African Journal of Business & Development studies Volume 1 Issue 2 2025
ISSN: 3079-6903
DOI: https://doi.org/10.70641/ajbds.v1i2.112

AFRICAN JOURNAL OF BUSINESS AND DEVELOPMENT STUDIES

AJBDSresearchjournal@usiu.ac.ke
journals.usiu.ac.ke

Influence of Firm Risk Propensity on Adoption of Transient Competitive Advantage: a case of Private Multi-Practice Hospitals in Nairobi City County, Kenya

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Cite: Kaluyu, V.K., (2025) Influence of Firm Risk Propensity on Adoption of Transient Competitive Advantage: a case of private Multi-Practice Hospitals in Nairobi City County, Kenya**.** *African, Journal of Business & Development Studies*,1*(2),* 322–332. https://doi.org/10.70641/ajbds.v1i2.112

Abstract

The dynamism of change in business environment sets the stage for firms, including healthcare providers to pursue transient competitive advantage in order to adapt to the complex landscape. Firms with greater inclination towards taking risks are likely to introduce new ideas, embrace advanced technologies, and optimize their processes, resulting in improved operational effectiveness. This study sought to establish the influence of firm risk propensity on the adoption of transient competitive advantage by private multi practice hospitals in Nairobi City County, Kenya. The study was anchored on dynamic capability theory and transient competitive advantage model. Methodologically, the study adopted a quantitative research approach using a structured questionnaire. It used a cross-sectional and correlational descriptive research design. The target population was 400 hospital administrators narrowing down to a sample size of 200. In order to test the study hypothesis that stated that firm risk propensity has no statistically significance influence on transient competitive advantage a regression analysis was done. Based on study findings, it is concluded that firm risk propensity *(β= 0.242)* had a statistically significant influence on transient competitive advantage among private multi-practice hospitals in Nairobi city County in Kenya. Consistently, this study recommends that the hospitals need to pay more focus on risk preparedness by putting in place contingent plans to handle anticipated risks

Key Words: *Firm Risk Propensity, Adoption of transient competitive advantage, Private Multi Practice Hospitals*

Introduction

Health encompasses the optimal state of well-being and fitness in all aspects of an individual's mental, physical, and social capacities. It is not merely the absence of illness or disability, as defined by the World Health Organization (WHO, 2023). Health is a fundamental necessity that enhances the quality of human life (Watt, 2021). The overall well-being of a nation's population significantly influences the economic prosperity of that nation. World development

indicators indicate a significant variance in levels between developed, middle-income, and low-income nations. This discrepancy is mostly attributed to poor health conditions and a below-average life expectancy, as per the World Bank's report in 2017. Healthcare is an essential requirement for humans, and it should be provided at the greatest standard to prevent mortality. This, in turn, would lead to a major decrease in the available workforce, which is a crucial factor in production.

The idea of transient competitive advantage is a recent and emerging concept in the strategic management of organizations amidst complex and surprising turbulent environments. McGrath (2013) proposed a model to explain this concept using six strategies to achieve TCA, which include: removing industry restrictions, adopting new standards and supporting innovation activities, focusing on customer experience and solutions. Further McGraith asserts that organizations that have mastered turbulent environments have learned to continually free up resources in order to support the development of new ones. Additionally, innovation is continuous, mainstream and part of everyone's job. Despite the potential of this idea to enable businesses to thrive in the 21st Century, little attention in terms of practice and scholarship has been observed.

Firm risk propensity on the other hand is the systematic approach of recognizing, evaluating, and managing potential risks that can impact an organization's financial resources and profits (Njeru and Mutisya, 2021). The primary hazards typically originate from a wide range of causes, such as financial instability, errors in legal administration, natural calamities, accidents, and legal obligations (Narver, Slater & Maclachlen, 2018). Therefore, it is crucial to effectively manage these negative outcomes (Crouhy, Galai, & Mark, 2023). Hence, it is crucial for private multi-practice hospitals to effectively handle their risk exposure. The hospitals' ability to compete is hindered by deficiencies in risk management, namely in their inadequate response to risk factors that disproportionately affect small enterprises compared to large firms (Potjanajaruwit, 2018. Hospitals establish plans to effectively capture strategic opportunities and sustain a competitive advantage in the market (Muthee & Ogolla, 2019).

Institutions that prioritize transient competitive advantage are observed to deviate from others in their choice of governance structure, taking into account environmental and social concerns. This is especially evident in corporate activities like acquisitions or advancements. Ultimately, the inclination towards taking risks, which is a personal trait commonly found in entrepreneurs, plays a fundamental role in the decision to pursue a career in business or establish a startup company, as well as in the growth and success of small firms (Borocki *et al.,* 2019). Specifically, this leads to an enhanced ability to understand external stimuli and a continuous search for solutions that will enable the organization to meet the expectations of stakeholders in the development of products and services, as stated by the company (Chen & Chen, 2020). In this study, the firm's inclination towards taking risks is evaluated using three measures: entrepreneurial attitude, risk-taking behavior, and risk readiness.

Statement of the Problem

The health sector in Kenya provides around 6% to the country's Gross Domestic Product (GDP). The demand for healthcare services escalates in tandem with the growth of the overall population. The population of Kenya is anticipated to increase to 79.5 million by 2040, up from the present projection of 53.8 million. According to WHO, (2023), there will be an estimated increase of around 47.7% in the demand for health services over the following 20 years. Private multi-practice hospitals will therefore play a crucial role in helping Kenya achieve its national targets outlined in Vision 2030 and the Africa Union's aspiration of a prosperous Africa built on inclusive growth and sustainable development.

Running a multi-practice hospital involves significant financial investments in infrastructure, technology, staffing, and maintenance, which is limited despite the significant demand for healthcare. This difficulty has wide-ranging implications to the ability to furnish the facilities, attract high-caliber health personnel, and overall improve the provision of services (WEF, 2023). Moreover, healthcare regulations are constantly evolving, requiring hospitals to adapt quickly to remain compliant, which can be both costly and complex. The ultimate consequence is a potential risk to the long-term viability of private hospitals. The government provides limited financial support for services through the National Hospital Insurance Fund, while clients are responsible for paying the remaining balance either in cash or through private insurance firms. Current status show hospitals in Kenya as unable to cope with the challenges associated with the newly introduced Social Health Authority system (SHA). This study aimed to determine the influence of institutions' risk propensity on the adoption of transient competitive advantage by private multi-practice hospitals in Nairobi City County, Kenya.

Objective of the Study

The main objective of the study was to establish the influence of firm risk propensity on the adoption of transient competitive advantage in private multi practice hospitals in Nairobi City County, Kenya

Literature Review

Theoretical Framework

This study is anchored on dynamic capability theory and McGrath (2013) model of transient competitive advantage. The Dynamic Capability Theory, pioneered by David J. Teece, along with Gary Pisano and Amy Shuen, emphasizes a firm's ability to sense opportunities, seize them, and transform its resources to maintain a sustainable competitive advantage in dynamic environments. Teece (1997) highlighted that in rapidly changing industries, firms must continuously adapt by developing capabilities that enable innovation and agility. Firm risk propensity is explained as a dynamic capability that enables a firm to embark on various strategic responses to mitigate emerging risks; McGraith model explains transient competitive advantage as a superior strategic response to highly dynamic changes in the business environment enabling a firm to survive amidst a turbulent business environment.

Empirical Review

Firm risk propensity is viewed as important driver to the success and growth of institutions (Genera, 2014). Risk propensity can be explained as the managers' general likelihood of behaving more or less in a risky manner and how they evaluate the risk-return trade-off (Sitkin & Pablo, 2022) or the affinity for or tolerance of calculated risk (Dana, 2022). Several scholars have examined the impact of risk taking and risk perception on the outcomes of businesses. For example, (Sitkin & Weignart, 2022) show that higher risk perception leads to less risky decision-making by entrepreneurs. The complexity of motivations is exhibited in cognitive dissonance and risk avoidance, both of which are strong motivators for entrepreneurs (Monsen & Urbig, 2009). Research on cognitive dissonance and the need to avoid failure (Cohen & Zimbardo, 1969) could be used to explain why entrepreneurs often do anything to avoid failure in their venture and why entrepreneurs show higher tenacity (Baum and Locke 2004). Moreover, research shows that individuals with high achievement needs and motivation for success will show greater cognitive dissonance the greater the probability of failure (Cohen & Zimbardo, 1969). This insight may help to explain why some persons agree to commit themselves to a high-risk venture whereas others do not. Research has found that, more than any other factor; it is risk taking that distinguishes the small business owner manager from the

corporate manager. There is a measure of riskiness inherent in business ownership that is not necessarily present in the managerial role (Stewart *et. al.* 1999)

A variety of studies notice negative effects of risk propensity on competitive advantage. Naldi *et al.* (2017) realized that in family businesses, the propensity to require risk decreases performance. Tang and Tang (2017) conjointly notice a negative impact of risk propensity on performance. Tang *et al.* (2020) conjointly realize a negative impact for small corporations. They argue that this might be due to contradictory factors that cause a nonlinear relationship between risk propensity and competitive advantage. Lechner and Gudmundsson (2024) study the impact of firm risk propensity for small Icelandic companies and show that a high-risk propensity decreases differentiation processes and cost leadership strategies thereby lowering firm performance. It is observed that none of these studies examined influence of firm risk propensity on the adoption of transient competitive advantage and more so in private multi practice hospitals in Nairobi City County, Kenya.

Conceptual Framework

From theoretical and empirical review, the study conceptualized the study variables as depicted in Figure 1.

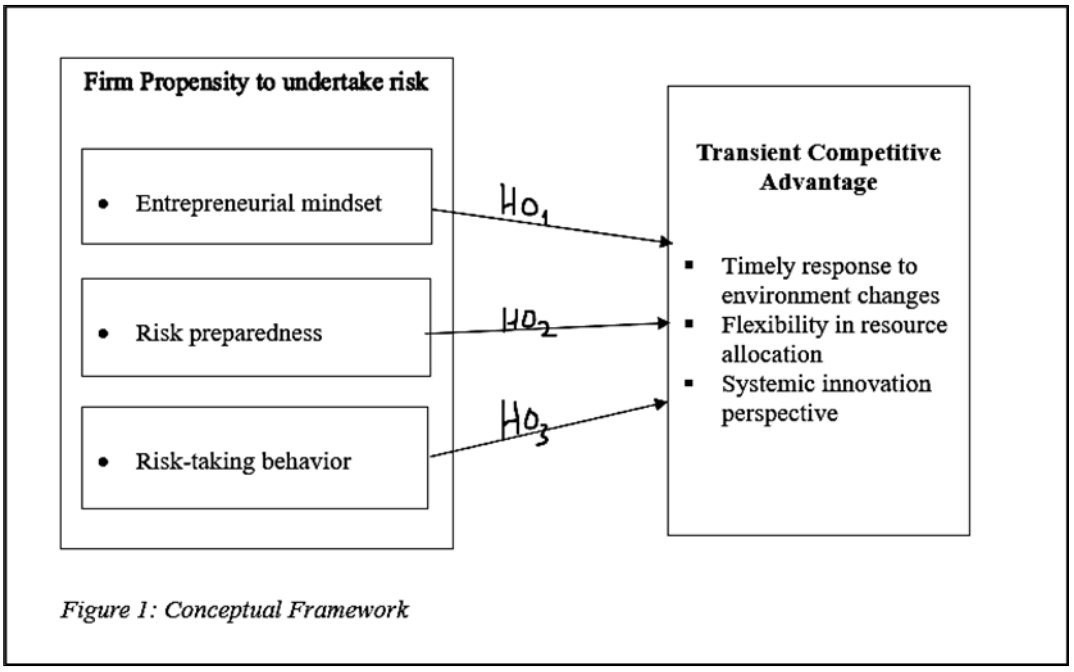

Figure 1: Conceptual Framework

Methodology

This study adopted a quantitative research approach using a cross-sectional survey approach because the data was collected at the same time frame, allowing for reasonable comparison and, ultimately, generalization of the findings to the population. A descriptive correlational research design was used in this study to describe and test for the influence of independent variables on the dependent variable. The study used a questionnaire that gave the study a first-hand information tailored specifically for this study. The structured questionnaire was adopted because it facilitates the researcher to reach a large number of respondents quickly and ensures all respondents are subjected to similar questions.

The study used descriptive and inferential data analysis methods. The descriptive statistics consist of: measures of frequency, measures of central tendency and measures of dispersion or variation. In order to test study hypothesis and carry out relationship and influence tests, inferential statistics such as Pearson's correlation and multiple regression were used.

Results

The study targeted a sample of 200 hospital administrators, however, the research managed to collect data from 176 respondents. This represented 88% response rate which was considered adequate for representing the population. The findings show that there were more males than females who participated in the study, however it is apreciable that both gender were represented in sharing of their opinions.This is supported by Bruower *et al* in 2017 who purported that inclusion of both gender in research is necessary to promote better health outcomes and address health disparities that may affect specific populations. The demographic analysis also showed that majority of the respondents were of Age 32-37 years and above, an age bracket that signifies maturity meaning balanced responses to required information. This kind of respondent mix is important to effect response accuracy

Descriptive Statistics

On a scale of 1 to 5 where an average score of 1 means strongly disagree, 2 means disagree, 3 means neutral, 4 means agree and 5 means strongly agree. The respondents averagely rated the following statements testing the **Firm risk propensity** with mean of 3.5 and below; In their hospital, human resource policy encourages hire of entrepreneurial oriented workforce (Mean=2.98, SD=0.841),their managers encourage creativity and innovative ideas (Mean=3.31, SD=1.001),in their hospital, new challenges are taken as new opportunities (Mean=2.82, SD=0.996),their hospital encourages constant surveillance of emerging business opportunities (Mean=2.59,SD=0.940),they carry out scenario planning to be prepared for risk taking (Mean=2.15, SD=0.916), Open door policy is used for all staff to share ideas with senior staff (Mean=3.19, SD=1.073), risk analysis exercises are frequently carried out in our hospitals (Mean=2.13, SD=0.614), in their hospital, financial plans include budgets for mitigating anticipated risks (Mean=2.36, SD=0.758), and risk management committee has been created and trained for action (Mean=2.24,SD=0.821). The results are as shown in the table 1.

Table 1

Firm risk Propensity

	N	Mean	Std. Deviation
In our hospital, human resource policy encourages hire of entrepreneurial oriented workforce	176	2.98	.841
Our managers encourage creativity and innovative ideas	176	3.31	1.001
In our hospital, new challenges are taken as new opportunities	176	2.82	.996
My hospital encourages constant surveillance of emerging business opportunities	176	2.59	.940
We carry out scenario planning to be prepared for risk taking	176	2.15	.916
Open door policy is used for all staff to share ideas with senior staff	176	3.19	1.073
Risk analysis exercises are frequently carried out in our hospitals	176	2.13	.614
In our hospital, financial plans include budgets for mitigating anticipated risks	176	2.36	.758
Risk management committee has been created and trained for action	176	2.24	.821

Inferential Statistics

The test of linearity was the first item tested. Linearity means two variables have a linear relationship (Hansen, 2022). The F test for analysis of variance (ANOVA) determined if the independent factors and dependent variable were related. The departure from linearity test determined if Transient Competitive Advantage and Firm Risk Propensity were linearly related. When the departure from linearity test p-value is greater than 0.05, the variables are presumed to be linearly related (McCoach & Cintron, 2022).

To determine whether a deviation from linearity is statistically significant, one must first determine whether the null hypothesis, is insignificant. Null hypothesis rejection occurs when p-value is less than 0.05. The ANOVA test of linearity demonstrated that all independent variables with the dependent variable (Transient Competitive Advantage Adoption) had significance values larger than 0.05. This validates linear (constant slope) correlations between independent and dependent variables.

Correlation Analysis

Firm Risk Propensity also showed significant positive relationship with transient competitive advantage ($r=0.456$, $p<0.005$) as shown in Table 2.

Table 2:

Pearson's Correlation Matrix of Independent Variables of the Composite Model

		Y: Transient Competitive advantage Adoption	X_3: Firm Risk Propensity
Y: Transient Competitive advantage Adoption	Pearson Correlation	1.000	
	Sig. (2-tailed)		
X_1: Firm Risk Propensity	Pearson Correlation	.456*	1.000
	Sig. (2-tailed)	0	
	N	176	176

This result shows similarity with Chen and Tsai (2017) who researched and found existent relationship between firm risk propensity and the adoption of transient competitive advantage among Chinese firms. Further, Masese and Mwita (2018) established a positive relationship between firm risk propensity and the adoption of transient competitive advantage among SMEs in Kenya. Additionally, Kariuki et al. (2019) examined the relationship between risk propensity and firm performance among Kenyan SMEs. Results showed that firms with a higher risk propensity were more engaged in innovation and were more likely to attain superior performance. Consistently, Munyao et al. (2021) on their study about the relationship between risk propensity and the adoption of marketing-based strategies in Kenyan SMEs, deduced that firms with a higher risk propensity tend to adopt marketing-based strategies, such as branding and advertising, to achieve transient competitive advantage

Linear Regression Between Firm Risk Propensity and Adoption of Transient Competitive Advantage

The results from the model summary table showed that R-square=0.208 indicating that Firm risk propensity predicts 21 % of the adoption of transient competitive advantage as shown in the table 3.

Table 3
Model Summary for Firm Risk Propensity and Transient Competitive Advantage

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.456[a]	.208	.206	.35948

a. Predictors: (Constant), Firm risk propensity

ANOVA table for Linear Regression Between Firm Risk Propensity and Adoption of Transient Competitive Advantage

The ANOVA table 4 showed that the linear regression model of Y = β0 + β1X1 is significantly linear at (F=14.328, p=0.00). In this model Y is the Transient competitive advantage adoption Choice, X1 is the Firm risk propensity, β0 is a constant, and β1 is the coefficient of X1 in the model.

Table 4
ANOVA for Firm Risk Propensity and Transient Competitive Advantage

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.485	1	4.485	14.328	.000[b]
	Residual	54.464	174	.313		
	Total	58.949	175			

a. Dependent Variable: Transient Competitive Advantage Adoption

b. Predictors: (Constant), Firm risk propensity

Coefficients for Linear Regression on Firm Risk Propensity and Adoption of Transient Competitive Advantage

The coefficients table 5 indicate that the linear regression model is Y = β0 + β1X1 is Y=2.239+0.302X1. This means that, when other factors are held constant, an improvement in the Firm risk propensity by 1%, improves Transient Competitive Advantage Adoption by 24%. Thus, firm risk propensity has statistically significant influence on transient competitive advantage (β = 0.242).

Table 5
Coefficients for Firm Risk Propensity and Transient Competitive Advantage

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.239	.215		10.421	.000
	Firm risk propensity	.302	.065	.242	3.785	.000

a. Dependent Variable: Transient Competitive Advantage Adoption

These findings concur with existing studies that purport that firm risk propensity has an association with transient competitive advantage. For instance, Qu, and Yu (2019) found that Firm risk propensity significantly affected the adoption of transient competitive advantage: In India, Bhattacharya and Sinha (2017) also found firm risk propensity having influence on Indian firms. Moreover, Mwangi et al. (2017) findings showed that firms with a higher risk propensity were likely to adopt competitive advantage strategies, such as product innovation and differentiation. In corroboration, Wangeci et al. (2022) established that firms with a higher risk propensity may adopt innovation-based strategies to realize transient competitive advantage. Divergently, Karanja et al. (2021) in a study on factors influencing the adoption of transient competitive advantage in Kenyan SMEs; found that firm risk propensity was not a significant predictor of adoption.

Discussions

The findings of this study established that firm risk propensity has statistically significant influence on the adoption of transient competitive advantage by private multi-practice hospitals in Nairobi City County, Kenya. Firms with a higher risk propensity may be more zealous to adopt transient competitive advantage strategies since they are more contented taking risks and are ready to explore new things to attain a competitive edge. On the other hand, firms with a lower risk propensity are less likely to adopt transient competitive advantage strategies since they favor more stable, long-term advantages which tend to be less risky. Nevertheless, studies exist that purport that risk propensity has an association with transient competitive advantage. Chen and Tsai (2017) researched and found existent relationship between firm risk propensity and the adoption of transient competitive advantage; whereas in India, Bhattacharya and Sinha (2017) also found firm risk propensity having influence on Indian firms. Further, according to Nguyen and Nguyen (2021), there is a significant relationship between firm risk propensity and the adoption of transient competitive advantage among Vietnamese small and medium-sized enterprises (SMEs).

Locally, Masese and Mwita (2018) established a positive relationship between firm risk propensity and the adoption of transient competitive advantage among SMEs in Kenya. In same order, Mwangi et al. (2017) researched on the effect of firm risk propensity on the adoption of transient competitive advantage in the manufacturing industry in Kenya. Findings show that firms with a higher risk propensity were likely to adopt competitive advantage strategies, such as product innovation and differentiation. More so, Kariuki et al. (2019) examined the relationship between risk propensity and firm performance among Kenyan SMEs. Results showed that firms with a higher risk propensity were more engaged in innovation and were more likely to attain superior performance.

Recently, Wangeci *et al.* (2022) assessed the role of risk propensity in the adoption of transient competitive advantage in the agribusiness sector in Kenya and established out that firms with a higher risk propensity may adopt innovation-based strategies to realize transient competitive advantage. Munyao *et al*. (2021) on their study about the relationship between risk propensity and the adoption of marketing-based strategies in Kenyan SMEs, deduced that firms with a higher risk propensity tend to adopt marketing-based strategies, such as branding and advertising, to achieve transient competitive advantage.

However, indifferently, Karanja *et al.* (2021) in a study on factors influencing the adoption of transient competitive advantage in Kenyan SMEs; found that firm risk propensity was not a significant predictor of adoption. Rather, such factors as resource availability and market conditions, seem to play a more important role in the adoption of transient competitive advantage.

In a nutshell there is concurrence and indifference regarding if firm's propensity to risk positively influences transient competitive advantage.

Conclusions

The study sought to determine the influence of firm risk propensity on the adoption of transient competitive advantage in private multi-practice hospitals in Nairobi City County, Kenya. The associated study question was "To what extent does firm risk propensity influence the adoption of transient competitive advantage among private multi-practice hospitals in Nairobi City in Kenya?". In order to test for influence between these two study variables statistically, a null hypothesis that stated that firm risk propensity has no statistically significance influence on transient competitive advantage was tested. Based on study findings, it is concluded that firm risk propensity ($\beta = 0.242$) had a statistically significant influence on transient competitive advantage among private multi-practice hospitals in Nairobi city County in Kenya. Therefore, the study rejects the null hypothesis and upholds the alternative hypothesis that firm risk propensity has statistically significant influence on transient competitive advantage.

Recommendations

The study's sought information on firm's risk propensity and its correlation to adoption of transient competitive advantage. On average there was good rating on various measures. Conversely, results show that respondents do not highly agree with some of the statements such as: the hospitals carry out scenario planning to be prepared for risk taking (Mean=2.15, SD=0.916); risk analysis exercises are frequently carried out in the hospitals (Mean=2.13, SD=0.614); in the hospitals, financial plans include budgets for mitigating anticipated risks (Mean=2.36, SD=0.758), and risk management committee has been created and trained for action (Mean=2.24, SD=0.821). Consistently, this study recommends that the hospitals in this study context need to pay more focus on risk preparedness by putting in place contingent plans to handle risks, sparing budgets to cater for risks and establishing well trained risk management committees in place. Such measures will raise assurance on capacity to handle unforeseen risks and hence raise the hospital's propensity to risk. As observed, the regression analysis shows firms risk propensity had 24 % influence on transient competitive advantage. Thus, this study recommends more effort to improve on risk preparedness.

Overall, all the recommendations for improvement in this section point to hospital policy reviews to capture these areas for improvement: review policy to revamp customer needs surveys, competition analysis, increase customer responsiveness and care after service. More so, improve technology use skills through training, use more modern diagnosis equipment, as well as streamline their risk preparedness practices. These are lessons that can also be drawn by Ministry of health and be applied also in management of public hospitals in Kenya.

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