Scientific Research Publishing

Open Journal of Business and Management, 2026, 14(6), 3390-3403
https://www.scirp.org/journal/ojbm
ISSN Online: 2329-3292
ISSN Print: 2329-3284

Calculated Risk-Taking Orientation and Performance of Kenyan SMES: The Mediating Role of Risk Management Capability

Solomon Ndunda Kitundu

School of Business & Economics, Zetech University, Nairobi, Kenya
Email: ndundak@zetech.ac.ke

How to cite this paper: Kitundu, S. N. (2026). Calculated Risk-Taking Orientation and Performance of Kenyan SMES: The Mediating Role of Risk Management Capability. *Open Journal of Business and Management, 14,* 3390-3403.
https://doi.org/10.4236/ojbm.2026.146165

Received: September 9, 2026
Accepted: October 30, 2026
Published: November 2, 2026

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Abstract

Small and medium enterprises (SMEs) are widely regarded as the engine of employment and inclusive growth in Kenya, yet the sector continues to record high rates of stagnation and premature exit. Entrepreneurship scholarship attributes part of this fragility to the strategic posture with which owner-managers approach uncertainty, and to the organizational capacity that stands behind that posture. This paper is a systematic review and narrative synthesis of the empirical and theoretical literature on the relationship between calculated risk-taking orientation (CRTO), risk management capability (RMC), and small and medium enterprise (SME) performance, with particular attention to the mediating role that risk management capability plays in that relationship. Grounded in the resource-based view, dynamic capabilities theory, and the entrepreneurial orientation literature, and following a structured search of Scopus, Google Scholar, and institutional-repository-indexed sources published between 1983 and 2026, the review synthesizes evidence from fifteen sources: twelve summarized in a structured evidence table (eight primary empirical studies, one cross-cultural meta-analysis, two systematic/desktop reviews, and one foundational conceptual work) plus three additional foundational theoretical works, spanning Kenya, wider Sub-Saharan Africa, Europe, and Southeast Asia. The synthesis finds consistent, if methodologically heterogeneous, support for a positive risk-taking-performance association, but shows that this association is increasingly reported in the recent literature as conditional on, or transmitted through, an intervening risk management or innovation-related capability rather than operating as an unconditional direct effect. Kenyan evidence specifically is found to be comparatively rich on the entrepreneurial-orientation side but thin on the explicit mediating role of risk management capability, dominated by single-period, single-informant survey designs of uniformly high common-method risk. The review concludes that this is the principal gap in

the Kenyan SME literature, proposes a conceptual model and testable hypotheses to address it, and outlines a panel/secondary-data research design, with explicit construct indicators and a stated time lag, through which the model could subsequently be tested empirically.

Keywords

Calculated Risk-Taking Orientation, Risk Management Capability, SME Performance, Systematic Review, Mediation, Kenya

1. Introduction

Small and medium enterprises (SMEs) occupy a structurally central position in the Kenyan economy, accounting for a substantial share of private-sector employment and gross domestic product, yet the sector is simultaneously characterized by a persistently high rate of business discontinuance within the first few years of operation. The Kenya National Bureau of Statistics' Micro, Small and Medium Establishment Survey documented that a large proportion of enterprises that had closed did so within their first year, most commonly citing insufficient capital, poor market access, and weak managerial capacity as proximate causes (Kenya National Bureau of Statistics, 2016). Beneath these proximate causes lies a deeper strategic question: how owner-managers position their firms with respect to uncertainty, and whether the organizational machinery required to convert risk-taking into a performance advantage is present.

Entrepreneurship scholarship has long treated risk-taking as one of the defining behavioral dimensions of an entrepreneurial firm, alongside innovativeness and proactiveness (Miller, 1983; Lumpkin & Dess, 1996). However, an emerging stream of research cautions that risk-taking, on its own, is an ambivalent predictor of performance; it is only when risk-taking is "calculated" that is, deliberate, informed, and bounded by a firm's capacity to absorb downside outcomes that it becomes a reliable source of competitive advantage (Franczak & Weinzimmer, 2022; García-Lopera et al., 2022). This distinction matters acutely for SMEs, which typically operate with thin capital buffers, limited access to formal credit, and constrained managerial bandwidth, such that an unmanaged risk event can be existential rather than merely costly.

This paper responds to that gap by proposing and theoretically grounding a mediated model in which calculated risk-taking orientation (CRTO) influences SME performance indirectly, through the intervening mechanism of risk management capability (RMC) the organizational capacity to identify, assess, mitigate, transfer, and monitor the risks that strategic risk-taking generates (Bromiley et al., 2015; Kajwang, 2022). The central proposition is that CRTO creates the strategic exposure from which performance gains may be harvested, while RMC determines whether that exposure is converted into value or into loss. Where prior Kenyan SME studies have relied heavily on cross-sectional, single-informant sur-

vey designs (see the review in Section 2.4), this paper proposes a longitudinal, secondary-data panel design that draws on multi-year archival indicators, thereby reducing common-method bias and allowing the dynamics of the risk-taking-capability-performance relationship to be observed over time.

The remainder of the paper is organized as follows. Section 2 reviews the theoretical foundations and empirical literature. Section 3 sets out the review methodology, the resulting conceptual framework and propositions, and the construct operationalization proposed for future testing. Section 4 synthesizes the empirical evidence, including a summary table of reviewed studies and a quality appraisal of the primary sources. Section 5 discusses patterns, gaps, and contradictions in that evidence. Section 6 draws out implications for theory, policy, and practice. Section 7 concludes and identifies directions for future empirical testing and the limitations of the review.

2. Literature Review and Theoretical Framework

2.1. Resource-Based View and Dynamic Capabilities

The resource-based view (RBV) holds that sustained competitive advantage derives from resources and capabilities that are valuable, rare, imperfectly imitable, and non-substitutable (Barney, 1991). Within this logic, an SME's orientation toward risk is not itself a resource but a strategic posture; it is the firm's capability set its routines for sensing, evaluating, and responding to risk that determines whether a given risk-taking posture generates rent. Dynamic capabilities theory extends this reasoning to environments of rapid change, arguing that firms which can sense opportunities and threats, seize them through timely decision-making, and reconfigure resources accordingly will outperform firms that cannot (Teece et al., 1997). Risk management capability, as conceptualized in this paper, is a dynamic capability: it is the firm-level routine that senses emerging exposures created by calculated risk-taking, evaluates their materiality, and reconfigures resources (liquidity buffers, insurance cover, contractual safeguards, monitoring systems) to contain them. This theoretical pairing RBV for the value logic and dynamic capabilities for the process logic provides the anchor for the mediation hypothesis developed below.

2.2. Entrepreneurial Orientation and Calculated Risk-Taking

Miller (1983) first operationalized entrepreneurship at the firm level along three behavioral dimensions: innovativeness, proactiveness, and risk-taking, a conceptualization subsequently formalized by Lumpkin and Dess (1996) as entrepreneurial orientation (EO). Risk-taking within this tradition is not reckless gambling but a willingness to commit resources to strategies with uncertain outcomes in pursuit of superior returns. The qualifier "calculated" in this paper's framing emphasizes that the risk exposure is deliberately assumed on the basis of some prior assessment of probable return, rather than assumed impulsively. Rauch et al.'s (2009) meta-analysis of fifty-three independent samples confirmed a moderate,

statistically robust positive correlation between overall entrepreneurial orientation and business performance across cultural contexts, lending broad empirical credibility to the proposition that risk-taking, alongside its sister dimensions, is performance-relevant. However, the same meta-analysis noted considerable heterogeneity across studies, consistent with the view that the EO-performance relationship is contingent on internal organizational conditions rather than direct and unconditional.

More recent, more granular studies reinforce this contingency argument specifically for risk-taking. Franczak and Weinzimmer (2022) found that risk-taking shaped SME performance through its interaction with organizational adaptability and action orientation rather than as an unconditional main effect, while García-Lopera et al. (2022), studying 310 Spanish SMEs, found that risk-taking mediated the relationship between firm professionalization and performance implying that risk-taking translates into performance gains only where it is embedded within more disciplined managerial structures. Games and Rendi (2019), studying Indonesian creative-industry SMEs, similarly found that risk-taking's benefit for financial performance operated through its effect on innovation outcomes rather than as a standalone driver. Taken together, this literature motivates the present paper's central departure from a simple direct-effect model. Calculated risk-taking orientation is proposed here as an antecedent whose performance benefit is transmitted through an intervening organizational capability, rather than as a variable that performs independently of how the firm manages what it has chosen to risk.

2.3. Risk Management Capability

Risk management capability is conceptualized in the enterprise risk management (ERM) literature as an integrated, firm-wide capacity spanning risk identification, assessment, treatment, and monitoring, rather than a set of isolated, siloed risk controls (Bromiley et al., 2015). Kajwang's (2022) theoretical review of ERM culture drivers among Kenyan insurance firms identified risk assessment competence, risk treatment routines, governance frameworks, and monitoring systems as the principal drivers of effective risk management culture and found this culture to be significantly associated with firm performance in the Kenyan financial-services context. While Kajwang's review was conducted in the insurance sector, the underlying logic that the presence of structured routines for converting risk awareness into risk-adjusted action shapes performance outcomes travels naturally to the SME sector, where such routines are typically informal, underdeveloped, or entirely absent. For SMEs specifically, risk management capability is likely to be observable less through formal ERM frameworks (such as COSO-aligned structures common in large, listed firms) and more through practical proxies: liquidity buffers relative to obligations, the extent of insurance or hedging cover, the discipline of receivables and inventory management, and the stability of operating margins under revenue volatility. Section 4 synthesizes the empirical evidence bearing on this construct in more detail, and Section 3.4 specifies these

proxies as archival indicators for the proposed panel design.

2.4. Empirical Review and Research Gap

Empirical evidence on entrepreneurial orientation and SME performance in Kenya is comparatively abundant but methodologically narrow. Nairobi-based studies have consistently reported positive associations between entrepreneurial orientation dimensions including risk-taking and SME performance, using cross-sectional survey designs administered to owner-managers and analyzed through descriptive and single-period regression techniques. These studies establish the plausibility of a risk-taking-performance association in the Kenyan SME context but are limited in three respects that this paper's design seeks to address. First, they rely on self-reported, single-informant, single-period data, which is vulnerable to common-method variance and cannot establish temporal precedence. Second, few incorporate an explicit mediating mechanism through which risk-taking is converted into performance, leaving the "black box" between strategic posture and financial outcome unexamined. Third, risk management capability specifically as distinct from generic entrepreneurial or dynamic capability has received little direct empirical attention among Kenyan SMEs, despite receiving sustained attention in adjacent Kenyan financial-services and insurance contexts (Kajwang, 2022). Internationally, evidence from Spain (García-Lopera et al., 2022), Indonesia (Games & Rendi, 2019), and the United States (Franczak & Weinzimmer, 2022) converges on the view that risk-taking's performance effect is best understood as conditional or mediated rather than direct, but none of this evidence originates from a Sub-Saharan African, panel/secondary-data setting. This paper's proposed contribution is therefore to test, using longitudinal archival data rather than single-period survey self-report, whether risk management capability mediates the calculated risk-taking orientation-performance relationship among Kenyan SMEs a combination of context, mechanism, and method not yet represented in the literature reviewed above.

3. Methodology

3.1. Approach

This paper follows a systematic review and narrative synthesis approach rather than a formal statistical meta-analysis. A formal meta-analysis was judged premature because the underlying empirical base, particularly for the specific calculated-risk-taking-risk-management-capability-performance pathway, is small, methodologically heterogeneous (mixing PLS-SEM, OLS regression, and desktop/theoretical reviews), and inconsistently reports the standardized effect sizes and sampling variances that meta-analytic pooling requires. A narrative synthesis, organized around the conceptual model in Section 3.3 and supported by a structured evidence table (Section 4.5) and a quality appraisal (Section 4.6), was therefore adopted as the methodologically appropriate strategy, consistent with recommended practice for reviews spanning heterogeneous study designs.

3.2. Search Strategy and Eligibility Criteria

A structured search was conducted between 9 and 20 February 2026 across four categories of source: the Scopus database; Google Scholar; institutional repositories of Kenyan public universities; and publisher platforms (Springer Nature Link, PLOS, Wiley, SAGE, and open-access regional business journals). The Scopus search used the Boolean string TITLE-ABS-KEY ((“calculated risk-taking” OR “risk-taking orientation” OR “entrepreneurial orientation”) AND (“risk management capability” OR “enter-prise risk management” OR “risk management practice*”) AND (“SME performance” OR “firm performance” OR “business performance”)), restricted to English-language documents. An equivalent natural-language combination of the terms “risk-taking orientation,” “entrepreneurial orientation,” “risk management capability,” “enter-prise risk management,” “SME performance,” and “Kenya” was used for Google Scholar and the remaining platforms, since these do not support field-restricted Boolean syntax. Reference lists of retrieved articles were hand-searched to identify additional relevant studies (a snowballing procedure).

The search returned 172 records in total (Scopus: 41; Google Scholar, first 200 results screened by relevance: 88; institutional repositories: 14; publisher platforms searched directly: 20; snowballing: 9). After removing 21 duplicate records, 151 unique records were screened by title and abstract against the eligibility criteria below, of which 118 were excluded (not firm- or SME-level in focus: 54; did not address a risk-taking, entrepreneurial-orientation, or risk-management construct: 39; opinion piece or non-peer-reviewed blog content: 15; not published in English: 10). The remaining 33 records were assessed in full text; 18 were excluded at this stage (construct examined but no performance outcome reported: 7; could not be independently verified against a publicly accessible record: 6; superseded or duplicate version of an already-included study: 5). Fifteen sources met all eligibility criteria and were retained for synthesis: twelve are summarized in **Table 1** (Section 4.5), and three additional foundational theoretical works (Barney, 1991; Lumpkin & Dess, 1996; Teece et al., 1997) are discussed in Sections 2.1-2.2 without a separate table entry, because they predate and supply the constructs that the tabulated empirical and review sources operationalize rather than reporting an empirical test in their own right.

Sources were included if they 1) were peer-reviewed journal articles, theses, or credible institutional/government reports; 2) examined risk-taking, entrepreneurial orientation, or risk management constructs in relation to firm or SME performance; and 3) were published in English. Sources were excluded if they were opinion pieces, non-peer-reviewed blog content, or could not be independently verified against a publicly accessible record (publisher page, institutional repository, or indexing service). Foundational theoretical works predating the SME-specific empirical literature (Miller, 1983; Barney, 1991; Lumpkin & Dess, 1996; Teece, Pisano, & Shuen, 1997) were retained irrespective of publication date because they supply the constructs the later empirical literature operationalizes.

3.3. Conceptual Framework and Propositions

Synthesizing the theoretical foundations in Section 2 with the empirical patterns identified through the search process, the review organizes the literature around a conceptual model in which calculated risk-taking orientation (CRTO) is the exogenous construct, risk management capability (RMC) is the mediating construct, and SME performance is the endogenous construct, with firm size, firm age, sector, and access to finance as commonly reported control variables. On the basis of this model, the review advances four propositions intended to guide future empirical testing:

1) P1: Calculated risk-taking orientation is positively associated with SME performance.

2) P2: Calculated risk-taking orientation is positively associated with risk management capability.

3) P3: Risk management capability is positively associated with SME performance.

4) P4: Risk management capability mediates the relationship between calculated risk-taking orientation and SME performance.

These four propositions frame risk management capability as a mediator that is temporally downstream of calculated risk-taking orientation. Section 6 notes that this ordering is not the only plausible one: baseline risk management infrastructure may also function as a precondition that enables calculated risk-taking in the first place, implying a reciprocal rather than strictly unidirectional relationship. The proposed panel design (Section 3.4) is accordingly specified to allow both the mediation model above and a competing moderation/reciprocal specification to be tested against one another, rather than assuming the mediation ordering by construction.

4. Synthesis of the Empirical Evidence

4.1. Calculated Risk-Taking Orientation and SME Performance

Across the reviewed studies, a positive association between risk-taking and SME performance is the modal finding. Akumbom and Vukenkeng (2025), studying SMEs in Bamenda III, Cameroon, reported a strong positive regression coefficient for risk-taking on performance ($\beta = .788$). In the Kenyan context, Musimbi, Mukulu, and Senelwa (2025) found entrepreneurial orientation of which risk-taking is a core dimension to be a significant predictor of manufacturing SME performance in Nairobi County ($R^2 = .403$, $\beta = .235$, $p < .001$), while Katialem, Muhanji, and Otuya (2018), studying 265 manufacturing SMEs registered with the Kenya Association of Manufacturers, likewise reported a positive relationship between entrepreneurial orientation and SME growth. These findings are broadly consistent with Rauch et al.'s (2009) meta-analytic estimate of a moderate, cross-culturally robust EO-performance correlation ($r = .242$) drawn from fifty-three independent samples. However, several more recent, more granular studies complicate a simple direct-effect reading: Franczak and Weinzimmer (2022) found risk-taking's effect on U.S. SME performance to be conditional on organizational adaptability and action orientation, while Games and Rendi (2019), studying Indonesian creative-industry SMEs, found a positive risk-taking-performance association that did not operate

through a negative-innovation-outcomes mediator, implying that the transmission mechanism, where present, runs through a different intervening variable.

4.2. Risk Management Capability and SME Performance

Evidence on risk management capability specifically, as distinct from generic entrepreneurial or dynamic capability, is comparatively concentrated in the enterprise risk management (ERM) literature. Bromiley, McShane, Nair, and Rustambekov's (2015) widely cited review concluded that ERM adoption is conceptually and empirically linked to improved risk-adjusted performance, while cautioning that the empirical evidence bases at the time remained uneven in quality and inconsistent in how ERM maturity was operationalized across studies. Within the Kenyan literature specifically, Kajwang's (2022) theoretical review of ERM culture drivers among Kenyan insurance firms conducted via a desktop synthesis of secondary sources identified risk assessment competence, risk treatment routines, governance frameworks, and monitoring systems as the principal drivers of ERM culture, and reported these to be significantly associated with firm performance. Although Kajwang's review was conducted in the insurance sector rather than among SMEs, it offers the clearest Kenyan articulation of what a risk management capability construct comprises and how it might be expected to relate to performance.

4.3. Risk Management as a Mediating Mechanism

The most direct empirical precedent for this paper's central proposition comes from outside Kenya. Oktora, Pratikto, Restuningsih, and Winarno (2025), studying culinary SMEs in Malang, Indonesia, using PLS-SEM, found that risk management practices significantly mediated the relationships between entrepreneurial orientation, financial literacy, and financial technology adoption on the one hand and SME business performance on the other; notably, entrepreneurial orientation had a significant direct effect on performance, but financial literacy and fintech adoption did not, with their effects operating almost entirely through the risk management practices mediator. García-Lopera et al. (2022) reported a structurally similar pattern among 310 Spanish SMEs, in which risk-taking itself served as the mediating mechanism through which firm professionalization translated into performance. Read together, these two studies support the broader proposition that the performance benefit of risk-related strategic posture in SMEs is substantially channeled through an intervening organizational routine whether labelled risk management practice, risk-taking capability, or professionalization rather than realized as an unconditional main effect. No study identified in this review, however, has tested this specific mediation pathway among Kenyan SMEs using either survey or secondary/archival data.

4.4. Evidence from Kenya and the East African Context

The Kenyan SME literature reviewed here is comparatively well developed on the entrepreneurial-orientation side (Musimbi et al., 2025; Katialem et al., 2018;

Okeyo, Gathungu, & K'Obonyo, 2014) and comparatively underdeveloped on the risk-management-capability and mediation side. Okeyo et al. (2014), studying 97 Kenyan SMEs, found that business development services strengthened the translation of entrepreneurial orientation into performance, an early, indirect signal that the EO-performance relationship in the Kenyan SME context is capability-dependent rather than automatic, consistent with this paper's central thesis. The Kenya National Bureau of Statistics (2016) MSME Survey provides important structural context: it documented that a large share of enterprises that had closed did so within their first year of operation, most commonly citing capital, market access, and managerial-capacity constraints that plausibly proxy for weak risk management capability, though the survey did not measure risk management capability directly. Across the Kenyan studies reviewed, the dominant methodology remains the single-period, single-informant, cross-sectional survey administered to owner-managers in Nairobi County, which constitutes the principal methodological gap this review identifies (see Section 5.2 and the quality appraisal in Section 4.6).

4.5. Summary of Reviewed Empirical Evidence

Table 1 summarizes the context, sample, method, and key finding of the twelve empirical and theoretical-review studies most directly relevant to the proposed conceptual model, in addition to the three foundational theoretical works discussed in Section 2.1-2.2.

Table 1. Summary of reviewed empirical studies on risk-taking, risk management, and firm/SME performance.

Author(s) & Year	Context/Country	Sample & Method	Key Empirical Finding
Miller (1983)	United States (multi-firm, cross-industry)	Conceptual/empirical foundation across simple, planning, and organic firms	Established risk-taking, innovativeness, and proactiveness as the core behavioral dimensions of firm-level entrepreneurship.
Rauch, Wiklund, Lumpkin, & Frese (2009)	Meta-analysis, multiple countries	53 samples; N = 14,259 firms	Corrected mean correlation between entrepreneurial orientation and performance of r = .242; relationship robust across cultural contexts but moderated by internal and environmental factors.
Franczak & Weinzimmer (2022)	United States	SME survey; moderated-mediation PLS model	Risk-taking moderates the adaptability → action-orientation → performance pathway rather than acting as an unconditional direct driver.
García-Lopera, Santos-Jaén, Palacios-Manzano, & Ruiz-Palomo (2022)	Spain	310 SMEs; PLS-SEM	Risk-taking significantly mediates the relationship between firm professionalization and performance, alongside technological innovation.
Games & Rendi (2019)	Indonesia (creative industries)	165 SME owners; regression/SEM	Risk-taking positively associated with SME financial performance; negative innovation outcomes did not mediate the relationship.
Oktora, Pratikto, Restuningsih, & Winarno (2025)	Indonesia (Malang, culinary SMEs)	SME survey; PLS-SEM	Risk management practices significantly mediate the effects of entrepreneurial orientation, financial literacy, and fintech adoption on SME performance.

Continued

Akumbom & Vukenkeng (2025)	Cameroon (Bamenda III)	SME survey; OLS regression	Risk-taking behavior positively and significantly predicts SME performance (β = 0.788).
Bromiley, McShane, Nair, & Rustambekov (2015)	Global (literature review)	Systematic literature review	Enterprise risk management is conceptually and empirically linked to improved risk-adjusted performance, though evidence is uneven across studies and contexts.
Kajwang (2022)	Kenya (insurance sector)	Desktop/theoretical review of secondary sources	Risk assessment, risk treatment, governance, and monitoring routines identified as drivers of enterprise risk management culture, significantly associated with firm performance.
Musimbi, Mukulu, & Senelwa (2025)	Kenya (Nairobi County, manufacturing SMEs)	Cross-sectional survey; multiple regression	Entrepreneurial orientation significantly predicts SME performance (R^2 = 0.403; β = 0.235; F = 79.75, $p < .001$).
Katialem, Muhanji, & Otuya (2018)	Kenya (Nairobi County, manufacturing SMEs)	265 SMEs; cross-sectional survey, regression	Entrepreneurial orientation, including risk-taking propensity, positively predicts SME growth.
Okeyo, Gathungu, & K'Obonyo (2014)	Kenya (national)	97 SMEs; cross-sectional survey, regression	Business development services strengthen the translation of entrepreneurial orientation into SME performance, implying a capability-dependent relationship.

4.6. Quality Appraisal of Included Empirical Studies

Table 2 appraises the nine primary empirical and meta-analytic sources in Table 1—the eight primary SME/firm-level studies plus Rauch et al.'s (2009) meta-analysis against four consistent criteria: sampling frame, design, construct measurement, and common-method risk, alongside the analytical approach used. The two review sources (Bromiley et al., 2015; Kajwang, 2022) and the foundational conceptual work (Miller, 1983) are excluded from this table because they do not report primary sampling or measurement decisions of their own.

Table 2. Quality appraisal of the nine-primary empirical/meta-analytic sources.

Study	Sampling Frame	Design	Construct Measurement	Common-Method Risk	Analytical Approach
Rauch et al. (2009)	53 independent samples; N = 14,259 firms, multiple countries	Meta-analysis of primary studies	Varies by primary study (predominantly self-report EO scales)	Low at the aggregate level (individual primary studies vary)	Meta-analytic corrected correlation
Franczak & Weinzimmer (2022)	U.S. SME owner-managers (sample size not reported in source)	Cross-sectional survey	Self-report Likert scales	High—single-informant, single-period	Moderated-mediation PLS-SEM
García-Lopera et al. (2022)	310 Spanish SMEs	Cross-sectional survey	Self-report Likert scales	High—single-informant, single-period	PLS-SEM mediation

Continued

Games & Rendi (2019)	165 Indonesian creative-industry SME owners	Cross-sectional survey	Self-report Likert scales	High—single-informant, single-period	Regression/SEM
Oktora et al. (2025)	Malang, Indonesia, culinary SMEs (sample size not reported in source)	Cross-sectional survey	Self-report Likert scales	High—single-informant, single-period	PLS-SEM mediation
Akumbom & Vukenkeng (2025)	Bamenda III, Cameroon SMEs (sample size not reported in source)	Cross-sectional survey	Self-report Likert scales	High—single-informant, single-period	OLS regression
Musimbi et al. (2025)	Nairobi County manufacturing SMEs (sample size not reported in source)	Cross-sectional survey	Self-report Likert scales	High—single-informant, single-period	Multiple regression
Katialem et al. (2018)	265 Nairobi County manufacturing SMEs	Cross-sectional survey	Self-report Likert scales	High—single-informant, single-period	Regression
Okeyo et al. (2014)	97 Kenyan SMEs (national)	Cross-sectional survey	Self-report Likert scales	High—single-informant, single-period	Regression

5. Discussion: Patterns, Gaps and Contradictions in the Evidence

5.1. Convergence in the Literature

Three points of convergence emerge from the synthesis. First, there is broad and long-standing agreement, dating to Miller (1983) and consolidated by Rauch et al.'s (2009) meta-analysis, that risk-taking is a performance-relevant firm behavior, not merely a cost or a source of variance to be minimized. Second, the more recent literature (2019-2025) converges on the view that this relationship is best understood as conditional or mediated rather than direct: Franczak and Weinzimmer (2022), Games and Rendi (2019), García-Lopera et al. (2022), and Oktora et al. (2025) each identify a different intervening mechanism (adaptability/action orientation, innovation outcomes, professionalization, and risk management practice respectively), but share the underlying structural claim that risk-taking's performance dividend is not automatic. Third, where Kenyan evidence exists, it is directionally consistent with the international literature positive EO-performance associations are reported across every Kenyan study reviewed (Musimbi et al., 2025; Katialem et al., 2018; Okeyo et al., 2014) lending contextual plausibility to the propositions advanced in Section 3.3.

5.2. Gaps and Contradictions

Two gaps and one contradiction are notable. The principal gap is that no study identified in this review tests risk management capability as an explicit mediator of the risk-taking-performance relationship among Kenyan SMEs specifically; the closest analogues are Oktora et al.'s (2025) Indonesian study, which tests essen-

tially the same mediation logic in a different national and institutional context, and Kajwang's (2022) Kenyan review, which establishes the ERM-culture-performance link but in the insurance sector rather than the SME sector and using a desktop rather than a primary empirical method. A second gap is methodological: the Kenyan SME studies reviewed here rely almost exclusively on single-period, self-reported, cross-sectional survey data collected from owner-managers, which is vulnerable to common-method variance and cannot establish temporal precedence between risk-taking, capability, and performance precisely the limitation that motivated this paper's original proposal (see the companion methodology in Section 3.4) of a longitudinal, secondary/archival panel design. The quality appraisal in Section 4.6 indicates that this methodological gap is not confined to a minority of studies: every Kenyan primary source reviewed here shares the same single-period, self-reported design, so within the Kenyan literature specifically the gap is total rather than partial. The one notable contradiction in the reviewed literature is between Games and Rendi (2019), who found that a negative-innovation-outcomes mediator did not carry the risk-taking-performance relationship in Indonesian creative-industry SMEs, and the broader mediation-supportive pattern reported elsewhere; this suggests that the identity of the mediating mechanism, not merely its presence, is empirically contested and likely context-dependent, reinforcing the need for Kenya-specific testing rather than direct extrapolation from other national settings.

6. Implications for Theory, Policy and Practice

Theoretically, the synthesis suggests that the entrepreneurial orientation and dynamic capabilities literatures would benefit from more explicit integration in the SME context: risk-taking orientation supplies the resource-based logic of exposure and potential value (Barney, 1991), while risk management capability supplies the dynamic-capabilities logic of sensing, seizing, and reconfiguring resources in response to that exposure (Teece et al., 1997). For policy, the consistent finding across Kenyan and comparator studies that entrepreneurial and risk-related postures translate into performance more reliably when paired with a supporting capability or service (Okeyo et al., 2014; Oktora et al., 2025) suggests that SME development programmes are likely to generate greater returns when risk-taking incentives (growth financing, investment support) are paired with risk management capacity-building (liquidity planning, insurance uptake, receivables discipline) rather than delivered as standalone interventions.

For practice, the practical and the modelled ordering of CRTO and RMC are not the same, and this difference is deliberate rather than an oversight. The conceptual model in Section 3.3 (P2-P4) treats RMC as a mediator that is temporally downstream of, and strengthened by, calculated risk-taking. Kajwang's (2022) Kenyan evidence, drawn from the insurance sector, instead suggests that some baseline level of risk management infrastructure functions as a precondition that must already be in place before risk-taking can plausibly be judged "calculated"

rather than reckless. These two readings are reconcilable if the relationship is understood as reciprocal rather than strictly unidirectional: a minimum threshold of RMC is a practical precondition for prudent risk-taking, while risk-taking beyond that threshold, in turn, builds further RMC, which supports still further risk-taking a cycle rather than a single arrow. The proposed panel design (Section 3.4) is specified to test this possibility directly, using cross-lagged panel estimation to compare the mediation specification in Section 3.3 against a competing specification in which baseline RMC moderates, rather than is caused by, CRTO. For practice in the interim, the safer prescription is the reciprocal one: SME owner-managers considering growth-oriented risk-taking should both ensure a baseline of risk management infrastructure is in place before scaling exposure and expect to continue building that infrastructure as risk-taking proceeds, rather than treating either as a one-time precondition that, once met, can be set aside.

7. Conclusion

This review has synthesized theoretical and empirical literature on the relationship between calculated risk-taking orientation, risk management capability, and SME performance, situating that synthesis specifically within the Kenyan SME context. The evidence, drawn from the fifteen sources reviewed in depth—twelve summarized in Table 1 (eight primary empirical studies, one meta-analysis, two reviews, and one foundational work) plus three additional foundational theoretical works—supports a positive association between risk-taking and performance but increasingly frames that association as mediated or conditional rather than direct, a pattern consistent across Cameroon, Spain, Indonesia, and, more tentatively and with lower methodological confidence per the appraisal in Section 4.6, Kenya. The review's principal contribution is to identify and evidence a specific, previously unaddressed gap in the Kenyan literature: the absence of a study testing risk management capability as an explicit mediator between calculated risk-taking orientation and SME performance, using either primary survey or secondary/archival panel data. The conceptual model and propositions developed in Section 3.3, together with the construct indicators and panel design proposed in Section 3.4, provide a structured basis on which that gap could be addressed empirically.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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