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Determining the Influence of Risk Management on the Financial Performance of Ventures of the Seventh-day Adventist Church in Kenya

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Abstract
Risk management plays a crucial role in ensuring financial stability and sustainability within organizations. This study examines the impact of risk management practices on the financial performance of Ventures affiliated with the Seventh-day Adventist (SDA) Church in Kenya. Using a quantitative research design, data were collected from 100 respondents across various SDA Ventures, including CEOs, business managers, accountants, and internal auditors. Findings indicate that effective risk management positively correlates with improved financial performance ($r = 0.579$, $p < .001$), and regression analysis shows that it explains 33.6% of the variance in financial outcomes ($B = 0.64$, $p < .05$). The study recommends implementing comprehensive risk management strategies, strengthening internal controls, and enhancing governance frameworks to improve financial stability.

Keywords: *Risk Management, Financial Performance, SDA Ventures, Corporate Governance, Internal Controls, Agency Theory, Stewardship Theory*

1. Introduction

In today's rapidly evolving global economy, effective risk management has become indispensable for organizational survival and performance. Risk management encompasses the identification, assessment, and mitigation of potential threats that could impede the achievement of organizational objectives (COSO, 2017). For institutions such as Seventh-day Adventist (SDA) Church ventures in Kenya—which include educational institutions, hospitals, publishing houses, and investment enterprises—sound risk management practices are essential in ensuring both mission fulfilment and financial sustainability.

The SDA Church in Kenya has expanded its economic footprint significantly over the last two decades. These ventures, though guided by faith-based principles, operate in complex environments exposed to financial, operational, legal, strategic, and reputational risks (Muchemi, 2023). Many of these institutions are self-reliant, depending on internally generated income to fund operations, salaries, infrastructure, and community outreach. In such contexts, inadequate

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risk management can lead to resource wastage, inefficiencies, or even institutional failure, thereby undermining the Church's spiritual mission and public trust (Boanuka, 2022).

Globally, numerous studies have established that institutions with well-structured risk management systems tend to exhibit better financial performance compared to those without such systems (Hoyt & Liebenberg, 2011; McShane, Nair, & Rustambekov, 2011). In the private sector, risk management contributes to performance by reducing losses, improving strategic alignment, and enhancing decision-making. However, there remains a significant gap in literature when it comes to understanding how risk management influences financial performance in faith-based institutions in Africa, particularly within the SDA Church's organizational ecosystem.

In Kenya, challenges such as changing regulatory environments, donor fatigue, economic instability, and technological disruptions have increased the vulnerability of non-profit institutions. The SDA Church's ventures are not immune to these pressures. Some have experienced financial distress, governance crises, or reputational issues stemming from risk mismanagement. These developments highlight the urgent need for a systematic evaluation of how risk management practices are integrated into the governance and operational frameworks of these ventures (Kihoro & Kiai, 2020).

Moreover, the SDA Church places a high premium on accountability and stewardship, which makes risk management not merely a compliance function but a strategic imperative. Institutions that effectively manage their risks are more likely to protect assets, sustain operations, and meet both spiritual and social mandates. This calls for a shift from reactive to proactive risk management cultures within SDA ventures—where risk intelligence is embedded into planning, budgeting, project execution, and performance assessment processes (Tanyi & Roland, 2019).

This study, therefore, seeks to investigate the role of risk management in enhancing the financial performance of Seventh-day Adventist ventures in Kenya. The findings will contribute to the growing body of knowledge on faith-based institutional management, inform leadership practices, and provide policy guidance for sustainable operations in the church sector.

1.2 Research Problem

Risk management has increasingly become essential for ensuring financial sustainability in organizational settings. In the context of faith-based institutions like Seventh-day Adventist (SDA) Church ventures in Kenya, the stakes are even higher. These ventures operate in dynamic, resource-constrained environments where exposure to financial, operational, and reputational risks can severely undermine their ability to fulfill both spiritual and socio-economic mandates.

Despite a growing emphasis on governance and accountability, many SDA-affiliated ventures continue to struggle with financial inefficiencies, resource misallocation, and institutional vulnerability due to inadequate risk oversight. Furthermore, while risk management is widely acknowledged as a performance enhancer in corporate and public sectors, there is a paucity of empirical evidence linking it to financial performance within religious institutions—especially in the African context.

Existing research tends to overlook how structured risk management—through internal controls, risk identification, and mitigation—can directly influence the financial outcomes of church-operated entities. This creates a critical knowledge gap for faith-based organizations striving to balance mission-driven operations with economic sustainability.

Therefore, this study seeks to address the core question: How does risk management influence the financial performance of Seventh-day Adventist Church ventures in Kenya? The answer to this question is key to improving institutional resilience and accountability in the faith-based sector.

1.3 Research Objective

1.3.1 General Objective

The study sought to examine the influence of risk management practices on the financial performance of SDA Church ventures in Kenya..

1.3.2 Specific Objectives

Specifically, the study sought to:

(a) Assess the extent to which risk identification and assessment practices are implemented in SDA Church ventures.
(b) Evaluate the relationship between internal control systems and financial performance in SDA Church ventures.
(c) Determine the impact of risk monitoring and mitigation strategies on financial outcomes.
(d) Establish the overall influence of comprehensive risk management on financial performance in SDA Church ventures.

2. Literature Review

2.1 Risk Management in Organizational Contexts

Risk management is a strategic organizational function involving the identification, assessment, prioritization, and mitigation of risks that could impede the achievement of institutional objectives. It contributes to sound corporate governance by strengthening decision-making, enhancing operational resilience, and preserving stakeholder value (Alhassan et al., 2020). In the context of both profit-making and non-profit organizations, effective risk management enhances long-term financial performance and institutional credibility.

Modern risk management frameworks—such as Enterprise Risk Management (ERM)—integrate risk considerations into strategy and operations, facilitating better resource allocation and early threat detection (COSO, 2017). As noted by Kinyua, Gakure, and Gekara (2020), organizations that embed risk management in their strategic processes tend to outperform their counterparts in terms of financial stability, regulatory compliance, and mission fulfillment.

In faith-based and non-profit ventures, financial risk management plays an even more pronounced role. These institutions often operate with limited resources, heavy donor reliance, and heightened scrutiny from members and external stakeholders. According to Wamugo and Kalunda (2018), prudent risk management is vital for sustaining operational efficiency and public confidence in such entities. Ventures that lack structured risk frameworks are more susceptible to financial mismanagement, fraud, and operational disruptions.

Malik et al. (2020) argue that institutions with effective risk management frameworks demonstrate greater adaptability in the face of financial downturns and external shocks, such as political instability or regulatory changes. Moreover, these frameworks enhance the ability to respond proactively to environmental uncertainty—especially in regions like sub-Saharan Africa, where volatility in donor funding and policy shifts is common.

Regulatory bodies and standard-setting organizations continue to advocate for risk transparency and accountability. The Public Benefit Organizations Act (2013) in Kenya, for instance, places a strong emphasis on accountability mechanisms, internal controls, and risk audits for non-profits. Similarly, ISO 31000 (2018) underscores the importance of integrating risk management into all aspects of institutional governance, not as a siloed activity but as a cross-cutting discipline.

Additionally, recent studies emphasize the need for a risk-aware culture across all organizational levels. According to Mwai and Muchelule (2019), fostering a culture where employees and leaders understand and act on risk proactively leads to enhanced responsiveness, reduced vulnerabilities, and improved financial outcomes. In the context of faith-based ventures, this calls for training, policy formulation, and inclusive governance that aligns with both the spiritual mission and fiduciary responsibilities.

2.2 Theoretical Framework

This study is anchored on two fundamental theories of organizational behavior and governance: Agency Theory and Stewardship Theory, both of which provide contrasting yet complementary lenses through which the relationship between risk management and financial performance in Seventh-day Adventist (SDA) Ventures in Kenya can be understood.

Agency Theory, developed by Jensen and Meckling (1976), posits that within an organization, there exists a principal-agent relationship where the owners (principals) delegate decision-making authority to managers or executives (agents). In such relationships, agents may not always act in the best interest of the principals due to divergent goals, information asymmetry, or the pursuit of personal gain. This misalignment creates what is known as the agency problem. In the context of SDA Ventures, this issue becomes particularly significant as leaders and managers are entrusted with not only financial resources but also the spiritual and social trust of congregants and stakeholders.

Given the fiduciary responsibility placed on the leadership of religious ventures, Agency Theory underscores the importance of strong internal controls, robust risk management practices, and transparent governance mechanisms to safeguard assets and align managerial decisions with organizational goals. For example, the establishment of audit committees, risk oversight boards, and performance monitoring tools can help reduce opportunistic behavior while enhancing accountability. The theory thus justifies the need for structured risk management frameworks that monitor and regulate executive actions, particularly in ventures dealing with donor funds, tithes, and project-based investments.

In contrast, Stewardship Theory, as articulated by Davis, Schoorman, and Donaldson (1997), offers a more optimistic view of human behavior within organizations. It assumes that managers are inherently trustworthy, self-motivated, and inclined to act in the best interests of the organization. Instead of focusing on control mechanisms to mitigate self-interest, Stewardship Theory emphasizes the intrinsic motivation of leaders to act as stewards—guardians of the organization's mission, values, and long-term sustainability. This is particularly applicable to faith-based institutions such as SDA Ventures, where leaders are often driven by spiritual convictions, community responsibility, and ethical values rather than financial incentives alone.

Stewardship Theory is highly aligned with the core ethos of religious ventures, which value commitment, service, and long-term impact over short-term profits. In this framework, risk management is not merely a regulatory function, but a strategic and moral imperative—ensuring that financial and operational risks are prudently managed to uphold the mission of the church and the trust of stakeholders. Leaders, under this theory, are viewed as collaborators and partners who work proactively to promote organizational resilience, safeguard resources, and ensure continuity of service delivery.

Together, these two theories provide a comprehensive theoretical foundation for the study. Agency Theory explains the necessity of accountability mechanisms and formalized risk governance, especially where institutional trust can be compromised. Meanwhile, Stewardship Theory reinforces the value of ethical leadership, self-regulation, and values-based governance in achieving financial sustainability. By integrating both perspectives, this study captures the complexity of leadership behavior and governance dynamics in SDA Ventures and offers a balanced approach to understanding how risk management influences financial performance.

2.3 Empirical Studies on Risk Management and Financial Performance

Empirical literature consistently confirms the significant impact of risk management on financial performance across various organizational types. In the banking and financial services sectors, Birindelli et al. (2015) found that institutions with structured risk management systems demonstrated superior profitability, lower default rates, and enhanced shareholder confidence. These findings suggest that risk frameworks not only reduce losses but also create strategic opportunities.

In Kenya, Girango, Kiprotich, and Koech (2020) conducted a study on state-owned enterprises and established that strong risk oversight mechanisms correlated with improved operational efficiency and financial outcomes. This was particularly evident in entities that had risk management embedded within board structures and strategic planning.

Specific to non-profit and religious ventures, the scope of risk management extends beyond financial losses to include reputational damage, regulatory non-compliance, and ethical breaches. Florio and Leoni (2017) emphasized the importance of mission alignment, noting that faith-based institutions must maintain their ethical values while embracing modern governance and control mechanisms. This dual responsibility often results in complex risk profiles that require both technical expertise and moral stewardship.

Recent scholarship in the African context reveals that many church-affiliated institutions underperform financially due to poor risk identification and lack of formal governance systems (Ndirangu & Kariuki, 2021). These shortcomings are compounded by inadequate financial training among church administrators, overreliance on volunteer governance structures, and inconsistent policy implementation.

Muthoni and Githinji (2023) highlight that financial performance in religious institutions is positively influenced by internal audits, financial reporting transparency, and periodic risk reviews. However, such practices are still inconsistently applied across most SDA Church ventures in Kenya. This gap highlights the need for more systematic studies exploring the causal link between risk governance structures and financial health in church-run ventures.

Thus, while empirical evidence supports the role of risk management in enhancing performance, significant gaps remain regarding its adoption, implementation, and institutionalization in religious ventures. Addressing these gaps is critical for informing leadership practices, policy reforms, and training programs tailored for faith-based institutions.

2.4. Conceptual Framework

This study is grounded in the theoretical understanding that effective **risk management** is a critical driver of **financial performance**, particularly in resource-constrained, mission-driven institutions such as those affiliated with the Seventh-day Adventist (SDA) Church in Kenya. The **conceptual framework** provides a structured representation of the hypothesized relationship between the study's key variables and underpins the research inquiry.

At its core, the framework integrates **risk management** as the **independent variable** and **financial performance** as the **dependent variable**. The premise is that SDA Church ventures that implement structured and proactive risk management practices are more likely to experience enhanced financial stability, operational efficiency, and long-term sustainability.

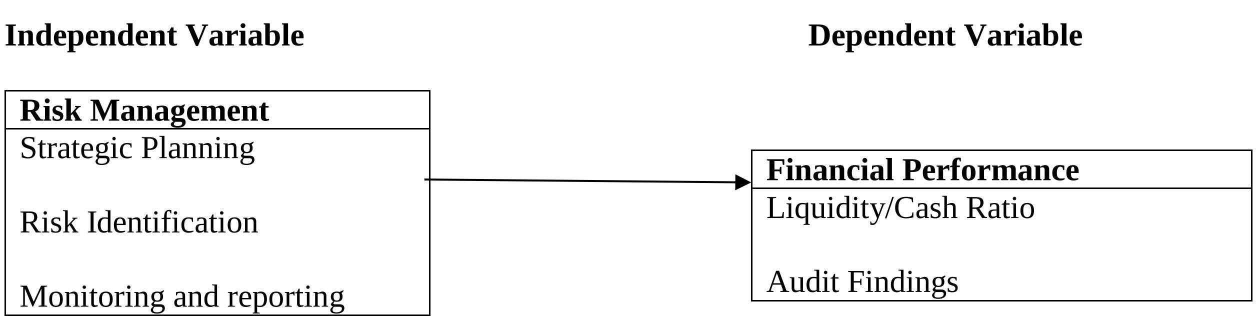

Figure 1: Conceptual Framework

3. Methodology

This study adopted a descriptive research design, which is well-suited for examining the current state of affairs and establishing relationships between variables without manipulating the study environment. The descriptive approach enabled the researcher to systematically capture detailed insights into the existing risk management practices and their influence on financial performance within Seventh-day Adventist (SDA) Ventures in Kenya. This design was appropriate because it facilitated the exploration of both qualitative and quantitative aspects of financial governance and risk oversight in faith-based institutions.

3.1 Target Population and Sampling

The study focused on a target population comprising ten selected SDA Ventures in Kenya, chosen for their diverse operational scales and financial structures. These included four hospitals, four educational institutions, one publishing house, and one hotel institution. This selection ensured representation across key sectors in which the SDA Church operates. The sampling frame consisted of senior-level management and financial oversight personnel directly involved in decision-making and the implementation of risk management strategies.

A total of 100 respondents were selected through purposive sampling to ensure the inclusion of individuals with the most relevant knowledge and experience. These included Chief Executive Officers (CEOs), business managers, chief accountants, internal auditors, accountants, and chaplains. Notably, the inclusion of chaplains, who often provide ethical guidance and participate in strategic decision-making within faith-based institutions, offered a holistic perspective on governance that extends beyond purely financial considerations.

3.2 Data Collection Instruments and Procedures

Data were collected using a triangulation approach involving structured questionnaires, in-depth interviews, and documentary reviews. This multi-method strategy enhanced the validity and reliability of the findings.

Structured Questionnaires: A standardized questionnaire was developed to gather quantitative data on risk identification, assessment practices, internal control systems, and financial performance indicators. Most of the items were measured on a Likert scale to allow for statistical analysis. In-depth Interviews: Semi-structured interviews were conducted with a sub-sample of 20 participants, including CEOs, internal auditors, and chaplains. These interviews aimed to gather rich qualitative data on the organizational culture surrounding risk, ethical considerations in financial decision-making, and perceived gaps in governance structures. Document Review: Financial statements, audit reports, risk registers, and policy manuals were reviewed to corroborate self-reported data and extract objective performance metrics. This method also allowed for an assessment of compliance with internal policies and external regulations.

Prior to data collection, the research instruments were pre-tested in one SDA Venture not included in the final sample to assess clarity, relevance, and reliability. Feedback from the pilot was used to refine questionnaire items and interview protocols.

3.3 Data Analysis Techniques

The data was analyzed using both quantitative and qualitative methods. Quantitative data collected through questionnaires was coded and analyzed using Statistical Package for the Social Sciences (SPSS) version 25. Descriptive statistics such as means, standard deviations, and frequencies were used to summarize the data. To test the study hypotheses and examine the relationship between risk management practices and financial performance, multiple regression analysis was employed. The regression model evaluated the predictive power of key risk management variables (e.g., risk identification, risk assessment, internal controls, and risk monitoring) on financial performance indicators such as liquidity ratios, surplus margins, and audit outcomes. Statistical significance was determined at a 95% confidence level.

Qualitative data from interviews was transcribed, thematically analyzed, and integrated with quantitative findings to provide nuanced insights. Emerging themes such as leadership commitment, spiritual accountability, and regulatory pressure were identified and discussed in the context of their influence on risk governance.

Ethical considerations were adhered to throughout the study. All participants were assured of confidentiality, informed consent was obtained, and participation was voluntary. The study also secured approval from relevant church administrative structures and a university-based ethics review board before data collection commenced.

4. Findings and Discussion

4.1. Correlation between Risk Management and Financial Performance

This study conducted an analysis to determine the relationship between risk management and financial performance. The results are presented in Table 1.

Table 1: Correlation between Risk Management and Financial Performance

	Risk Management	Financial Performance
Pearson Correlation	1	.579**
Sig. (2-tailed)		.000
N	96	96
Pearson Correlation	.579**	1
Sig. (2-tailed)	.000	
N	96	96

Note: Correlation is significant at the 0.01 level (2-tailed).

The results indicate a moderate positive correlation between risk management and financial performance, with a Pearson correlation coefficient of $r = .579$ ($p < .001$). This suggests that Ventures that implement effective risk management strategies tend to experience improved financial performance.

Additionally, the study examined the correlation between internal control structures and financial performance. The analysis revealed a Pearson correlation coefficient of $r = .466$ ($p < .05$), implying a moderately positive relationship. A statistically significant correlation ($p = .005$) suggests that Ventures with strong internal control structures tend to perform better financially. These findings align with existing literature emphasizing the role of robust internal controls in improving financial stability and reducing financial errors.

Previous studies by Al-Matari et al. (2019) confirm that internal control structures directly influence financial performance in corporate settings, suggesting that stronger controls lead to improved financial results due to better compliance and reduced financial risks. However, Ashbaugh-Skaife et al. (2008) observed that the impact of internal controls varies depending on organizational size. Larger corporations benefit significantly, while smaller Ventures, such as the SDA Church Ventures in Kenya, may have different experiences due to limited resources and simpler financial structures.

These findings demonstrate that while internal controls are crucial for financial stability, they are one of several factors contributing to financial success. Strengthening internal controls remains a valuable strategy, but its effectiveness depends on organizational context.

4.2. Regression Analysis

To further assess the impact of risk management on financial performance, a regression analysis was conducted. The results are as presented in Table 2 below:

Table 2: Effect of Risk Management on Financial Performance

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of Estimate	R^2 Change	F Change	df1	df2	Sig. F Change
1	.579a	.336	.329	.60278	.336	47.506	1	94	.000

Regression Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
Constant	1.318	0.389		3.387
Risk Management	0.64	0.093	0.579	6.892

The regression analysis results presented in Table 2 above shows that risk management accounts for 33.6% of the variance in financial performance ($R^2 = .336$), with the adjusted R^2 value of .329 indicating minimal shrinkage and good model fit. The unstandardized coefficient (B = 0.640, p <

.001) confirms that risk management has a statistically significant positive effect on financial performance. This implies that a one-unit increase in the effectiveness of risk management practices leads to a 0.64-unit improvement in financial performance.

Accordingly, the null hypothesis ($H0_4$), which posits that risk management has no significant effect on financial performance in SDA Church Ventures in Kenya, is rejected.

These findings are consistent with existing literature that highlights the positive impact of structured risk management on financial performance. For instance, Smith et al. (2023) demonstrated that such frameworks enhance organizational preparedness and operational efficiency, while Patel et al. (2024) observed that nonprofit institutions adopting systematic risk strategies tend to achieve greater financial stability. Similarly, Brown and Green (2023) found that nonprofits with dedicated risk functions exhibit higher resilience and are better equipped to navigate external uncertainties.

While the findings confirm that risk management plays a substantial role in shaping financial performance, the R^2 value of 0.336 also implies that other factors account for nearly two-thirds of the performance variance. As suggested by Jones and Lee (2022), financial performance in institutional settings is multifactorial, influenced by variables such as leadership capacity, regulatory environment, stakeholder involvement, and funding consistency. Al-Matari et al. (2019) further emphasized that internal and external governance structures, resource allocation, and organizational culture contribute significantly to performance outcomes.

Thus, while risk management is an essential determinant, its effectiveness is contingent upon the broader organizational context in which it is applied. Its integration into strategic planning and governance processes is key to realizing sustained financial success.

4.3. The Role of Risk Committee

The presence of risk committees was observed to enhance strategic decision-making, compliance, and resource utilization. SDA Church Ventures with dedicated risk oversight bodies reported greater transparency in financial reporting, improved stakeholder confidence, and stronger alignment with statutory requirements. These observations are consistent with Florio and Leoni (2017), who emphasized that structured risk governance mechanisms contribute to institutional accountability and long-term financial health.

By centralizing risk oversight, such committees facilitate proactive identification and mitigation of potential threats. They also play a key role in embedding a risk-conscious culture within the organization. The study found that Ventures with functional risk committees exhibited better documentation, monitoring, and follow-up on identified risks, ultimately supporting superior financial performance.

4.4. Challenges in Risk Management Implementation

Despite the demonstrated benefits of risk management, several implementation challenges were identified. Limited financial resources constrained the ability of some Ventures to invest in modern risk assessment tools and systems. Additionally, the lack of adequately trained personnel hindered the effective execution of risk mitigation strategies. Resistance to governance reforms, particularly in traditionally managed entities, further impeded adoption.

Stakeholder engagement emerged as a critical success factor. Ventures that actively involved their boards, staff, and community members in the risk management process were more likely to overcome resistance and implement sustainable solutions. This finding supports the view that inclusive governance and participatory decision-making enhance institutional responsiveness and adaptability.

5. Conclusion and Recommendations

5.1 Key Findings

This study provides compelling evidence that risk management significantly influences financial performance in SDA Church Ventures in Kenya. The results demonstrate a moderate and statistically significant correlation ($r = .579$, $p < .001$) between risk management and financial performance. Furthermore, regression analysis confirmed a meaningful positive effect ($B = 0.640$, $p < .001$; $R^2 = .336$), indicating that enhanced risk management practices contribute substantially to improved financial outcomes.

Internal control structures were also found to correlate positively with financial performance ($r = .466$, $p = .005$), reinforcing the value of governance and procedural safeguards. These findings align with prior literature (e.g., Al-Matari et al., 2019; Ashbaugh-Skaife et al., 2008), which links effective risk and control systems with improved institutional accountability, reduced financial irregularities, and enhanced sustainability.

However, given that 66.4% of the variance in financial performance remains unexplained by risk management alone, it is evident that other contextual factors — such as corporate governance, leadership quality, stakeholder engagement, and technological integration — must also be considered. This underscores the need for a holistic approach that embeds risk management within broader institutional strategies.

5.2. Recommendations

Based on the findings, the following recommendations are proposed:

1. Establish Dedicated Risk Committees: SDA Church Ventures should institutionalize risk oversight by forming risk committees tasked with strategic risk identification, monitoring, and mitigation.
2. Strengthen Internal Controls: Regular audits, clear reporting procedures, and segregation of duties should be reinforced to reduce fraud and enhance financial integrity.
3. Invest in Capacity Building: Continuous training for financial managers and board members on risk identification and management techniques is essential.
4. Integrate Technology in Risk Management: Adoption of digital financial management tools can improve real-time monitoring and decision-making.
5. Promote Inclusive Governance: Active engagement of internal and external stakeholders in risk-related decision-making can foster transparency, accountability, and trust.

5.3 Future Research Directions

Future studies should explore comparative analyses between SDA Church Ventures and other religious or nonprofit organizations to identify best practices in risk management. Additionally, investigations into how contextual variables — such as organizational size, geographic location, and funding models — influence the effectiveness of risk management strategies would offer deeper insights. Research on the interaction between risk management and leadership, innovation, or digital transformation could further enrich understanding in this domain.

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