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Entrepreneurial Risk-Taking Propensity, Competitive Environment and Performance of Small and Medium Enterprises in Blue Economy Sector in Kenya

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Abstract: **Despite the significant potential of blue economy small and medium-sized enterprises (SMEs) to contribute to Kenya's socio-economic development, empirical evidence indicates that over 63% of local SMEs operating in this sector fail within five years of establishment. While various disciplines have adopted distinct blue economy models, existing empirical literature lacks conclusive evidence on the role of entrepreneurial risk-taking propensity in enhancing the performance of struggling SMEs within Kenya's blue economy sector. This gap underscores the need for further research. This study investigated the influence of entrepreneurial risk-taking propensity on the performance of SMEs in Kenya's blue economy sector. An exploratory research design was adopted, targeting a population of 221 internationalized blue economy SMEs in Kenya. A sample of 258 respondents was drawn from 86 of these enterprises using proportionate sampling techniques. Primary data were collected through a semi-structured questionnaire, and both quantitative and qualitative analysis methods were employed to interpret the data. Regression analysis was used to estimate the relationship between variables. The findings revealed that entrepreneurial risk-taking propensity has a statistically significant impact on SME performance within the blue economy, accounting for 35.1% of the variance in performance ($F = 113.672$, $p < 0.001$). Inclusion of the competitive environment marginally exhibits a statistically significant moderating effect on the relationship between entrepreneurial risk-taking propensity and performance of SMEs in Kenya's blue economy sector. The interaction term significantly improves the explanatory power of the entrepreneurial risk-taking propensity. Based on these results, the study recommends that SMEs within the blue economy enhance their performance by cultivating and institutionalizing a culture of entrepreneurial risk-taking.**

Keywords: **Blue Economy, Competitive Environment, Entrepreneur Background, Entrepreneurial Risk-Taking Propensity, Small and Medium-Sized Enterprises, Performance, Personal traits.**

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) are increasingly turning to the blue economy as a strategic pathway to achieve profit maximization while simultaneously contributing to national economic development. The growing diversification of investments within the blue economy sector has significantly enhanced SME performance across various regions, particularly among European Union (EU) member states (European Commission, 2021). Internationalized SMEs from both developed and emerging economies are expanding their global footprint.

In Africa, countries such as Comoros, Mauritius, Mozambique, Seychelles, and South Africa have identified the blue economy as a potential catalyst for socio-economic growth (Bolaky, 2020). Nonetheless, these nations have yet to derive a substantial portion of their export earnings and Gross Domestic Product (GDP) from a fully diversified blue economy portfolio.

In Kenya, the blue economy has emerged as a significant contributor to national GDP and a vital source of foreign exchange revenue (Rasowo et al., 2020). Despite access to abundant oceanic resources with high potential for wealth creation, Kenyan SMEs operating within the blue economy continue to face challenges in achieving and sustaining strong performance (Andriamahazomandimby, 2019).

However, literature shows that by expanding their operations across borders, through internationalization. entrepreneurs are able to create value and improve overall business performance (Davidkov & Yordanova, 2017; Hultman, Iveson, & Oghazi, 2021). Among the array of strategic decisions entrepreneurs make involve heightened levels of risk and uncertainty associated with internationalization, (Vlačić & González-Loureiro, 2016). Alalawi (2020) highlights that due to the multifaceted and often unpredictable nature of global markets, the risk-taking dimension of entrepreneurship is intensified in international contexts. Thus, a core component of entrepreneurial internationalization is the entrepreneur's willingness to engage in risk-taking, which reflects their proclivity to confront and manage potential threats in pursuit of greater returns (Hultman et al., 2021). The capacity to take calculated risks is thus not only essential but also consequential, given its impact on the performance and survival of internationalized SMEs (Vlačić & González-Loureiro, 2016).

Statement of the Problem

Kenya's blue economy holds considerable potential to drive sustainable national economic development. However, this potential is significantly constrained by persistent performance challenges faced by small and medium-sized enterprises (SMEs) within the sector, leading to a failure rate exceeding 63% within the first five years of operation (Soud, 2024). These challenges are reflected in key performance indicators: for instance, in 2023, total fish production declined by 7%, signaling a contraction in the sector's productivity (Kenya Fisheries Service, 2024). Furthermore, the maritime industry experienced a notable reduction in transactional activity, evidenced by a drop of six points in Kenya's Liner Shipping Connectivity Index (LSCI) between 2018 and 2019 (Odhiambo & Ndege, 2025). These trends highlight the critical need for strategic policy and investment interventions to enhance the sector's resilience and realize its full economic potential. Empirical studies in similar sectors have related entrepreneurial risk-taking to performance (Yusoff et al. 2021; Hervé et al., 2020; Chang et al., 2019; Kim, 2017). A balanced risk-taking approach, where entrepreneurs are neither overly risk-averse nor reckless, tends to produce optimal results. However, existing studies in this area often suffer from significant contextual, methodological, and conceptual limitations, thereby constraining the generalizability and applicability of their findings. In response to these challenges and gaps, the present study seeks to examine the relationship between entrepreneurial risk-taking propensity and SME performance within Kenya's blue economy. Specifically, it aims to contribute to the growing body of knowledge by providing empirical insights into the role of entrepreneurial risk-taking propensity in enhancing SME competitiveness and sustainability in this emerging sector.

Research Hypothesis

H_{01}: There is no significant relationship between entrepreneurial risk-taking propensity and performance of small and medium enterprises in blue economy sector in Kenya.

H_{02}: Competitive environment does not significantly moderate the relationship between entrepreneurial risk-taking propensity and performance of small and medium enterprises in blue economy sector in Kenya

2. LITERATURE REVIEW

Uncertainty-Bearing Theory

The theoretical foundation of this study is rooted in the Uncertainty-Bearing Theory, originally proposed by Frank H. Knight in 1921. This theory posits that entrepreneurs are distinguished by their ability and willingness to bear uncertainty in the pursuit of profit. According to Knight, unlike calculable risks, uncertainty involves unpredictable and immeasurable outcomes, which entrepreneurs must navigate through informed judgment and strategic decision-making (Nath, 2020). The theory suggests that the greater the level of uncertainty assumed and effectively managed by an entrepreneur, the higher the potential for profit. Importantly, Knight introduces a moral dimension to the concept, asserting that only those entrepreneurs who successfully manage uncertainty are entitled to reap its rewards. Central to the theory is the notion that entrepreneurial performance is inherently linked to an individual's propensity to take risks. This propensity is influenced by various factors, including personal characteristics, prior entrepreneurial experience, and a willingness to pursue innovation and risk-intensive business models. Within the context of the blue economy, this study proposes that SMEs can enhance both their performance and competitiveness, especially in international markets, by fostering and incentivizing entrepreneurial risk-taking behavior

Competitive Advantage Theory

Competitive Advantage Theory, introduced by Porter (1979), responds to limitations in comparative advantage theory by highlighting how nations and firms can achieve and maintain competitive positions through various determinants such as factor conditions, demand characteristics, related industries, and firm strategy and rivalry, each influenced by government and chance (Porter, 1990; Wen-Cheng, Chien-Hung & Ying-Chien, 2011). Porter (1980, 1990) emphasizes that strong and sophisticated domestic demand fosters innovation, giving firms a competitive edge. In small economies, firms must internationalize to achieve scale economies and enhance competitiveness. However, Goyal (2020) critiques the theory for its static nature and lack of focus on sustaining competitive advantage in today's dynamic environment. Despite these limitations, the theory remains relevant, particularly in analyzing international competition. Fernandes et al. (2019) assert that firms must operate effectively in competitive markets when internationalizing, while Yoon et al. (2019) highlight that rivalry is inevitable for performance improvement. This theoretical lens underpinned the current study by framing the competitive environment as a moderating variable in the relationship between entrepreneurial risk-taking propensity and SME performance in Kenya's blue economy sector.

Empirical literature review

Over the past two decades, entrepreneurial internationalization has experienced significant growth, prompting increased scholarly interest across various disciplines in an effort to better understand the dynamics underlying this phenomenon (Terjesen et al., 2016). Muhammed et al. (2017) found a positive association between risk-taking and internationalization, while Davidkov and Yordanova (2017) reported that risk-taking is strongly linked to improved performance. Similarly, Kim (2017) emphasized the importance of recognizing entrepreneurial risk-taking propensity as a critical factor in business success. Conversely, Rezaei and Ortt (2018) identified a negative relationship between risk-taking and performance, suggesting that excessive risk may be detrimental in certain contexts. However, Dimitratos et al. (2016) found that a strong international risk orientation among SMEs is positively associated with higher performance in foreign markets. Supporting this view, Chang et al. (2019) argued that an enterprise's ability to adapt and improve performance is facilitated by its propensity for risk-taking, as such firms tend to achieve superior outcomes. Hervé et al. (2020) similarly noted that risk-taking firms are more likely to design flexible performance strategies, a finding echoed by Karami, Ojala, and Saarenketo (2020), who emphasized the adaptability of such firms in dynamic environments. Furthermore, Yusoff et al. (2021) demonstrated that risk-taking propensity significantly influences the inclination to engage in entrepreneurial activity. This is supported by Genc (2017) and Alalawi (2020), who both underscore the role of risk-taking in entrepreneurial decision-making. These studies recommend that SMEs pursuing internationalization adopt a strategy of measured risk-taking, as it can enhance their overall performance and competitiveness in global markets.

3. RESEARCH METHODOLOGY

This study employed both positivist and interpretivist research paradigms. The positivist paradigm, as outlined by Saunders, Lewis, and Thornhill (2018), posits that scientific knowledge is derived from observable and measurable facts, and emphasizes objectivity and empirical validation. In contrast, the interpretivist paradigm seeks to understand and interpret the subjective meanings and experiences of individuals, thereby providing contextual depth and insight (Saunders, Lewis, & Thornhill, 2009). The integration of both paradigms allowed the study to benefit from empirical rigor while also capturing contextual nuances relevant to the research problem.

An exploratory research approach was adopted, appropriate in situations where existing knowledge about a phenomenon is limited or the problem has not been clearly defined (Creswell & Creswell, 2018). The target population comprised 221 internationalized SMEs operating in Kenya's blue economy sector, as identified by the Kenya Maritime Association (2021). The study aimed to gather responses from three managerial staff per SME, yielding a total target population of 663 respondents. A sample of 258 participants was determined using the sampling formula proposed by Saunders, Lewis, and Thornhill (2012). Stratified proportionate sampling was employed to ensure representative selection across various SME categories within the blue economy sector.

Primary data were collected using a semi-structured questionnaire comprising both closed- and open-ended questions. The closed-ended items were measured on a five-point Likert scale to capture respondents' attitudes and perceptions (Gupta & Rangi, 2014). Quantitative data analysis techniques were utilized, generating both descriptive and inferential statistics.

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Regression analysis was conducted to estimate the influence of entrepreneurial risk-taking propensity on SME performance, based on the following model:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + Ɛ} \quad \textbf{(i)}$$

Where:

Y = Performance of small and medium enterprises in blue economy sector in Kenya

$\boldsymbol{\beta_0}$ = Constant

$\boldsymbol{\beta_1}$ = coefficient of entrepreneurial risk-taking propensity

$\mathbf{X_1}$ = Entrepreneurial risk-taking propensity

Ɛ = Error Term

The study employed hierarchical regression analysis to examine the moderating effect of the competitive environment on the relationship between entrepreneurial risk-taking propensity and the performance of small and medium-sized enterprises in the Kenyan blue economy. In this study, the equation for the moderating effect was;

$$Y = \beta_0 + \beta_1 X + \beta_2 W + \beta_3 X*W + Ɛ \quad \text{(ii)}$$

Y = Performance of SMEs in blue economy sector in Kenya

X is the composite independent variable; entrepreneurial risk-taking propensity

W is the competitive environment (moderating variable)

β_0 is a constant (which the value of dependent variable is; Y, when the independent variable and moderating variable are 0).

β_1 is the regression coefficients or change induced by entrepreneurial risk-taking propensity

β_2 is the regression coefficients or change induced by moderating variable

β_3 is the regression coefficients or change induced by product of entrepreneurial risk-taking propensity and moderating variable (competitive environment)

e = error term.

4. RESEARCH AND DISCUSSIONS

In the present study, the questionnaire was administered to 258 respondents of the 86 sampled SMEs (that is 3 respondents per SME). However, 212 (82.17%) responded. The response rate of 82.17% in this study indicates a robust participation level, aligning with Creswell's (2014) assertion that high response rates are desirable for ensuring reliable and valid data (Mugenda & Mugenda, 2003)

Descriptive statistics

Prior to conducting inferential statistical analysis, it was essential to first examine the key descriptive statistics of the research sample. This preliminary analysis provided foundational insights into the characteristics and distribution of the data, ensuring the appropriateness of subsequent analytical procedures. It was appropriate to carefully examine the predominant descriptive statistics of the research. The study used data measured on a 5-point Likert scale; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, and 5= Strongly Agree. This data which was ordinal was transformed into quantitative data using mean of means. Then the transformed descriptive statistics, Mean (M) and Standard deviation (SD), were interpreted based on the statistics; 1 to 1.8 = Strongly Disagree, above 1.8 to 2.6 = Disagree, above 2.6 to 3.4 = Neutral, above 3.4 to 4.2 = Agree, and above 4.2 to 5.0 = Strongly Agree. In this study, the scales were abbreviated; SD= Strongly Disagree; D= Disagree N = Neutral, A= Agree and SA= Strongly Agree

Entrepreneurial Risk-Taking Propensity and Performance

The primary objective of the study was to assess the influence of entrepreneurial risk-taking propensity on the performance of small and medium-sized enterprises operating within Kenya's blue economy sector. The resulting descriptive statistics are presented in Table 1.

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Table 1: Entrepreneurial Risk-Taking Propensity and Performance

Parameter	SD(%)	D(%)	N(%)	A(%)	SA(%)	M	SD
Performance of our international business is boosted by our being outgoing	0	4.25	23.58	51.42	20.75	3.89	0.78
Being careful in business operations significantly enhances performance	0	3.77	25.47	50.94	19.81	3.87	0.77
Aggressiveness in seeking new experiences improves performance	0	1.89	22.64	62.26	13.21	3.87	0.65
Performance in international business is driven by our openness in doing business	0	2.83	23.58	62.26	11.32	3.82	0.66
Performance in international business is enhanced by paying attention to details	0	2.83	20.28	61.79	15.09	3.89	0.68
Always prioritizing completion of tasks on time help improve performance	0	3.30	20.28	56.60	19.81	3.93	0.73
Starting every task with scheduling plays a key role in improving performance	0	2.83	17.92	58.02	21.23	3.98	0.71
Performance is improved by preparing before commencement of any task	0	3.30	25.00	53.30	18.40	3.87	0.74
Adequate knowledge of international business helps in improving performance	0	3.30	23.11	55.66	17.92	3.88	0.73
Adequate skills in international trading always helps attain high performance	0	2.83	23.11	60.85	13.21	3.84	0.67
Having self-regulating employee is essential for improving performance	0	1.42	22.17	60.85	15.57	3.91	0.65
performance is driven by employees with creative ideas in international business	0	0.94	23.11	60.85	15.09	3.9	0.64
The desire to achieve high objectives is crucial for improving performance	0	1.89	21.70	58.49	17.92	3.92	0.68
Being motivated by challenges help focus on improving performance	0	4.25	18.40	61.79	15.57	3.89	0.71
Environment of feeling independent to employees helps enhance performance	0	3.30	20.28	62.26	14.15	3.87	0.68
Tendency of undertaking risk is helpful in is essential for performance	0	1.89	25.47	58.49	14.15	3.85	0.67
Optimistic about all possibilities improves performance	0	0.94	21.23	61.32	16.51	3.93	0.64
Entrepreneurial risk-taking propensity	0	2.69	22.20	58.66	16.45	3.89	0.69

Key; SDI= Strongly Disagree; D=Disagree; N= Neutral, A=Agree, SA= Strongly Agree; M= Mean; SD= Standard Deviation

The findings highlight a range of personal traits and organizational practices that significantly influence the performance of SMEs engaged in international business. Respondents emphasized that being outgoing, careful, and aggressive in seeking new experiences contributes positively to international success. Openness in business conduct and close attention to detail were also identified as key traits that enhance performance.

Timely task completion, effective scheduling, and adequate preparation were widely seen as essential operational habits that improve outcomes. Ensuring that employees possess sufficient knowledge and skills in international business was recognized as critical to maintaining high performance levels. Additionally, self-regulation and creativity among staff were valued as vital contributors to business growth.

A strong desire to achieve ambitious goals and the ability to stay motivated by challenges were noted as performance enhancers. Creating a work environment that promotes employee independence was also seen as beneficial. Willingness to take risks and an optimistic outlook toward international opportunities further support improved performance. Entrepreneurial risk-taking propensity was consistently regarded as a strong driver of success in international markets.

Qualitative findings showed that respondents emphasized entrepreneurial risk-taking as essential for internationalization and business growth. They noted that starting and expanding a business inherently involved risk, and success often depended on an entrepreneur's willingness to explore new ideas, enter unfamiliar markets, and make bold decisions. Risk-taking was linked to outcomes such as product innovation, new partnerships, and market expansion. However, participants also stressed the importance of balancing risk with thorough planning and research. They indicated that while risk was necessary, it needed to be measured and informed by knowledge, experience, and strategic preparation to avoid unnecessary failures. The responses further aligned with existing research that highlighted structured planning, disciplined execution, and skilled, creative employees as key drivers of international business success. Studies cited supported the idea that strong internal capabilities, such as employee competencies and innovative practices, enabled SMEs to better navigate international challenges and improve their performance

These findings confirm those in the study by Hultman Et al. (2021) that a key aspect of entrepreneurial internationalization is engaging in risk-taking given that risk-taking behavior reflects the entrepreneur's proclivity to facing possible risks. Furthermore, Hervé Et al. (2020) revealed that risk-taking firms could design their performance to be more flexible while Davidkov and Yordanova (2017) exposed increased performance as being strongly associated risk-taking and Dimitratos Et al. (2016) discovered that a SMEs international risk mentality is linked to higher performance. However, the findings disagree with those in the study by Rezaei and Ortt (2018) which exposed a negative association between performance and risk-taking. But Vlačić and González-Loureiro (2016) posit that among various choices that entrepreneurs make in their internationalization decisions are those associated with higher levels of risk and uncertainty and importantly on how these risks affect the performance of their enterprises

Competitive Environment and Performance

Then study assessed the manner in which competitive environment moderated the relationship between entrepreneurial internationalization and performance of small and medium enterprises in blue economy sector in Kenya to yield Table 2.

Table 2: Competitive Environment and Performance

Parameter	SD	D	N	A	SA	M	SD
Lack of support by host government and agencies constraints performance	0.00	5.19	22.17	52.83	19.81	3.87	0.78
Host government policies are not conducive which hinders performance	0.00	0.47	6.60	20.75	53.30	3.83	0.82
Multiple of regulatory requirements deter performance	0.00	7.08	19.34	58.49	15.09	3.82	0.77
Doing business is risky due to inconsistent economic climate.	0.00	6.60	24.53	52.36	16.51	3.79	0.8
Monetary, fiscal and industrial policies are not conducive to performance	0.47	5.19	20.75	56.13	17.45	3.85	0.79
In most countries we face limited access to markets	0.00	5.19	25.00	55.19	14.62	3.79	0.75
Our internationalization is constraints by taxation and levies	0.00	7.08	22.17	50.94	19.81	3.83	0.82
Competitive Environment	0.07	5.26	20.08	49.53	22.37	3.83	0.79

The findings revealed that SMEs operating in Kenya's blue economy sector faced several significant external barriers. A lack of support from host governments and exclusionary foreign policies were widely seen as major impediments to performance. Complex and burdensome regulatory requirements also emerged as key concerns, limiting operational efficiency in foreign markets. Economic instability in host countries was identified as a persistent challenge, with

macroeconomic uncertainty making international expansion risky. Respondents pointed to misaligned monetary, fiscal, and industrial policies as factors that reduced SME competitiveness abroad. Limited access to international markets, caused by logistical, legal, and infrastructural barriers, was another critical issue, alongside the burden of taxation and levies, which further constrained internationalization efforts. Lastly, the global competitive environment was recognized as a significant challenge, especially for SMEs lacking structural advantages, thereby hindering their performance and sustainability in foreign markets.

Regression Analysis and Hypothesis Testing

The study conducted a linear regression analysis to evaluate the influence of entrepreneurial risk-taking propensity on the performance of small and medium-sized enterprises (SMEs) within Kenya's blue economy sector. The results on Model summary were captured in Table 3.

Table 3Regression Results

R	R Square	Adjusted R Square	Std. Error of the Estimate
.593a	0.351	0.348	0.291

a Predictors: (Constant), Entrepreneurial Risk-Taking Propensity

	Sum of Squares	df	Mean Square	F	Sig.
Regression	9.62	1	9.62	113.672	<0.01b
Residual	17.772	210	0.085		
Total	27.392	211			

a Dependent Variable: Performance
b Predictors: (Constant), Entrepreneurial Risk-Taking Propensity

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.884	0.206		9.13	<0.01
Entrepreneurial Risk-Taking Propensity	0.53	0.05	0.593	10.662	<0.01

a Dependent Variable: Performance

The study reveals that entrepreneurial risk-taking significantly influences SME performance in Kenya's blue economy. With 35.1% of the performance variance explained by risk-taking propensity, the model demonstrates strong predictive power.

The results on the overall significance of the regression model. ($p<0.01$), indicates that the model is statistically significant at the 0.05 level. Since the p-value was less than 0.05, then the null hypothesis is rejected and the alternate hypothesis accepted then there is sufficient evidence that there is significant relationship between entrepreneurial risk-taking propensity and performance of small and medium enterprises in blue economy sector in Kenya. This implies that entrepreneurial risk-taking propensity has a significant impact on the performance of SMEs in the blue economy, confirming that the observed relationship is not due to random chance.

The unstandardized coefficient (β) for entrepreneurial risk-taking propensity is 0.530, meaning that a one-unit increase in entrepreneurial risk-taking propensity corresponds to a 0.530 unit increase in performance, holding other variables constant. The standardized coefficient (Beta) of 0.593 also indicates a strong positive relationship. The t-value of 10.662, with a significance level of 0.000, further supports that this predictor is a significant determinant of performance.

The model was $\mathbf{Y = 1.884 + \beta_1 0.53}$**……(iii)**

This finding aligns with prior studies, such as Ucbasaran et al. (2020) and Covin and Wales (2019), which emphasize that risk-taking enhances adaptability and innovation, especially in uncertain or emerging markets. In the context of Kenya's dynamic blue economy, risk-taking helps SMEs respond to regulatory and market changes, ultimately driving competitiveness. The results also support Alam et al. (2023), who highlight the role of entrepreneurial resilience in uncertain environments. Overall, the study underscores the strategic value of incorporating risk-taking into SME operations to improve performance in rapidly evolving sectors.

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Test of Moderating Variable

Using Hypothesis Two,*t*he study sought to establish the moderating effect of the competitive environment on the relationship between entrepreneurial internationalization and the performance of SMEs in blue economy sector in Kenya. The study sought to establish the multiplicative effect of Competitive environment. The analysis yielded the results in Table 4.

Table 4: Regression Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2
2	.666[b]	.444	.439	.26995	.093	34.876	1	209
3	.839[c]	.704	.699	.19759	.260	182.104	1	208

b. Predictors: (Constant), Entrepreneurial Risk-Taking Propensity, Competitive Environment

c. Predictors: (Constant), Entrepreneurial Risk-Taking Propensity, Competitive Environment , Entrepreneurial Internationalization*Competitive Environment

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	12.161	2	6.081	83.443	.000[c]
	Residual	15.230	209	.073		
	Total	27.392	211			
3	Regression	19.271	3	6.424	164.533	.000[d]
	Residual	8.121	208	.039		
	Total	27.392	211			

a. Dependent Variable: Performance

c. Predictors: (Constant), Entrepreneurial Risk-Taking Propensity, Competitive Environment

d. Predictors: (Constant), Entrepreneurial Risk-Taking Propensity, Competitive Environment , Entrepreneurial Internationalization*Competitive Environment

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	1.367	.211		6.494	.000
	Entrepreneurial Risk-Taking Propensity	.465	.047	.520	9.797	.000
	Competitive Environment	.204	.035	.313	5.906	.000
3	(Constant)	4.151	.258		16.121	.000
	Entrepreneurial Risk-Taking Propensity	-.121	.056	-.135	-2.172	.031
	Competitive Environment	-1.134	.102	-1.737	-11.077	.000
	Entrepreneurial Risk-Taking Propensity*Competitive Environment	.314	.023	2.349	13.495	.000

a. Dependent Variable: Performance

Model 2 reveals that incorporating the competitive environment as an additional predictor significantly enhances the model's explanatory power, with the coefficient of determination (R^2) increasing to 44.4% (Change in R^2 = 0.093, *F*-change =

34.876, $p < 0.01$). In Model 3, the introduction of the interaction term between entrepreneurial risk-taking propensity and the competitive environment leads to a further statistically significant R^2 increase of 26.0% (F-change = 182.104, $p < 0.01$), thereby providing robust evidence of a moderating effect. Results from the ANOVA confirm that all three models are statistically significant ($p < 0.01$), with both entrepreneurial risk-taking propensity and the competitive environment emerging as key predictors of SME performance. In Model 1, entrepreneurial risk-taking propensity is a strong and significant predictor ($\beta = 0.530$, $p < 0.001$). In Model 2, entrepreneurial risk-taking propensity $\beta = 0.465$, $p < 0.001$) and competitive environment ($\beta = 204$, $p < 0.01$ also contributes meaningfully. In Model 3, all predictors, entrepreneurial risk-taking propensity $\beta = -.121$, $p < 0.001$), competitive environment ($\beta = -1.134$, $p < 0.01$) and interaction term ($\beta = 0.314$, $p = 0.037$), remain statistically significant, reaffirming the moderating role of the competitive environment on the relationship between entrepreneurial risk-taking and SME performance. These findings underscore the dynamic interplay between entrepreneurial behavior and external competitive forces in shaping enterprise outcomes.

The model is

$$Y=-4.151-.121X-1.134+.314\ (X*W)\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\text{(iv)}$$

Thus, Performance. = 4.151 -.121 Entrepreneurial Risk-taking Propensity - 1.13 Competitive Environment +.314 (Entrepreneurial Risk-taking Propensity* Competitive Environment)… (v)

The findings indicate that entrepreneurial risk-taking propensity exerts a significant negative influence on SME performance ($\beta = -.121$, $p < 0.031$), while the competitive environment independently contributes a direct negative effect ($\beta = -1.134$, $p < 0.05$). Moreover, the interaction term ($\beta = .314$, $p < 0.05$) substantiates the moderating role of the competitive environment, affirming that it strengthens the relationship between risk-taking propensity and SME performance. This suggests that the performance benefits associated with entrepreneurial risk-taking are magnified in highly competitive contexts. Collectively, these results underscore the pivotal roles played by both entrepreneurial orientation and competitive environment in shaping SME outcomes. These insights not only reinforce but also extend the current empirical discourse. While Escamilla-Fajardo et al. (2018) found no moderating effect of competition on the relationship between entrepreneurial orientation (EO) and service quality, studies by Agwu and Onwuegbuzie (2018) and Biraglia and Kadile (2017) emphasize the necessity for SMEs operating in volatile international markets to engage in ongoing strategic adaptation in order to thrive and maintain a competitive edge.

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

In conclusion, there is a positive significant influence of entrepreneurial risk-taking propensity on the performance of small and medium enterprises in Kenya's blue economy sector. More specifically, personal traits and strong entrepreneurial spirit play a critical role in driving performance of these SMEs. Entrepreneurs who exhibit traits like; proactive attitude towards new experiences, an extroverted personality, and a focus on timely task completion are better equipped to navigate challenges, seize opportunities, and enhance business outcomes. Thus, these traits foster a resilient, adaptability, goal-oriented proactive mindset that drives business performance. Furthermore, fostering an entrepreneurial spirit, marked by optimism, and strategic risk-taking, is essential for Performance of SMEs in the competitive and dynamic blue economy.

Although the inclusion of the competitive environment marginally enhances the model's explanatory power, it exhibits a statistically significant moderating effect on the relationship between entrepreneurial risk-taking propensity and performance of SMEs in Kenya's blue economy sector. The interaction term significantly improves the explanatory power of the entrepreneurial risk-taking propensity

6. RECOMMENDATIONS

Recommendations for Managerial Practices

To enhance the performance of SMEs in Kenya's blue economy sector, it is recommended that the management of SMEs) in Kenya's blue economy sector should embrace entrepreneurial risk-taking propensity (calculated risk-taking) by leveraging programs that focus on risk taking. They should importantly cultivate key personal traits like proactivity, assertiveness, and effective task scheduling, supported by training on goal-setting and time management. Fostering a positive entrepreneurial mindset through workshops and mentorship will encourage resilience, innovation, and adaptability. SMEs should prioritize equipping staff with international business skills and creating an environment that empowers employees to contribute creative ideas.

Recommendations for Policymakers

Policymakers in the blue economy sector should focus on promoting entrepreneurial risk-taking through policies for offering specialized programs that develop critical skills and personal traits such as proactivity. Fostering an entrepreneurial mindset can be achieved by creating mentorship policies to build resilience and innovation. The policy makers should incentivize SMEs to invest in global business training. These policies should foster a resilient, innovative, and globally competitive blue economy SME sector

Contribution to Theories

The study findings validate the *Uncertainty-Bearing Theory* by showing how entrepreneurs' ability to embrace and mitigate risks is fundamental to enterprise performance. Aligned with Competitive Advantage Theory, the study underscores the pivotal role of competitive environment in strengthening the relationship between entrepreneurial risk-taking propensity and the performance of SMEs operating within Kenya's blue economy sector.

Areas of Further Studies

Future research could undertake a sector-specific comparative analysis of entrepreneurial risk-taking propensity and its impact on performance across diverse blue economy segments, such as fisheries, maritime transport, aquaculture, and marine tourism. Such nuanced inquiry would enable the development of targeted, context-sensitive strategies to enhance SME resilience and competitiveness within each sub-sector.

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