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Effect of Risk Management Strategies on Growth of Data Centers in Kenya

[1*]Allan Tarus, [2]Prof. Allan Kihara

[1,2]Chandaria School of Business, United States International University

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ABSTRACT

Purpose: The primary objective of this study was to examine how selected risk management strategies influence the growth of data centers in Nairobi, Kenya. The selected risk management strategies included in the study comprised of financial risk management, strategic risk management, market risk management, and operational risk management.

Methodology: A descriptive research design targeted professionals across 15 operational data centers, including operations managers, risk and compliance officers, infrastructure engineers, and senior managers. A census approach was used to include all 110 eligible professionals, of whom 92 completed the structured questionnaires, resulting in a response rate of 83.6%.

Findings: The findings showed that financial risk management has a strong and statistically significant positive effect on the growth of data centers. The correlation was strong ($r = 0.700$, $p = .000$), explaining 49.1% of the variability ($R^2 = 0.491$). Regression analysis showed $\beta = 0.648$, $t = 9.310$, and $F = 86.683$ ($p = .000$). Strategic risk management also demonstrated a strong positive effect. Correlation analysis revealed a significant association ($r = 0.731$, $p = .000$), explaining 53.4% of the variance ($R^2 = 0.534$). Regression results indicated $\beta = 0.780$, $t = 10.150$, and $F = 103.017$ ($p = .000$). Market risk management showed the highest influence on datacenter growth. Correlation analysis showed a very strong and statistically significant relationship ($r = 0.853$, $p = .000$), explaining 72.8% of the variance ($R^2 = 0.728$). Regression analysis produced $\beta = 0.868$, $t = 15.513$, and $F = 240.648$ ($p = .000$), confirming market risk management as the most impactful strategy among the four studied. Operational risk management also demonstrated a strong positive influence on growth. Correlation was strong and significant ($r = 0.746$, $p = .000$), explaining 55.7% of the variance ($R^2 = 0.557$). Regression analysis showed $\beta = 0.801$, $t = 10.628$, and $F = 112.956$ ($p = .000$), reinforcing the role of operational controls in promoting infrastructure resilience and reliable service delivery. In conclusion, the study revealed that financial, strategic, market, and operational risk management strategies each have strong, positive, and statistically significant effects on the growth of data centers in Nairobi, Kenya.

Unique Contribution to Theory, Practice and Policy: To accelerate sustainable growth, data center operators should invest in formalized, data-driven risk governance systems, integrate market intelligence and forecasting into decision-making, and reinforce operational readiness through automation, training, and cybersecurity.

Keywords: *Financial Risk Management, Strategic Risk Management, Market Risk Management, Operational Risk Management, and Data Centres Growth.*

Background of the Study

Data centers play a critical role in the functioning of modern businesses and organizations by providing the necessary infrastructure to store, process, and manage large volumes of data. However, data centers are also vulnerable to various types of risks, including cybersecurity threats, equipment failures, power outages, and natural disasters. Effective risk management is, therefore, essential to ensure the reliability, availability, and security of data centers (Martinez, Quiles, & Lloret, 2020). According to Li and Huang (2020), risk management is crucial in ensuring the success and continuity of data centers. Failure to implement proper risk management practices can result in significant financial losses and reputational damage (Rashid, Kamaruddin, Ismail, & Selamat, 2018). Data center managers must, therefore, identify and assess potential risks and develop a comprehensive risk management framework to mitigate their impact (Hasan, Al Ghamdi, Alamri, & Alruwaili, 2019). In recent years, the importance of risk management in data centers has become increasingly apparent as the reliance on digital data continues to grow. Data centers face a multitude of risks, both internal and external, which can significantly impact their operations and financial performance. According to a study by Lopes, Zhang, Zhao, and Han (2019), some of the main risk factors for data centers include power outages, security breaches, and environmental threats such as flooding and extreme weather. These risks can lead to downtime, data loss, and damage to critical infrastructure, resulting in significant financial losses for data center operators.

In addition to external risks, internal risks such as human error and equipment failure can also pose a threat to data center operations. A study by Loh, Chen, and Tan (2018) found that human error was the leading cause of downtime in data centers, accounting for 22% of all downtime incidents. This highlights the importance of effective risk management practices and employee training to mitigate the impact of human error. Another key risk factor for data centers is cybersecurity. With the increasing amount of data stored and transmitted by data centers, cyberattacks are becoming more frequent and sophisticated. A study by Ponemon Institute (2019) found that the average cost of a data breach for a data center was $7.91 million, with the cost per record increasing to $242. Effective risk management in this area involves implementing robust cybersecurity measures and ensuring that employees are trained to identify and prevent cyber threats.

To effectively manage these risks, data center operators must adopt a comprehensive risk management strategy. A study by Nalbandian, Al-Qahtani, Aldossary, Alrashed, and Khan (2019) recommends a risk management framework that includes risk identification, assessment, prioritization, and mitigation. Risk management involves analyzing potential issues that could negatively impact key business initiatives or projects (Gómez-Fernandez-Aguado, Haque, and Gao, 2020). This practice is done to help organizations avoid or mitigate those risks. Risk management assesses the likelihood of an adverse event occurring and uncertainty of forecasted cash flow streams, the variance of portfolio or stock returns, and possible future economic states (Baecke & Bocca, 2017). According to O'Brien (2019), unexpected events can have a significant impact on data center operations, highlighting the need for a proactive approach to risk

management. Effective risk management practices not only help to ensure the continuity of data center operations but can also lead to cost savings, improved productivity, and increased customer confidence (Martinez, Quiles, & Lloret, 2020).

Statement of the Problem

The data center industry in Kenya has experienced significant growth in recent years, driven by increasing demand for digital services such as cloud computing, big data analytics, and the Internet of Things (IoT). According to the Africa Data Centers Association (ADCA, 2023), Kenya is emerging as a key data center hub in East Africa, with investment in the sector expanding rapidly. However, despite this growth, data centers in Kenya continue to face significant challenges that threaten their long-term sustainability. Key among these challenges are inadequate infrastructure, high operational costs, regulatory uncertainties, and evolving cyber threats, all of which impact their ability to scale and compete effectively in the digital economy (International Finance Corporation [IFC], 2022). Infrastructure limitations, particularly in power supply and internet connectivity, pose serious operational risks. Kenya has some of the highest electricity costs in Africa, with frequent power outages and voltage fluctuations that can cause equipment damage, downtime, and financial losses (World Bank, 2021).

Unreliable power supply remains a major concern, increasing operational risks and reducing service reliability. Additionally, internet connectivity remains expensive, with limited bandwidth in some areas restricting data centers from offering competitive pricing and high-performance services (Communications Authority of Kenya [CAK], 2023). These factors limit the sector's ability to meet growing demand, expand services, and attract global clients. Beyond infrastructure constraints, the sector faces financial, operational, market, and strategic risks that further hinder growth. Deloitte (2022) reports that establishing and maintaining data centers in Kenya requires substantial capital investment, making financial sustainability a significant challenge. The high cost of real estate, electricity, and regulatory compliance adds to financial pressures. Operational risks are further exacerbated by the growing threat of cyberattacks. Research suggests that Africa loses over $3 billion annually to cyber-related incidents, making cybersecurity a critical concern for data centers (Interpol, 2023; Guo et al., 2021). Market risks such as shifting customer demands, regulatory uncertainties, and increasing competition from global cloud service providers further create instability (IFC, 2022). Strategic risks, including ineffective risk management frameworks, inadequate policy support, and lack of industry collaboration, limit the sector's long-term viability (Al-Qahtani et al., 2018). Several studies have explored risk management in various sectors, but key gaps remain in understanding its impact on data centers. Guo et al. (2021) highlight the inadequacy of traditional risk management approaches in data centers, emphasizing cybersecurity threats and advocating for a risk intelligence model. However, their study does not address financial, market, or strategic risks that also influence data center growth.

Al-Qahtani et al. (2018) focus on mitigating data center downtime through an ISO 31000-based framework but do not examine how risk management contributes to long-term expansion. In

Kenya, Kamau and Kiarie (2021) establish a link between risk management practices and the growth of commercial banks, while Ndirangu and Ngugi (2020) demonstrate that financial risk management enhances profitability in insurance firms. Despite these insights, there is limited empirical research on how risk management affects the growth and sustainability of data centers in Kenya, leaving a crucial gap that this study seeks to fill. Given the increasing importance of data centers in Kenya's digital economy, there is a critical need to examine how risk management practices influence the sector's growth. The current study sought to bridge the existing gap by investigating the relationship between risk management and the growth of data centers in Kenya. Specifically, it assessed how financial, operational, market, and strategic risk management practices impacted the sector's expansion and sustainability. By leveraging inferential statistical analysis, the study aimed to provide empirical insights into the effectiveness of risk management strategies in fostering the long-term growth of data centers in Kenya.

Objectives of the Study

i To determine the effect of financial risk management on the growth of data centers in Kenya.
ii To evaluate the effect of strategic risk management on the growth of data centers in Kenya.
iii To analyze the effect of market risk management on the growth of data centers in Kenya.
iv To examine the effect of operational risk management on the growth of data centers in Kenya.

Literature Review

Financial risk management is a crucial component of corporate financial strategy that enables firms to identify, assess, and mitigate risks arising from market fluctuations, credit exposure, liquidity constraints, and interest rate variations (Sakawa and Trinh, 2022). In a globally interconnected financial environment, companies that fail to address these risks often face disruptions in cash flow, loss of investor confidence, and diminished competitiveness. Effective financial risk management strengthens an organization's ability to maintain stability during economic shocks, access capital markets, and implement long-term strategic plans. In capital-intensive sectors such as data centres, where investment cycles are long and operating costs are high, the ability to manage financial risks plays a critical role in determining business viability and growth outcomes.

Chava and Roberts (2021) examined whether companies that proactively manage financial risks achieve superior market valuation and experience lower performance volatility. Their study utilized a sample of five hundred and sixty-four non-financial enterprises in the United States and employed Tobit regression models to test their hypotheses. The results showed that firms with strong risk management practices not only reduced their exposure to financial shocks but also attracted higher investor valuation due to perceived stability and governance strength. Although this study offered valuable insights into the correlation between financial risk management and firm value, it did not explore growth dynamics within specific sectors or developing countries. The current study sought to address this limitation by investigating how financial risk management

practices influence the growth of data centres in Kenya, a rapidly emerging infrastructure sector with distinct financial challenges.

Ahmed et al. (2023) explored the role of financial risk management in shaping firm performance within the United Kingdom. Drawing on financial data from one hundred and eighty-seven firms across five years, the study used regression analysis to determine how liquidity, credit, and market risk management practices influence return on investment, cash flow consistency, and growth. The findings indicated that firms with comprehensive risk management protocols outperformed their counterparts during periods of market uncertainty, especially in maintaining liquidity and investor confidence. Nevertheless, the study was based on a highly developed financial ecosystem and did not consider the unique risk profiles of firms in less mature economies. The current study sought to address this gap by examining how financial risk management contributes to growth within Kenya's data centre sector, which operates under different macroeconomic, regulatory, and infrastructural conditions.

Strategic risk management refers to the proactive identification, assessment, and mitigation of risks that could threaten a firm's strategic objectives and long-term sustainability. Unlike operational or financial risk management, strategic risk management integrates risk awareness into core decision-making and planning processes, allowing organizations to better navigate uncertainties in competitive markets (McShane et al., 2011; Beasley et al., 2021). Effective strategic risk management enhances organizational resilience by aligning risk responses with strategic goals, enabling firms to seize emerging opportunities while avoiding potential pitfalls. This is especially critical in sectors characterized by rapid technological change and capital-intensive operations, such as data centres. Despite its recognized importance, limited research has explored how strategic risk management affects firm growth in infrastructure sectors within emerging markets. The current study sought to address this gap by evaluating how strategic risk management influences the growth of data centres in Kenya.

Yang et al. (2021) conducted an empirical investigation into the effects of strategic risk management on the performance of listed companies in China. The study analyzed financial data from one thousand one hundred and twenty-six firms over three years using regression models to evaluate risk impact on creditworthiness and operational stability. The results showed that companies that embedded strategic risk protocols within their governance and investment decisions significantly outperformed others in terms of return on equity and business growth. While the findings highlighted the role of strategic risk in performance enhancement, the study focused on Chinese firms and did not consider the experience of firms in African markets or in digital infrastructure. The current study sought to extend this discussion by focusing on data centres in Kenya, which operate under different economic, infrastructural, and governance conditions.

Market risk management involves identifying, assessing, and mitigating risks arising from fluctuations in key market variables such as interest rates, exchange rates, and asset prices. These

risks, if unmanaged, can significantly affect a firm's financial stability, access to credit, and investment performance. As global markets become increasingly integrated, firms in both developed and emerging economies face heightened exposure to external shocks that impact profitability and strategic planning. According to Bandyopadhyay and Steele (2020), effective market risk management enhances a firm's ability to absorb market volatility and maintain consistent performance, particularly in sectors with high capital intensity. Dacorogna, Sahin, and Scholz (2022) further emphasized that digital infrastructure providers must develop robust risk governance frameworks to navigate global economic uncertainties. However, despite the theoretical importance of market risk governance, most existing studies focus on mature economies and financial institutions, leaving gaps in understanding how these practices influence firm growth in emerging sectors like data centres. The current study sought to address this limitation by investigating the relationship between market risk management and the growth of data centres in Kenya.

Operational risk management refers to the identification, assessment, monitoring, and control of risks arising from inadequate or failed internal processes, systems, human actions, or external disruptions. These risks can affect a firm's reputation, service delivery, legal compliance, and financial health. Basel Committee on Banking Supervision (2019) defines operational risk as a fundamental threat to organizational stability, particularly in sectors dependent on technology, high reliability, and regulatory compliance. Effective operational risk management supports organizational resilience by preventing loss events, enhancing internal accountability, and aligning risk controls with strategic goals (Power, 2020). While ORM is extensively studied in banking and manufacturing, little is known about its impact on high-reliability digital infrastructure sectors such as data centres. The current study sought to investigate how operational risk management practices influence the growth of data centres in Kenya, a sector that is increasingly vital to the country's digital economy.

Soliman and Ragab (2019) examined the role of operational risk management in the performance of thirty-three UK-based banks. Their analysis, conducted over a multi-year period, revealed that effective ORM practices contributed to better internal controls, enhanced regulatory compliance, and lower reputational risk. Regression analysis showed a positive correlation between operational risk indicators and financial performance, with ORM contributing to improved operational efficiency and reduced unexpected loss events. The researchers recommended the integration of ORM into strategic decision-making and human resource management. While the findings offered valuable insights into institutional risk control in developed markets, they did not address digital infrastructure sectors or developing country contexts. This study sought to apply ORM principles to data centres in Kenya, which must manage operational risks related to energy reliability, cybersecurity, and technical staff availability.

Chen and Zeng (2018) investigated the relationship between operational risk management and firm performance using a sample of eighty-eight banks in China. The researchers found that banks with dedicated ORM units, integrated risk reporting systems, and structured incident tracking

experienced fewer losses and improved customer confidence. Their study emphasized the role of proactive risk mitigation, employee training, and standardized internal procedures in sustaining performance under operational stress. While the study provided compelling evidence from a major emerging economy, its focus on financial institutions limited its relevance to infrastructure-driven firms. The current study sought to explore how similar operational risk principles apply to data centres in Kenya, which operate in highly sensitive, high-availability environments.

Research Methodology

This study adopted a descriptive research design. The study focused on all fifteen operational data centres in Kenya. The target population included professionals holding key roles such as Data Center Operations Managers, Risk and Compliance Officers, Infrastructure and Security Managers, and Strategic Account Owners. This study adopted a census sampling approach. Within each selected data center, purposive sampling was employed to identify and recruit professionals with direct responsibility for risk management and business continuity. Data was collected using structured questionnaires developed in alignment with the research objectives. Descriptive statistics were used to summarize the data, including measures of central tendency and dispersion such as mean, minimum, maximum, standard deviation, skewness, and kurtosis. To assess the strength and direction of relationships between the independent variables and the dependent variable, correlation analysis was conducted. Further, linear regression analysis was employed to determine the extent to which financial, strategic, market, and operational risk management influenced the growth of data centers in Kenya. The liner regression model was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y= Growth of Data Centres, β_0=constant, $\beta_1, \beta_2, \beta_3$ and β_4 = Beta coefficients, X_1= Financial Risk Management, X_2= Strategic Risk Management, X_3= Market Risk Management, X_4 = Operational Risk Management and ε = Error term

Descriptive Statistics for Financial Risk Management

Table 1 presents the summary of responses on financial risk management practices across the data centers. Using a five-point Likert scale, where 1 represented “strongly disagree” and 5 indicated “strongly agree,” the analysis reveals consistently high mean scores across all statements, indicating that financial risk management is widely perceived as a vital driver of data center growth. The highest level of agreement was observed for the use of financial risk hedging mechanisms such as insurance and forward contracts to manage uncertainties (mean = 4.53, SD = 0.69). Respondents also reported strong agreement that fluctuations in operational costs, such as energy and cooling expenses, are effectively managed (mean = 4.30, SD = 0.69), and that the existing financial risk management framework has enhanced their ability to attract investors and access credit facilities (mean = 4.29, SD = 0.75). Other highly rated practices included having a diversified revenue model to reduce dependency on a single stream (mean = 4.27, SD = 0.88), and proactive planning for financial risks arising from economic downturns or global crises (mean = 4.21, SD = 0.78). Respondents also acknowledged the regular use of financial risk assessments,

including stress testing and scenario analysis (mean = 4.08, SD = 0.88), as well as the presence of clear risk mitigation policies that guide capital allocation and expenditure (mean = 4.00, SD = 1.03). The aggregate mean score of 4.24 and standard deviation of 0.82 suggest a strong consensus among respondents that structured financial risk management significantly contributes to the growth and financial sustainability of data centers.

Table 1: Descriptive statistics of Financial Risk Management

Financial Risk Management Statements	N	Mean	Std. Deviation
Our data center has clear financial risk mitigation policies that guide capital allocation and expenditure.	92	4.00	1.03
We regularly conduct financial risk assessments, including stress testing and scenario analysis.	92	4.08	0.88
Fluctuations in operational costs, such as energy and cooling expenses, are effectively managed.	92	4.30	0.69
We employ financial risk hedging mechanisms, such as insurance and forward contracts, to manage financial uncertainties.	92	4.53	0.69
The organization has a diversified revenue model to mitigate reliance on a single income stream.	92	4.27	0.88
Financial risks arising from economic downturns or global crises are proactively planned for.	92	4.21	0.78
Our data center adopts cost control measures to ensure long-term financial sustainability.	92	4.20	0.77
The financial risk management framework has improved our ability to attract investors and access credit facilities.	92	4.29	0.75
Aggregate	**92**	**4.24**	**0.82**

Correlation between Financial Risk Management and Growth of Datacenters

A correlation analysis was conducted to evaluate the strength and direction of the relationship between financial risk management and the growth of data centers among datacenter professionals in Nairobi, Kenya. As shown in Table 2, the results revealed a strong and statistically significant positive relationship between the two variables. The Pearson correlation coefficient (r) was 0.700, with a p-value of < 0.001, indicating significance at the 0.01 level (2-tailed). This result implies that higher levels of financial risk management are strongly associated with greater growth of data centers. The finding reinforces the strategic importance of implementing sound risk mitigation practices such as hedging, cost control, and scenario planning as enablers of sustainable expansion in the data infrastructure sector. Effective financial risk management may also improve confidence among investors and customers, ultimately contributing to long-term growth and resilience.

Table 2 Correlation between Financial Risk Management and Growth of Datacenters

Variable		Financial Risk Management	Growth of Datacenters
Financial Risk Management	Pearson Correlation	1	
	Sig. (2-tailed)		
Growth of Datacenters	Pearson Correlation	.0.700**	1
	Sig. (2-tailed)	.000	
	N	92	92

Regression Analysis of Financial Risk Management and Growth of Datacenters

To further investigate the effect of Financial Risk Management on the Growth of Datacenters, a simple linear regression analysis was performed. As indicated in Table 3, the model yielded an R value of 0.700 and an R Square value of 0.491, signifying that approximately 49.1% of the variance in Growth of Datacenters can be explained by Financial Risk Management practices. The Adjusted R Square value of 0.485 confirms the model's robustness after accounting for degrees of freedom, while the standard error of the estimate was 0.378, indicating a moderate level of variability around the predicted values.

Table 3 Model Summary of Financial Risk Management and Growth of Datacenters

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.700	.491	.485	.377639

a. Predictors: (Constant), Financial Risk Management

The ANOVA results in Table 4 confirm the statistical significance of the regression model. The F-statistic was 86.683 with a significance level of $p < 0.001$, well below the conventional threshold of 0.05. This indicates that the model significantly predicts Growth of Datacenters based on Financial Risk Management. The findings emphasize that effective financial risk practices play a vital role in enhancing the strategic development and scalability of data centers.

Table 4 Analysis of Variance for Financial Risk Management and Growth of Datacenters

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	12.362	1	12.362	86.683	.000
Residual	12.835	90	.143		
Total	25.197	91			

The regression coefficients in Table 5 provided further insight into the specific influence of Financial Risk Management on the Growth of Datacenters. The constant (β_0) was 1.435, indicating the expected baseline level of Growth of Datacenters when Financial Risk Management is held at

zero. The unstandardized coefficient for Financial Risk Management (β_1) was 0.648, with a standard error of 0.070, a t-value of 9.310, and a significance level of less than 0.001. These results confirmed that Financial Risk Management had a statistically significant and positive influence on Growth of Datacenters, as the t-value exceeded the critical threshold of 1.96 and the p-value was well below 0.05.

The corresponding regression equation was:

Y (Growth of Datacenters) = 1.435 + 0.648X_1 (Financial Risk Management)

This equation suggested that for every one-unit increase in Financial Risk Management, Growth of Datacenters increased by approximately 0.648 units. These findings reinforced the importance of structured risk management practices in enhancing strategic growth, resilience, and operational scalability data center environments.

Table 5 Regression Model Coefficients for Financial Risk Management and Growth of Datacenters

		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1	(Constant)	1.435	.297		4.824	.000
	Financial Risk Management	.648	.070	.700	9.310	.000

a. Dependent Variable: Growth of Datacenters

Descriptive Statistics for Strategic Risk Management

Table 6 presents the distribution of responses on how Strategic Risk Management is implemented across data centers. Respondents provided feedback on a five-point. The highest levels of agreement were observed for the presence of a well-established business continuity plan to mitigate strategic disruptions (mean = 4.34, SD = 0.668), followed by active monitoring of emerging industry trends to identify potential strategic risks (mean = 4.33, SD = 0.648) and regular evaluation of long-term risks that could affect market position (mean = 4.26, SD = 0.591). Respondents also agreed that their data centers adapt quickly to technological and regulatory shifts (mean = 4.23, SD = 0.713) and that a documented strategic risk management framework is embedded into decision-making processes (mean = 4.21, SD = 0.734). Additional practices such as integrating risk management into service development and infrastructure investments (mean = 4.09, SD = 0.587), forming partnerships to minimize exposure to competitive risks (mean = 4.05, SD = 0.803), and using risk management to enhance scalability (mean = 4.01, SD = 0.819) also received favorable ratings, though with slightly more variability. The aggregate mean score across all eight indicators was 4.19, and the standard deviation was 0.695. These findings suggest that Strategic Risk Management practices are well-established and consistently applied across data

centers, reinforcing their role in enabling proactive decision-making, organizational agility, and scalable growth.

Table 6 Descriptive Statistics for Strategic Risk Management

Strategic Risk Management Statements	N	Mean	Std.Dev
ur data center has a documented strategic risk management framework integrated into decision-making processes.	92	4.21	0.734
The leadership regularly evaluates long-term risks that could impact our market position.	92	4.26	0.591
We have a well-established business continuity plan to mitigate strategic disruptions.	92	4.34	0.668
Our data center adapts quickly to technological advancements and regulatory changes.	92	4.23	0.713
Strategic partnerships and collaborations are leveraged to minimize exposure to competitive risks.	92	4.05	0.803
The organization actively monitors emerging industry trends to identify potential strategic risks.	92	4.33	0.648
Risk management considerations are incorporated into new service development and infrastructure investments.	92	4.09	0.587
Strategic risk management has enhanced our ability to scale operations efficiently.	92	4.01	0.819
Aggregate	**92**	**4.19**	**0.695**

Correlation between Strategic Risk Management and Growth of Datacenters

A correlation analysis was conducted to examine the strength and direction of the relationship between Strategic Risk Management and Growth of Datacenters among data center professionals in Nairobi, Kenya. As presented in Table 7, the results revealed a strong and statistically significant positive correlation. The Pearson correlation coefficient (r) was **0.731**, with a p-value of **.000**, which is below the conventional threshold of **0.05** for statistical significance. This indicates that higher levels of Strategic Risk Management are strongly associated with greater Growth of Datacenters among the respondents. These findings affirm the value of Strategic Risk Management in enabling organizations to anticipate risks, enhance resilience, and adapt strategically to market shifts, thereby supporting sustainable expansion within the data center sector.

Table 7 Correlation between Strategic Risk Management and Growth of Datacenters

Variable		Strategic Risk Management	Growth of Datacenters
Strategic Risk Management	Pearson Correlation	1	
	Sig. (2-tailed)		
Growth of Datacenters	Pearson Correlation	.731**	1
	Sig. (2-tailed)	.000	
	N	92	92

Regression Analysis of Strategic Risk Management and Growth of Datacenters

A linear regression analysis was conducted to evaluate the effect of Strategic Risk Management on the Growth of Datacenters among data center professionals in Nairobi, Kenya. The model summary in Table 8 shows that the R value was 0.731, and the R Square value was 0.534, indicating that Strategic Risk Management explains 53.4% of the variance in Growth of Datacenters. The adjusted R Square was 0.529, and the standard error of the estimate was 0.361. These results suggest that while other factors also influence performance, Strategic Risk Management makes a substantial positive contribution by enabling organizations to proactively address risk, sustain resilience, and position themselves for growth.

Table 8 Model Summary of Strategic Risk Management and Growth of Datacenters

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.731	.534	.529	.361307

a. Predictors: (Constant), Strategic Risk Management

The ANOVA results in Table 9 confirm the statistical significance of the regression model. The F-statistic was 103.017, with a p-value less than .001, well below the 0.05 threshold. This finding confirms that the regression model is robust and that Strategic Risk Management is a significant predictor of Growth of Datacenters within the study sample.

Table 9 Analysis of Variance for Strategic Risk Management and Growth of Datacenters

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	13.448	1	13.448	103.017	.000[b]
Residual	11.749	90	.131		
Total	25.197	91			

a. Dependent Variable: Growth of Datacenters
b. Predictors: (Constant), Strategic Risk Management

The regression coefficients presented in Table 10 provide further insight into the effect of Strategic Risk Management on the Growth of Datacenters among professionals working in data center environments. The unstandardized coefficient for the constant (β_0) was 0.912, with a standard error of 0.324, a t-value of 2.815, and a statistically significant p-value of .006. This indicates that when Strategic Risk Management is held at zero, the expected baseline level of Growth of Datacenters would be 0.912 units. The unstandardized coefficient for Strategic Risk Management (β_1) was 0.780, with a standard error of 0.077, a t-value of 10.150, and a p-value less than .001. The standardized beta coefficient was 0.731, signifying a strong and positive predictive relationship. Since the t-value exceeds the critical threshold of 1.96 and the p-value is well below the 0.05 level, the relationship is statistically significant, and the null hypothesis is rejected.

The resulting regression equation is:

Y (Growth of Datacenters) $= 0.912 + 0.780X_1$ (Strategic Risk Management)

This implies that for every one-unit increase in Strategic Risk Management, the Growth of Datacenters increases by approximately 0.780 units. These findings confirm that robust risk management practices significantly enhance strategic agility, infrastructure scalability, and long-term growth potential in data center operations.

Table 10 Regression Coefficients for Strategic Risk Management and Growth of Datacenters

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	0.912	0.324		2.815	0.006
	Strategic Risk Management	0.780	0.077	0.731	10.150	.001

a. Dependent Variable: Growth of Datacenters

Descriptive Statistics for Market Risk Management

Table 11 presents the descriptive statistics for Market Risk Management as perceived by data center professionals. Responses were collected on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), and the analysis focused on the means and standard deviations of each item to assess the central tendency and variability of perceptions. Respondents expressed high agreement across all eight items. The highest mean was recorded for the statement that the data center regularly evaluates macroeconomic risks such as inflation and currency fluctuations (mean = 4.38, SD = 0.677), followed closely by the strategy's contribution to revenue stability and customer retention (mean = 4.37, SD = 0.766), and the implementation of proactive strategies to mitigate supplier and vendor risks (mean = 4.36, SD = 0.673). These findings highlight a strategic and systematic approach to market risk, especially in areas affecting supply continuity and financial resilience. Moderate to high levels of agreement were also observed for competitor analysis (mean = 4.15, SD = 0.710), use of demand forecasts (mean = 4.20, SD = 0.788), and assessments of regulatory or policy changes (mean = 4.11, SD = 0.547). The lowest mean score, though still positive, was for the item on monitoring demand and competition (mean = 4.00, SD = 0.770), indicating slightly less intensity in external market scanning practices. The aggregate mean across all items was 4.20, with a standard deviation of 0.709. These values suggest strong overall agreement and relatively low variability in perceptions, reinforcing the idea that market risk practices are consistently embedded in data center operations.

Table 11 Descriptive Statistics for Market Risk Management

Market Risk Management Statements	N	Mean	Std. Dev
Our data center actively monitors fluctuations in demand and industry competition.	92	4.00	0.770
We assess regulatory and policy changes that may impact our market stability.	91	4.11	0.547
Diversification into new geographic markets has been adopted to mitigate market risks.	92	4.03	0.943
Customer demand forecasts are used to anticipate and manage market-related risks.	92	4.20	0.788
Competitor analysis is regularly conducted to adjust pricing and service strategies.	92	4.15	0.710
We have proactive strategies to mitigate risks associated with supplier and vendor dependency.	92	4.36	0.673
The data center regularly evaluates macroeconomic risks such as inflation, currency fluctuations, and economic downturns.	92	4.38	0.677
Our market risk management strategy has contributed to revenue stability and customer retention.	92	4.37	0.766
Aggregate	91	4.20	0.709

Correlation between Market Risk Management and Growth of Datacenters

A Pearson correlation analysis was conducted to examine the strength and direction of the relationship between Market Risk Management and Growth of Datacenters among data center professionals. As presented in Table 12, the correlation coefficient (r) was 0.853, with a p-value < 0.001, indicating a very strong and statistically significant positive correlation at the 0.01 level (2-tailed). This finding implies that increases in Market Risk Management practices are strongly associated with corresponding improvements in the Growth of Datacenters. The high correlation suggests that effective monitoring of external risks, including economic volatility, regulatory changes, demand fluctuations, and competitive pressures, contributes meaningfully to operational expansion, service continuity, and customer retention. These insights underscore the strategic importance of market risk frameworks in enhancing long-term infrastructure outcomes and financial stability across the data center sector.

Table 12 Correlation between Market Risk Management and Growth of Datacenters

Variable		Market Risk Management	Growth of Datacenters
Market Risk Management	Pearson Correlation	1	
	Sig. (2-tailed)		
Growth of Datacenters	Pearson Correlation	.853**	1
	Sig. (2-tailed)	.000	
	N	92	92

Regression Analysis of Market Risk Management and Growth of Datacenters

A simple linear regression was conducted to determine the predictive power of Market Risk Management on the Growth of Datacenters. Table 13 shows that the R-value was 0.853, while the R Square value was 0.728, meaning that 72.8% of the variance in datacenter growth was explained by Market Risk Management practices. The adjusted R Square value was 0.725, and the standard error of the estimate was 0.276, confirming strong model fit.

Table 13 Model Summary of Market Risk Management and Growth of Datacenters

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.853	.728	.725	.276052

a. Predictors: (Constant), Market Risk Management

The ANOVA results in Table 14 show an F-statistic of 240.648 with a p-value less than 0.001, indicating that the regression model is statistically significant. This confirms that Market Risk Management is a reliable predictor of datacenter growth outcomes.

Table 14 Analysis of Variance for Market Risk Management and Growth of Datacenters

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	18.339	1	18.339	240.648	.000[b]
Residual	6.858	90	0. 076		
Total	25.197	91			

a. Dependent Variable: Growth of Datacenters
b. Predictors: (Constant), Market Risk Management

The regression coefficients shown in Table 15 provide further insight into the effect of Market Risk Management on the Growth of Datacenters. The constant (β_0) was 0.535, indicating the expected level of Growth of Datacenters when Market Risk Management is not considered. The coefficient for Market Risk Management (β_1) was 0.868, with a standard error of 0.056, a t-value of 15.513, and a p-value of .000. The positive and statistically significant coefficient confirms that Market Risk Management has a strong and direct positive effect on Growth of Datacenters. Since the t-value far exceeds the critical value of 1.96 and the significance level is well below 0.05, the null hypothesis is rejected. The resulting regression equation is:

Y (Growth of Datacenters) = 0.535 + 0.868 X_1 (Market Risk Management)

This equation implies that for every one-unit increase in Market Risk Management, Growth of Datacenters increases by approximately 0.868 units. These findings emphasize the importance of proactive market risk practices including competitor tracking, demand forecasting, and regulatory awareness in driving datacenter expansion and performance in competitive environments.

Table 15 Regression Coefficients for Market Risk Management and Growth of Datacenters

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.535	.237		2.263	.026
	Market Risk Management	.868	.056	.853	15.513	.000

a. Dependent Variable: Growth of Datacenters

Descriptive Statistics for Operational Risk Management

Table 16 presents the summary of participants' responses concerning the extent to which Operational Risk Management practices are applied in their respective data centers. Using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), the analysis examined mean scores and standard deviations to reflect the central tendencies and spread of opinions among the 92 respondents. The highest agreement was observed for the statement that operational risk management practices have significantly minimized service disruptions (mean = 4.41, SD = 0.538), followed by disaster recovery and redundancy measures being regularly updated and tested (mean = 4.40, SD = 0.696) and system downtime incidents being tracked to assess and improve operational resilience (mean = 4.32, SD = 0.694). Respondents also reported strong agreement that cybersecurity risk management is a daily priority and that automation and monitoring systems are used to reduce human-related risks (both mean = 4.30), reflecting proactive risk prevention strategies. Moderately high scores were recorded for statements indicating a structured approach to identifying and mitigating operational risks (mean = 4.10, SD = 0.757) and active monitoring of supply chain risks to ensure business continuity (mean = 4.14, SD = 0.846), suggesting these areas may benefit from further reinforcement. The aggregate mean score was 4.28, while the average standard deviation across all statements was 0.692. These results indicate consistently high engagement in operational risk management practices among data center professionals, with moderate variation in implementation levels. This reinforces the importance of structured and well-integrated risk strategies in supporting datacenter growth, reducing service disruptions, and maintaining business continuity.

Table 16 Descriptive Statistics for Operational Risk Management

Operational Risk Management Statements	N	Mean	Std. Dev
Our data center has a structured approach to identifying and mitigating operational risks.	92	4.1	0.757
Cybersecurity risk management is a key priority in our daily operations.	92	4.3	0.691
Disaster recovery and redundancy measures are regularly updated and tested.	92	4.4	0.696
We invest in automation and monitoring systems to reduce human-related operational risks.	92	4.3	0.607
Supply chain risks are actively monitored to ensure business continuity.	92	4.14	0.846
Regular staff training on operational risk management enhances compliance and efficiency.	92	4.26	0.709
We track system downtime incidents to assess and improve operational resilience.		4.32	0.694
Our operational risk management practices have significantly minimized service disruptions.	92	4.41	0.538
Aggregate	92	4.28	0.692

Correlation between Operational Risk Management and Growth of Datacenters

A correlation analysis was conducted to examine the strength and direction of the relationship between Operational Risk Management and Growth of Datacenters among data center professionals in Nairobi, Kenya. The results, as presented in Table 17, indicate a strong and statistically significant positive correlation. The Pearson correlation coefficient (r) was 0.746, with a p-value of < .001, which is below the conventional significance threshold of 0.05. This finding suggests that higher levels of Operational Risk Management are strongly associated with increased Growth of Datacenters among the respondents. The positive correlation underscores the role of well-structured risk management practices in supporting infrastructure reliability, minimizing disruptions, and promoting sustainable expansion within data center operations.

Table 17 Correlation between Operational Risk Management and Growth of Datacenters

Variable		Operational Risk Management	Growth of Datacenters
Operational Risk Management	Pearson Correlation	1	
	Sig. (2-tailed)		
Growth of Datacenters	Pearson Correlation	.746**	1
	Sig. (2-tailed)	.001	
	N	92	92

Regression Analysis of Operational Risk Management and Growth of Datacenters

A linear regression analysis was conducted to evaluate the effect of Operational Risk Management on the Growth of Datacenters among data center professionals in Nairobi, Kenya. The model summary in Table 18 shows an R Square value of 0.557, indicating that Operational Risk Management explains 55.7% of the variance in Growth of Datacenters. This suggests that well-executed operational risk controls make a significant contribution by enhancing infrastructure resilience, minimizing service disruptions, and supporting consistent growth within the data center sector. The model also yielded an Adjusted R Square of 0.552, which reflects a good model fit

even after adjusting for sample size. The standard error of the estimate was 0.352, confirming that the predicted values of Growth of Datacenters closely approximated the observed values.

Table 18 Model Summary of Operational Risk Management and Growth of Datacenters

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.746	.557	.552	.352349

a. Predictors: (Constant), Operational Risk Management

The ANOVA results presented in Table 19 confirm that the regression model was statistically significant. The F-statistic was 112.956 with a p-value of < .001, well below the conventional significance threshold of 0.05. This indicates that Operational Risk Management is a strong and reliable predictor of Growth of Datacenters.

Table 19 Analysis of Variance for Operational Risk Management and Growth of Datacenters

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	14.024	1	14.024	112.956	.000[b]
Residual	11.174	90	0.124		
Total	25.197	91			

a. Dependent Variable: Growth of Datacenters
b. Predictors: (Constant), Operational Risk Management

The regression coefficients presented in Table 20 offer further insight into the effect of Operational Risk Management on the Growth of Datacenters among data center professionals in Nairobi. The constant (β_0) was 0.751, indicating the expected baseline level of Growth of Datacenters when Operational Risk Management is not factored in. The unstandardized coefficient for Operational Risk Management (β_1) was 0.801, with a standard error of 0.075, a t-value of 10.628, and a p-value of < .001. The positive and statistically significant coefficient confirms that Operational Risk Management has a strong and positive effect on the Growth of Datacenters. Since the t-value exceeds the critical threshold of 1.96, the null hypothesis is rejected. The resulting regression equation is:

Y (Growth of Datacenters) = 0.751 + 0.801 X_1 (Operational Risk Management)

This implies that for every one-unit increase in Operational Risk Management practices, Growth of Datacenters is expected to increase by approximately 0.801 units. These results underscore the strategic importance of operational risk controls in enhancing business continuity, infrastructure reliability, and overall growth outcomes for data center operations.

Table 20 Regression Coefficients for Operational Risk Management and Growth of Datacenters

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	.751	.325		2.313	.023
	Operational Risk Management	.801	.075	.746	10.628	.000

a. Dependent Variable: Growth of Datacenters

Conclusion

The study concluded that financial risk management had a strong and positive effect on the growth of datacenters in Nairobi. Datacenters that adopted structured financial controls, including risk mitigation policies, hedging instruments, and diversified income streams, were better positioned to absorb financial shocks and maintain operational stability. In addition, strategic risk management contributed positively and significantly to the growth of datacenters. Organizations that actively assessed long-term risks, maintained robust business continuity plans, and incorporated risk considerations into strategic decisions demonstrated greater adaptability to external disruptions. The findings also established that market risk management had a particularly strong and positive impact on datacenter growth. Finally, operational risk management had a positive and significant influence on the growth of datacenters.

Recommendations

In light of the strong positive effect of financial risk management on datacenter growth, it is recommended that datacenter operators establish more structured financial risk governance systems. Given the significant contribution of strategic risk management to datacenter growth, it is essential for organizations to invest in formalizing their strategic risk frameworks. As market risk management was found to have the highest effect on growth, organizations should strengthen their ability to monitor and respond to external market dynamics. Continuous investment in market intelligence capabilities, including data analytics and customer insights, will support strategic agility and long-term viability in a highly competitive environment. With operational risk management playing a substantial role in enhancing datacenter growth, it is recommended that organizations strengthen operational resilience through both technical and procedural upgrades. Embedding operational risk awareness into daily routines and cross-functional coordination will ensure that resilience becomes a core component of datacenter operations.

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