And does the student tuition generate enough revenue so that you are able to meet all your obligations when they are due? And do you collect on time?

INTERVIEWED: I can say yes and no.

MS AMUTENYA: Okay.

INTERVIEWED: Let me start with yes. Yes, because the money we receive or collect covers us up until some months but not the whole year. And that is why I said earlier that some months, especially towards the end of the year, we skip some of the payments. Meaning that we did not do our homework properly.

MS AMUTENYA: Ok. Why do you say you did not do your homework properly?

INTERVIEWED: Because we have money on paper, but when we cross check with the actual money we have than you realise that the two do not add up. For example, number of registered students and the amount due by than can be around five (5 000 000) million N\$, but when you check that against the amount available, which can be as little as five hundred thousand (N\$500 000). What is that?

INTERVIEWED: Means that our collection process is not adequate and effective.

MS AMUTENYA: What do you do in those instances where you find yourself in a situation where you do not have enough funds to meet your obligations?

INTERVIEWED: Not in terms of employees but in terms of suppliers yes. But we try to be fair enough just to call our suppliers in advance and request for extension to pay at a later stage. And the moment our financial position improves, than we pay our due accounts.

MS AMUTENYA: Okay. So you go back and renegotiate again.

INTERVIEWED: Ja.

MS AMUTENYA: And that will come at a cost I guess.

INTERVIEWED: Sometimes, sometimes not.

MS AMUTENYA: Okay. And did you experience a surplus

INTERVIEWED: Yes, we had a surplus sometimes. For one year I think.

But the problem is that we had long-term debts. Like for example from MSN and GEM subscriptions. What you put in and what you get out does not add up. They give you less money but at the end you are the one that ends up paying more. And there is little value adding from these.

MS AMUTENYA: Ok. But earlier on, I posed a question on collection and you answered on yes but not on the No. Could you please go into the details of the NO.

INTERVIEWED: Oh okay, let me come to the No. No, in a sense that, as I said, when you look at your debt you probably see that you are owed for example five million Namibian dollars (N\$5 000 000-00) but the actual amount you have is far less than that.

INTERVIEWED: But you know that was because of our previous model, probably there was no model how to collect this.

INTERVIEWED: Now we come up with a new model of students paying tuition fees in phases and specific dates. For example, students will be required to pay fifty percent (50%) at registration, seventy-five percent (75%) by June and 100% by October.

INTERVIEWED: And should they fail to settle their accounts, we will block their exam results or hold onto their qualifications.

MS AMUTENYA: So they will pay only that time when they require their results or qualifications?

INTERVIEWED: That is why you see at the beginning of the year, we have money and then in the middle there is nothing. And then again towards the end they know, because they have to write the exam or they're afraid that their results will not be released than they pay up again.

MS AMUTENYA: Okay. In your view, what will be the best strategy that will ensure that you have money throughout and to some extent be certain about your financial position for ease of planning and carrying out your responsibilities?

INTERVIEWED: I believe in the new model that I have just explained. If we can follow that strictly, we will be able to see improvement. In addition, we need to avoid this unnecessary spending, you know, this travelling. Staff that are going to America, you know, just to tie up a relationship while you can do that even over the phone or over e-mail, whatever. Just cutting cost really.

MS AMUTENYA: And do you have a policy on risk management?

INTERVIEWED: Not to my knowledge.

MS AMUTENYA: Not to your knowledge?

INTERVIEWED: Yes, not to my knowledge.

MS AMUTENYA: In the absence of a policy, how do you deal with risks?

INTERVIEWED: What happens is that whatever issue is identified, those are

discussed at the management meeting for guidance. That somehow became the norm and we just do it like that.

MS AMUTENYA: And again, without any policy, how do you get students to settle their accounts? What informs your decisions?

INTERVIEWED: Okay, it is build in the new model I talked about earlier. Whenever a student is registered, they will have to sign an acknowledgement of debt for outstanding tuitions. Further, they will be sent reminders of the outstanding amounts with specific dates when they are required to settle their accounts.

MS AMUTENYA: Okay.

MS AMUTENYA: Is this new model linked to your strategic objectives?

INTERVIEWED: Not yet, because the new strategic plans need to be implemented first before other policies can be implemented. Probably next year. There is a new Head of the Institution expected next year, may this person will look at the plan and have it implemented.

MS AMUTENYA: Since the policies are not implemented, will I be wrong to say that are not reviewed as a practice with other policies?

INTERVIEWED: Truly speaking and to the best of my knowledge, I haven't been in one meeting where we reviewing a strategic plan. Not in during the time I have been with the school.

MS AMUTENYA: Most institutions will review their strategies every year and set goals and objectives for the years to follow. In the absence of any strategy and policy in force, how do you carry out your respective roles and functions?

INTERVIEWED: What I said is that there are policies but not implemented. In the absence of these, we follow the parent university policies and procedures. For example, we have adopted the UNAM Finance Procedure & manual policy. So we use that as our guide.

MS AMUTENYA: And on collection, what problems did you encounter?

INTERVIEWED: Students were just not paying. Even with the phone calls and statements, they will make empty promises. Same with the sponsors. They also never paid on time and therefore did not meet their obligations on time.

MS AMUTENYA: What suggestion do you have that can assist in avoiding experiencing financial problems you had experienced in the past?

INTERVIEWED: Probably if we can get more sponsors or rather, other sources of revenue such as Government funding or funding from the parent university. Maybe that could improve.

MS AMUTENYA: So you mean you don't receive any funding from the Government?

INTERVIEWED: Nothing from the government nor the parent university. We are just surviving on our own, which is student tuition.

MS AMUTENYA: So you are a body on its own so you have to source your own funding.

INTERVIEWED: Yes. So that will bring, believe me, ultimate solution. Plans are also underway for the school to form part of the parent university.

MS AMUTENYA: Okay.

MS AMUTENYA: Thank you for the information. I believe we have covered everything that we were supposed to discuss, unless there is anything else that you feel you need to discuss. Anything that came to mind during our discussion that you feel we can discuss?

INTERVIEWED: No thanks. I think I have covered everything too. Nothing to add.

MS AMUTENYA: In the absence of any further questions, here ends our interview. Thank you very much for your time and the willingness to share the information and your experience on financial risk at NBS.

INTERVIEWED: Thank you too.

CONCLUSION OF SECOND INTERVIEW