CRITICAL SUCCESS FACTORS FOR THE BUSINESS INCUBATION PROCESS IN KENYA

BY

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

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This project has been presented for examination with my approval as the appointed supervisor.

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ABSTRACT

The focus of this study was on the business incubators as an enabler of entrepreneurship development. The purpose of this study was to determine the Critical Success Factors for the Business Incubation Process in Kenya. The study was guided by the following research objectives: to determine the primary objectives of business incubators; to examine the challenges of developing business incubators and to investigate the best practices for business incubation.

The study was carried out through descriptive research design. It adopted the judgmental sampling method. The total population of the study was 125 respondents including both incubators and incubatees. The sample size was 100 target respondents and the response rate 72%. The data was analyzed using qualitative and quantitative techniques. Qualitative method involved content analysis and evaluation of text material. Data was collected through the use of questionnaires where the questions were structured in such a manner that all the objectives of the study were captured. The researcher used descriptive statistics where frequencies and percentage of responses were obtained. The mean and standard deviation measures of dispersion were also used.

In determining the primary objectives of business incubators, the findings established that the most important objective for business incubators is to promote entrepreneurship. This was followed by creating employment and then to provide hands-on business and management assistance to businesses.

In examining the challenges of developing business incubators, the results indicated that business incubator management should be equipped with knowledge, skill and expertise to run the incubator, as well as the incubators having both short and long term business plans, and a clear vision. The study also found that most of the incubators received no funding from outside the incubator operations, which calls for the incubators to remain self-reliant in funding all of its activities.

In investigating the best practices for business incubators, the findings established that developing sustainable operational processes, having a framework to monitor incubatees, hiring qualified incubator managers and developing clear revenue generation models were among the best practices for the success of business incubators.
The main conclusions from this study were that promoting entrepreneurship, creating employment and boosting local and regional development are key objectives of business incubators. In addition, most business incubators aim to provide hands on business and management assistance which is important to incubate firms’ growth and success. The main challenges include lack of clear strategic business plans, poor governance and lack of access to funding. The best practices were found to include the employment of staff with high education qualifications as well as having clear goals for both the incubator and incubatee firms.

The study recommends the need to develop framework models that will categorize business incubators according to their nature. A Business Incubation Policy to govern the process would assist in streamlining the various activities. The infrastructure for funding by governments through subsidies, loans or grants should be made transparent and its awareness highlighted. Involvement of other stakeholders and players in addition to business incubator owners and entrepreneurs in the process is recommended. A post incubation strategy would be ideal in reviewing the success or failure of graduate firms, and also integrate them into the market and link them back to the related industry. A corporate membership organization which can enlist business incubators countrywide is also recommended.

This study recommends further studies to be carried out on categorized incubator types in order to gain an in-depth view on their operations. A broader sample can be taken for study and incorporate other towns and cities outside of Nairobi. An assessment on the impact of the evolving information technology platform on the business incubation process could also be studied. And finally, a study into the ecosystem developed by business incubators could be of interest to researchers.
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DEDICATION

This research work is dedicated to my family for their support, patience, understanding and encouragement. To all the people who I interacted with, who affirmed to me that hard work, determination, clear focus, dedication and persistence yield good fruit. What I conceived and believed, I have now achieved.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Business enterprises emerge everyday all over the world. Entrepreneurship is critical to the development of the economy of a country by creating jobs, developing new products and processes through innovation, identifying newer markets and increasing the productivity through newer competition. Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment of providing value for some product or service, according to Suresh and Sudha D, 2012. Entrepreneurship is thus deemed important and is critical in the process of economic development. An entrepreneur who is focused on achieving results and success will continuously take risks and explore opportunities through which he can raise resources that will assist him in achieving this.

According to United Nations Development Program (UNDP) Essentials Publication on Entrepreneurship Development December 1999, Entrepreneurship can be defined as the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise that has high growth potential. An entrepreneur identifies an innovation to seize an opportunity, mobilizes money and management skills, and takes calculated risks to open markets for new products, processes and services.

Transforming a business idea into a viable company is a long and tedious process. Many variables come into play, and these to a large extent determine the success of the venture. Such factors would include financing, premises, support, markets, customers, competition, location, logistics just to mention a few. An important aspect would be to determine the different stages of growth of the venture, and the life cycle of each stage. According to Suresh and Sudha D, 2012, success of a start-up may not be attributed to one single success factor…..A success factor in one phase may well be a failure in another phase. Likewise, some variables are more important in one phase and not another.
The concept of Business Incubation has emerged in the last 30 to 35 years where a lot of research is being conducted. The primary purpose of business incubators is to assist businesses to perform marginally better by creating nurturing and supportive environments that offer specialized services and support programs in a controlled manner. To a large extent, this ensures that risks are minimized and success of the business ventures is maximized. A lot of literature on business incubation research focuses on business incubator facilities and less on the impact or success rate of small businesses that have undergone incubation.

According to Garnsey (Garnsey, 1998) “…..incubation inside another organization during early resource access, mobilization and deployment is likely to enhance a firm’s prospects for developing by protecting from early hazards”. The success of the business incubators is also dependent on the quality of services offered as well as the staff and trainer level of involvement.

The National Business Incubation Association of the United States of America (NBIA website January 2013) is the world’s leading organization advancing business incubation and entrepreneurship. Each year, it provides thousands of professionals with information, education, advocacy and networking resources to bring excellence to the process of assisting early-stage companies. The NBIA serves more than 2,100 members in more than 50 nations. While incubator managers and developers make up a large share of NBIA’s membership base, the association also represents other interested individuals and groups. Approximately 25 percent of the NBIA membership is from outside the United States.

The NBIA defines Business Incubation as that which catalyzes the process of starting and growing companies, providing entrepreneurs with the expertise, networks and tools they need to make their ventures successful.

Business Incubators play a critical role in incubating businesses or companies so that ultimately they can achieve their goals, which include creating employment, cultivating an entrepreneurial climate, contributing towards economic development, or diversifying local economies.
Their primary purpose is to assist businesses to perform marginally better in whatever area they are dealing in. They mainly target small businesses at the start up stage or those in the early years of growth. Erlewine & Gerl (2004) observed that over the years, economic developers have for one reason or another used a ‘three-legged tool’ comprised of business attraction (financial and non-financial and quality of life incentives), business retention and entrepreneur assistance strategies such as strategic tools for economic development. The rationale for entrepreneur-assistance strategies as further explained by Erlewine & Gerl is to encourage entrepreneurial activity in disadvantaged areas by helping entrepreneurs overcome obstacles, and to ultimately access essential resources necessary to create, grow and sustain new businesses.

Historically, the development of business incubators goes back to the United States of America in 1959, with the first business incubator being opened in Batavia, New York known as the Batavia Industrial Center. It was began by Charles Mancuso & Sons when they purchased a closed industrial complex and wanted to fill it with a major employer, in an effect to curb unemployment, but could not find a single tenant to lease the 850,000 square feet. They were forced to take in smaller business into the facility and helped them nurture their businesses until they became independent.

According to Abel Kinoti (2011), as one of the tenants in the building was a business that incubated chickens, Mancuso began to refer to his business complex as “the incubator”, a name that spread very first in the neighbourhood. After the business of rearing chicken closed down, other businesses flourished owing to several innovations of the incubator concept such as shared services, flexible space at low cost and a nurturing environment (Hurley, 2002). The mature enterprises would then invest in buying or building new plants when they moved out of the incubator into the community setting. The Batavia Industrial Center is still in operation to date, and offers not just space to tenants, but other value adding services in shared services and consultation.

As other operations began to recognize the value of “incubation” services, in terms of sustainability and economic development, more communities began to develop similar business incubators.
In South Africa, emergence of business incubation is traced back to 1995, after the 1994 sunset of Apartheid and the call for inclusive democracy. According to Kinoti (2011), the Small Business Development Corporation set-up the “hives of industry” (Lalkaka & Abetti, 1999), which comprise a number of independent workstations that are put together to constitute a cluster of workshops.

In Kenya, the concept business incubators started in 1967 when the ICDC - Industrial and Commercial Development Corporation, a government body, established a subsidiary, the Kenya Industrial Estate (KIE) to facilitate development “of micro, small and medium enterprises (MSMEs) countrywide by establishing industrial parks, providing credit and business development services (BDS) in a sustainable manner” (Kinoti, 2011).

Later, other types of business incubator services began to come up, such as Non-Governmental Organizations (NGOs) and church based institutions; and more recently incubators with proper structures such as the International Finance Corporations’ (IFC) Small and Medium Enterprises (SMEs) Solution Centre, the Kenya Kountry Business Incubator (Kekobi) and the Kenya Industrial Research and Development Institute (KIRDI).

This study focuses on the business incubator as an enabler of entrepreneurship development. For start-ups and small enterprise development, a nurturing and supportive environment is key towards the success rate of small firms. Kinoti (2011) observes that business services that include training, technology transfer, business advice, marketing assistance, mentoring and information aimed at helping small and micro entrepreneurs will help to improve the performance of their businesses.

Despite the fact that the NBIA has noted on many occasions that the incubation process is much more important than the incubator facility (Adkins, 2001), little is still known about the business incubation phenomenon. With more focus on entrepreneurship development, there will be continued interest in the success rate of enterprises which will trigger more interest and research on the success factors of a business incubator.
1.2 Statement of the Problem

Researchers globally have observed that though the number of such incubators is increasing, it remains unclear as to whether they achieve their goals, or what their exact impact is.

In Kenya, business incubators provide an important service network for new and potential Small and Medium Enterprises (SMEs). It is estimated that there are about 25 business incubation program providers in Kenya under private enterprise, though less than half of these actually conduct the core functions intended (Kinoti, 2011). There are no broad based statistics or literature that quantify or rank the incubation programs, nor are there measures that assess the effectiveness of these programs.

Currently, there is lack of a Business Incubation Policy in Kenya, but the Business Incubation Association of Kenya (BIAK) 2010, an inactive corporate membership organization, states in its website that there is one under development by the Kenya Government. BIAK as an umbrella body has objectives that it uses to measure its success rate, however they do not have a monitoring and evaluation mechanism to rate their own effectiveness.

In Kenya, one of the goals of Vision 2030 is to maintain a sustained economic growth of at least 10% per annum from the year 2012 and beyond. One of the anticipated projects aimed at achieving this is through the development of 47 SME parks, one in each county. The benefits of these parks will include: creation of jobs; creation of related industries and increased economic activity in SME Park areas.

Hannon (2005) notes that although much has been written about incubators, very little if any, has been reported on the incubation process. This implies that there is a gap in research between studies on business incubators and research on business incubation process. In addition, the ‘how’, ‘why’ and ‘where’ is also not expounded. The entrepreneurs’ perception of the importance of businesses-incubation services and how the services are rendered is also of significance.
Thus, this presents an opportunity for the development of suitable process models that determine the success or failure of business incubators. This will lead to establishment of fair evaluation of the impact of incubation services across incubators offering similar services. The outcomes will be more objective and hence offer more validity to stakeholders.

As there is no blueprint in Kenya on how business incubators should be run, they tend to operate on process models of their own that best fit their objectives, the community, the region and the target. It is against this background that this study aims to investigate the business incubation process so as to determine the critical success factors that business incubators ought to adopt, as well as the key factors influencing their performance so that they can attain success.

1.3 General Objectives
The General Objective of this study is to determine the Critical Success Factors for the Business Incubation Process in Kenya.

1.4 Specific Objectives
The study is guided by the following research objectives:

1.4.1 To determine the primary objectives of business incubators.
1.4.2 To examine the challenges of developing business incubators.
1.4.3 To investigate the best practices for business incubation.

1.5 Importance of the Study
1.5.1 Private and Government Sponsored Business Incubators
The findings from the study can be beneficial to assist privately sponsored business incubator owners as well as government sponsored business incubators. They will be equipped with knowledge and information, and have a deeper understanding of the critical factors that will ensure that their business will survive while performing the important role of developing small businesses and other entrepreneurs. Such knowledge will guide them in clearly defining their objectives, their decision making strategies and of the importance of all stakeholders. This study will also help them in creating a suitable
operational model that will inform their operations and allow them to remain in business in the long term.

1.5.2 Economic Development Policy Makers
The study could also assist the economic policy developers to gain insight into the operations of business incubators. This will assist them in defining or determining policy regulation and guidelines for business incubators in general. In the long term, standardization of a platform in the form of an integrated policy will greatly influence the development of business incubation services in the country.

1.5.3 Researchers and Academicians
The study can make a contribution to further studies in the subject of business incubation, specifically in relation to the business environment in Kenya and the contribution of business incubators to the development of entrepreneurship. Of importance is the type of operational models for business incubators today, an area of interest since it determines the success rate of both incubators and incubates. The critical success factors identified here can also be explored further.

1.5.4 Small and Micro Enterprises
The study could be beneficial to small and micro enterprises on the vital role that business incubators play in promoting entrepreneurship. The infrastructure and services provided in the nurturing environment may lead to the success of many SME’s in the country.

1.6 Scope of the Study
The scope of the study is limited to business incubation service providers in Nairobi where the study can easily be conducted. The respondents of this study will include incubator CEOs, managers and owners. The study is based on 25 business incubators who offer business incubation services primarily. The study will be conducted for a period of 3months between April and June 2013.
1.7 Definition of Terms

1.7.1 Business Incubation

“The main objective of a business incubator is to facilitate development of conditions and support systems that will ensure successful business operations.” (Lumpkin and Ireland, 1988).

BIAK defines Business Incubation as a set of business strategies and support mechanisms deployed to help build up strong, viable, companies from ideas to products to commercialization. Business Incubation can also be defined as the creation of a nurturing and supportive environment that provides business support programs which enable businesses to develop within a controlled environment.

1.7.2 Business Incubator

“A small business incubator is a facility that aids the early-stage growth of companies by providing rental space, share office services and business consulting assistance.” (Allen and Rahman, 1985).

National Business Incubator Association (NBIA)’s definition is … A business incubator is an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services. A business incubator’s main goal is to produce successful firms that will leave the program financially viable and freestanding.

1.7.3 Business Incubation Process

Lavrow & Sample define it as a primary function of a business incubator, a process of facilitating accelerated growth of incubatees through an array of business support resources and services with the goal of producing successful firms that will leave the program financially viable and freestanding.

1.7.4 Incubatee

An incubatee refers to a company that is in its early stages of development, and is in the business incubator facility benefitting from the services offered therein.
Lavrow & Sample (2002) define an Incubatee as an incubator’s client or a start-up whose growth acceleration is the primary business of the incubator.

1.7.5 Entrepreneurship
Entrepreneurship can be defined as the process of using private initiative to transform a business concept into a new venture, or to grow and diversify an existing venture or enterprise with high growth potential.

1.7.6 Process Model
Process modelling refers to the analytical representation of a business’ processes. It captures all the various components of a process, maps them out using illustrations and then creates a baseline for process improvement in order to achieve the ‘ideal’. Process modelling is a critical component in successful business process management. It is widely used in business set ups, and the use of standard methods of illustration such as flow charts, makes the information easily understood by business managers.

1.7.7 Critical Success Factors (CSF)
These refer to the combination of important factors that are necessary in the attainment of defined business goals or objectives. They may be driven by various conditions, such as, the business strategy, management control, vision and mission or the market and other external factors.

According to Dirks and Wijn 2002, “Various strategies call for different information, and, to that end, the management control process starts with the identification of CSF. In general the chosen strategy determines the CSF, and the subsequently form the basis for the design and functioning of the management control systems. Therefore the most important role of management control systems is to support the implementation of strategies”.

“The CSF follow from the vision and mission of the organization and from a strategic evaluation of the market” (Dirks and Wijn 2002).
1.8 Chapter Summary

Chapter One presents the background of business incubation, its history, its evolution and the importance of its role in entrepreneurship development. The chapter also describes the statement of the problem in the context of the Kenya environment, and the opportunities for continued research. It outlines the specific research objectives, the significance of the study, the importance and the scope of the study as well as the working definitions of specific terms used in the project.

Chapter Two will cover the literature review based on the specific objectives: First, to determine the primary objectives of business incubators; second, to examine the challenges of developing business incubators, and third, to investigate the best practices for business incubators.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
The purpose of this chapter is to examine literature by other researchers and academicians on factors that are deemed critical in the success of business incubators. It explores the reasons why business incubators are set up, what they hope to achieve, challenges that they face, and why some of them are successful. The chapter is structured according to the specific objectives as follows: to determine the primary objectives of business incubators; to examine the challenges of developing business incubators, and to investigate the best practices for business incubators.

2.2 Primary Objectives of Business Incubators

2.2.1 Concept of the Incubator
According to Hackett and Dilts (2004), as the “understanding of the incubator-incubation concept advanced, the concept that the incubator itself is an enterprise with its own developmental life cycle was embraced”. It was therefore important to recognize that the incubator also has a life cycle. Hackett and Dilts (2004) state that this highlights the importance of would-be-incubatees performing due diligence on the incubator in order to determine whether the incubator has the core competencies in business assistance, and the resources to provide the kind of value demanded.

The incubator has three stages of growth. The start-up stage begins at the time a local community begins to consider establishing an incubator and ends once the incubator has reached full occupancy (Allen, 1988). The incubator business development stage is indicated by an increase in the frequency of interaction amongst incubator manager and incubatees, stable demand for space within the incubator, and greater support for the incubator in the local community (Allen, 1988). The incubator maturity stage reflects the point when the incubator has more demand for space than it can service and has become a center of entrepreneurial gravity in the community (Allen, 1988).

The success of the incubator depends on the larger role to be played by the institutions apart from the space, building and the equipment, and the strategies to be adopted by the incubator to create an enabling environment by helping the start-ups to overcome the
obstacles and challenges faced in transforming themselves into an enterprise (Kumar K. Suresh and Rani Sudha D, 2012).

The incubator is also a network of individuals and organizations including the incubator manager and staff, incubator advisory board, incubatee companies and employees, local universities and university community members, industry contacts, and professional service providers such as lawyers, accountants, consultants, marketing specialists, venture capitalists, angel investors, and volunteers. (Hackett and Dilts 2004).

2.2.2 Emergence of the Incubation Process

It is widely accepted that the incubation concept began with the Mancuso family in the 1950s in Batavia, New York on a former Massey-Ferguson facility (Leblebici and Shah, 2004). Incubators differed from the existing industrial parks and estates, as the focus shifted away from real estate development and subsidized rents to value-added business services (O’Neal, 2005). These developments finally led to the foundation of the National Business Incubation Association (NBIA) in 1985, with 40 founding members (ú. Semih Akçomak, 2009).

According to Leblebici and Shah, 2005, first generation incubators aimed at job-creation and new venture creation which are catalysts for economic development. In the 1960s and upto 1984, incubators began increasing as the US government attempted to remedy the unemployment numbers and curb firm failure by providing funding (Leblebici and Shah, 2005). Slowly, the incubator concept became favourable and this enhanced its growth. The number of incubators began to rise, and industry experts estimated about 1000 incubators around the world by 1990 (Allen and McCluskey, 1990). During this time, as most incubators were publicly financed, the aim was improve economic development by industrial renewal and creating jobs.

In the mid-1990s, the business incubation industry seems to have reached a level of maturity. A number of newly established incubators in developed countries slowed down. This was largely due to the problems experienced in the incubation process. Most incubators were providing similar low quality management advice and business support services without any exit restrictions. The credibility of incubators was restored in the
second half of the 1990s, a phase which could be labeled as the “deepening” of the industry (Akçomak, 2009). The development of the new high-tech economy stimulated this process and led to the creation of sector specific incubators (Hackett and Dilts, 2004). Around this time, virtual internet incubators also began to emerge and the development of high-tech companies started.

In addition, the mid 1990s saw the emergence of another force in the growth of business incubators. This was the adoption of the concept in many developing countries such as China, Brazil, India, Malaysia and Turkey (Akçomak, 2009). One third of the existing incubators in developing countries were established from the early 1990s to 2000. It is now estimated that around 40% of all existing incubators are in developing countries (Akçomak, 2009).

It is anticipated that in the 2000s and future generations, there will be an increase of for-profit incubators. Their major purpose is to generate revenue for their owners which could be done in various ways such as charging fees to services provided or the incubator could invest in the businesses of individual tenants (Akçomak, 2009). In developing countries, most incubators are still funded by the governments and the for-profit idea is yet to develop, though in Kenya we see the emergence of these in diverse sectors of development.

2.2.3 Entrepreneurship and Incubation

Entrepreneurship development aims at hastening the pace at which new entrepreneurial ventures are created, which in turn accelerates employment and job creation, and in turn promotes economic development. Kinoti (2011) notes that business incubation includes the development of a supportive and stimulating environment for entrepreneurship. According to Akçomak, Semih U (2009) the mere existence of incubators cannot guarantee people to become entrepreneurs, and cannot induce networking among firms. Setting up incubators is a viable but not the sole tool to promote entrepreneurship and innovation.

Thus, it can be assumed that it is best to complement incubator policy with other policies that encourage entrepreneurship development.
2.2.4 Common Goals of Business Incubators

Most research assumes that incubators are economic development tools for job creation whose basic value proposition is embodied in the shared belief that operating incubators will result in more startups with fewer business failures (Fry, 1987).

According to BIAK “the goal of an incubator is not only to ensure the small business survives the start-up period where they are most vulnerable, but to produce confident, successful graduates that are well grounded financially and secure in their knowledge of how to run a productive business independently, within two or three years of start-up. On the average ninety-five percent of an incubator’s clients graduate, and eighty-seven percent of incubator graduates remain in business. The resulting community benefits of an incubator are healthy companies, accelerated job growth and a significant return on investment for each economic development dollar spent.”

According to Akçomak, Semih U (2009), incubators provide an attractive framework to practitioners in dealing with the difficulties in the process of entrepreneurship. They can be considered as a remedy for the disadvantages that small and new firms encounter by providing numerous business support services as well as fostering technological innovation and industrial renewal. They can be viewed as a mechanism; (i) to support regional development through job creation (ii) for new high-tech venture creation, technological entrepreneurship, commercialization and transfer of technology; and (iii) an initiative to deal with market failures relating to knowledge and other inputs of innovative process.

The National Business Incubation Association (NBIA) outlines the objectives of business incubators as “… dynamic processes of business enterprise development which: (i) nurture young firms, help them to survive and grow during the start-up period when they are most vulnerable, (ii) provide hands-on management assistance, access to financing and orchestrated exposure to critical business or technical support services, and (iii) offer entrepreneurial firms shared office services, access to equipment, flexible leases and expandable space — all under one roof.”
Akçomak, (2009) outlines the goals as: to reduce start-up and early stage operational costs, and risk of doing business by providing a protective environment for start-ups; as a means of regional (technology) development policy; enhancing university-industry collaboration via university incubators; stimulating networking among firms; and reversing or preventing brain drain.

It is worth noting that business incubators are established for different reasons and objectives. These generally appear to cover and encompass similar areas, which include: providing an enabling environment where entrepreneurship can thrive before they go out into the world, and ultimately creating employment, developing communities and contributing towards economic development. Different operations and process models are adopted to meet these objectives. Thus, the success of the business incubator will depend on the larger role to be played by the organization apart from providing facilities.

2.3 Challenges Experienced by Business Incubators

2.3.1 Types of Business Incubators

Business incubators differ depending on their origin or founding source. They can be broadly classified as either Not-for-profit (sponsored) or For-Profit (privately owned) incubators. According to Lavrow, Marina and Sample, Sherry (2002), the differentiation between the two is more of a philosophy than anything else, the borders often tend to overlap and are neither rigid, clear or well defined.

Akçomak, (2009) notes that the long-term evolution of incubators reveals that the concept has evolved from a simple tool for economic development, into a high-tech sector-specific and increasingly profit oriented tool to promote entrepreneurship.

Hackett Sean M. and Dilts David M. (2004) use the illustration below (borrowed from Allen and McCluskey, 1990) to highlight the different types of incubators and their primary objectives. It is worth noting that there are both initial and secondary objectives for different types of incubators.
Table 2.1: Types of Business Incubators

<table>
<thead>
<tr>
<th>PRIMARY OBJECTIVE</th>
<th>Real Estate</th>
<th>Value-Added Through</th>
<th>Business Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>For-Profit Property Development Incubators</td>
<td>Real estate appreciation</td>
<td>Job creation</td>
<td>Academic Incubators</td>
</tr>
<tr>
<td></td>
<td>Sell proprietary services to tenant</td>
<td>Positive statement of entrepreneurial potential</td>
<td>Capitalize investment opportunity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECONDARY OBJECTIVE</th>
<th>Real Estate</th>
<th>Value-Added Through</th>
<th>Business Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create opportunity for technology transfer</td>
<td>Generate sustainable income for the organization</td>
<td>Strengthen service and instructional mission</td>
<td></td>
</tr>
<tr>
<td>Create investment opportunity</td>
<td>Diversify economic base</td>
<td>Capitalize investment opportunity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bolster tax base</td>
<td>Create good will between institution and community</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Complement existing programs</td>
<td>Utilize vacant facilities</td>
<td></td>
</tr>
</tbody>
</table>

2.3.1.1 Not-for-Profit (Sponsored) Incubators
These are mostly government sponsored or funded. Lavrow and Sample (2002) described these as entities whose primary business is the accelerated growth of its client companies, which either does not generate revenues, does not break even, or whose business plan does not include profit-generation positions. They go on to further add that Not-For-Profit incubators originate in academia, research centres, local and central government, and are created by community advocates. Historically, business incubators have been founded by universities and research centres, and financed largely by central and local governments.

2.3.1.2 For-Profit (Privately Owned) Incubators
Additionally, Lavrow and Sample (2002) describe a for-profit incubator as an entity whose primary business is the accelerated growth of its client companies where profit-generation positions are included in its business plan. In their study, they note that a large group of for-profit incubators originate as either pure business incubators, in technology firms, venture capital firms, consulting firms or as entrepreneurial projects. These are
regarded as “new incubators” as they have neither a solid track record, nor an impressive history. The overwhelming majority of these are start-ups.

For-profit incubators are mainly lured by the potential profits as well as having a higher hand in terms of control of the incubation ventures. For example, the IBM company has a global incubation strategy that is particularly worthy of mention. IBM’s global incubation strategy sends “34 of their global managers to 34 universities, all in developing countries. Their goal is to single out innovative ideas generated by students, and direct them into the IBM incubator on site, and thus, to the IBM Incubation division. The long-term goal is to have new ideas on tap at all times around the world” (Lavrow and Sample 2002).

Akçomak, (2009) interestingly points out that for-profit incubators could be organized as independent entities, or they could operate under a parent corporation. Their major purpose is to generate revenue for their owners which could be done in various ways such as charging fees to services provided or the incubator could invest in the businesses of individual tenants. For-profit incubators also support corporations in achieving technological as well as economic goals such as developing innovative products and processes. New and small ventures have problems to reach resources, funding and knowledge. Firms may select to receive assistance for specialized services provided by an incubator but in return have to give up shares or pay for these services. In this case all the services are provided and organized within an incubator and the only difference is that services have monetary costs.

2.3.2 Characteristics of the Incubation Process

The characteristics of different incubators are typically defined depending on the type of business incubator, whether for-profit or not-for-profit; and secondly by the type of process model that has been adopted by the incubator.

Lavrow and Sample (2002), in their research, summed up five major characteristics that have been used to segment different models of both for-profit and not-for-profit business incubators. These are defined as: Internal ideas, Financial Independence, In-House Financing, Management Focus and Technological Synergy. They also identified the factors that assist in defining the value proposition and organizational capacity of various
types of incubators. They also assessed the tools that can be to determine the main focus and viability of both an existing incubator, and a business incubation project.

Fararishah Abdul Khalid, David Gilbert, Afreen Huq (2012) found that these characteristics are of prime importance in the incubation process: selection process of incubatees; monitoring new businesses and assistance intensity; resource allocation as well as professional management services within the incubator.

The BIAK website cites its commitment to offer the following to its members and other entrepreneurs: Information and Education; Partnership and Networking; Workshops and other forums; Incubator services such as management guidance, technical assistance, and consulting; and Advocacy. It is the belief of the association that these services are important towards the success of the business incubation process and ought to be considered by every business incubator.

Robert Joseph, Michael Bordt and Daood Hamdani (2005) identify in their study the following characteristics as most important: Infrastructure – human resources, floor space and source of fund; Incubator policies – program objectives, selection of applicants and graduating clients; Clients and Services – by industry type and the services offered and utilized; Employment and business activities by client firms; and Management – their experience and area of expertise.

The NBIA website points out that “an effective feasibility study will help determine whether the proposed project has a solid market, a sound financial base and strong community support – all critical factors in an incubator’s success. Once established, model business incubation programs commit to industry best practices such as structuring for financial sustainability, recruiting and appropriately compensating management with company-growing skills, building an effective board of directors, and placing the greatest emphasis on client assistance.”
2.4 Best Practices for Business Incubation

2.4.1 Purpose of the Business Incubator

Kumar K. Suresh and Rani Sudha D (2012) in their research note that incubators have been established with different technologies, leading to different operational models being adopted to meet the objectives of the incubator. “The very little exposure on the functioning of the incubators has led the incubation managers to face the challenges in identifying the basis on which the performance of an incubator is ascertained, the key factors that lead to the good practices of the incubator, the factors that influence the performance of the incubator and the strategies to be adopted for the growth of the incubator”. They state that most researches have revealed that various factors influence the success of the incubators, and that there appears to be limited studies about the performance of the incubator and the factors influencing the same.

Vanderstraeten Johanna and Matthyssens Paul (2012) note that an incubator’s performance depends on “the careful planning and implementation of the incubation process” It is not the incubator facility, but the incubation process itself which defines incubator success. They go on and paraphrase that examining an organization’s effectiveness, however, requires in-sight in the goal, stakeholder, internal process and system resource approach. They state that some researches have yielded to a form of criteria to compare the performance of various business incubators. These are: average incubation time, share of start-ups, share of high-tech firms, client satisfaction, job creation, overall survival and growth after graduation.

2.4.1 Performance Evaluation of Business Incubators

Many business incubator researchers and practitioners seem to only use one or a few indicators for incubator performance evaluation. According to Hackett and Dilts (2008), as interest in entrepreneurship continues to grow, interest in methods for increasing the likelihood of entrepreneurial success and preventing entrepreneurial failure will also continue to grow. They mention that the attempt to measure the impacts of incubator and incubation process is as important as it is challenging. They suggest that data may not always be available especially for failed incubatees, and incubators will always want to present the successful ones.
Of particular interest is their suggestion that performance evaluation or measurement should be pre-defined and undertaken at different levels and units of analysis. Specifying the level of analysis employed helps to limit the scope of an investigation by focusing the research efforts. They list all possible levels of analysis in incubator – incubation research as follows: Entrepreneur level, incubator manager level, incubatee level, incubator level, community level, and incubation industry level.

The range of potential units of analysis in incubator-incubation research includes: the community in which the incubator operates, the incubator as enterprise, incubator manager, incubatee firms, incubatee management teams, and the innovations being incubated.

Generally, the incubator as an enterprise is often considered when evaluating the unit of analysis. The performance of the incubator is more often than not, measured in terms of graduate incubatee performance and incubation process outcomes. The outcomes are primarily considered to include: graduate incubatee growth and developmental advancement, graduate incubatee financial performance and jobs that they have created.

Research in this subject suggests that there does not exist a consensus yet on how to measure incubator performance, and thus many incubators use different types of performance tools and forms of measurement to evaluate themselves. There is no standard way of evaluating performance. Perhaps in future, adopting a business-like approach towards managing business incubators will lead to formation of key performance indicators that will guide evaluation of the incubation process.

For the purposes of this study, four variables have been linked so as to derive the important performance indicators for business incubators. These are: a) the input or foundation processes; b) the internal processes (regardless of the operation model adopted); c) the systems resources within the incubator, and d) the outputs or outcomes.

2.5 Chapter Summary
This chapter reviewed literature on the critical success factors on the business incubation process. The first section looked at literature on the primary objectives of business
incubators; the second section explored literature on the challenges faced when developing business incubators; and the third section of the literature looked at the best practices proposed for business incubators.

Chapter 3 will cover the research methodology for this study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter illustrates the methods and procedures that were employed in the study in order to come up with solutions to the research objectives. It clearly describes the research design, the target population and sampling design, data collection methods, research procedures, the methods that were used in analyzing the data as well as the summary of the chapter.

3.2 Research Design
The study employed a descriptive research design. This design is a scientific method which involves observing and describing the character of each unit in the population. According to Shields & Tajalli (2006), descriptive research describes data and characteristics about the population/phenomenon being studied. It aims at investigating a question without attempting to quantifiably measure variables or look to potential relationships between variables. The survey was conducted by the use of questionnaires, where a list of standardized questions drafted by the researcher were filled in by the sampled participants from each incubator. The researcher then collected the filled questionnaires, used descriptive statistics to summarize the data in order to come up with conclusions on the findings of the study.

3.3 Population and Sampling Design
3.3.1 Population
According to Mugenda & Mugenda (2003), population is the set of all entities from which statistical inference are drawn. Further, it is a complete enumeration of all the units in a sampling frame from which the research is to be conducted. The population of the study consisted of different types of business incubation programs in Kenya. The study involved a population of respondents comprising of both incubators and the incubatees. The target respondents included the business owners or managers within the organizations. In each of the 25 incubators, one (1) incubator manager / business owner and a minimum of three (3) incubatee managers / business owners were selected to participate in the study.
The population distribution is indicated in the Table 3.1:

Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Respondents from Incubator</th>
<th>25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents from Incubatee</td>
<td>75</td>
</tr>
<tr>
<td><strong>Total number of respondents</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

### 3.3.2 Sampling Design

#### 3.3.2.1 Sampling Frame

A sampling frame is a list of all the elements of the population from which data is to be collected. It is the source material or device from which a sample is to be drawn from. A sample frame is a matter of choice to the survey planner and sometimes a critical one (Jessen, 1978). In this case, the sample frame used was all the twenty five (25) incubators in the country as given by Kinoti A. (2011).

#### 3.3.2.2 Sampling Techniques

The study adopted the judgmental sampling method. The researcher used their own judgment to determine who should participate in the study, from a given institution, based on the respondents’ availability. According to Lucas (2012), judgemental sampling technique is a method where the researcher uses his/her own judgment to determine who to participate in the study based on the required sample.

In this case, judgmental sampling was used to ensure that sufficient information was given by the respondents without inconveniencing any one of them. Four (4) of the well-established incubatees were targeted from every incubator, and this formed the required sample to participate in the study. This ensured the reliability of the data that was taken from these participants, and it gave room for the free and willing persons to participate in the study. Another merit of the technique was that a short time was taken in collecting data since the sampling technique is simple and easy to administer.
3.3.2.3 Sample Size

Cooper & Schindler (2003) define sample size as a measure of the subset of the population which has been selected through the sampling technique. For the participation in research and the reliability of any data, this is also determined by the size of the sample from which the data has been collected. The sample size to be selected for this study was based on the assumption that each incubator has an average of four (4) incubatees housed.

A sample size of 100 was selected from a projected total population of 125 respondents. The sample size was deemed sufficient and representative of the population. The sample size distribution is presented in Table 3.2.

Table 3.2: Sample Size Distribution

<table>
<thead>
<tr>
<th></th>
<th>Total Respondents</th>
<th>Sample Size</th>
<th>Percent of Sample</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incubators</td>
<td>25</td>
<td>25</td>
<td>100%</td>
<td>20%</td>
</tr>
<tr>
<td>Incubatees</td>
<td>100</td>
<td>75</td>
<td>75%</td>
<td>80%</td>
</tr>
<tr>
<td>Total</td>
<td>125</td>
<td>100</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

3.4 Data Collection Method

Gathering of data consists of identifying a population and selecting samples; gathering information from and/or about these samples by using specific research instruments which must be valid and reliable (Sapsford and Jupp, 2006).

The study used a primary data collection method which was conducted through the use of questionnaires. An introductory letter was attached to each questionnaire explaining the purpose of the data to be collected. Two (2) questionnaires were designed - one for the incubator and the other for the incubatee. The questionnaires were designed and developed in such a manner that all the objectives under study were captured.

Further, the researcher used the drop and pick method of data collection. The questionnaires were dropped at the respondent’s premises and then collected later at an agreed time. During the collection period, the researcher ensured that the consent of the respondents was obtained and that no one’s right was infringed during the exercise. Questionnaires that were used were both open-ended and closed so as to provide for
varied opinions and comments in cases where both qualitative data and quantitative data was to be collected. Filled questionnaires were then collected by the researcher as per the agreed timeline, and thereafter they were subjected to verification and checked for completeness.

3.5 Research Procedures

A pilot test of 10% of the sample size (3 respondents) was conducted for the purpose of evaluating the accuracy, clarity and completeness of the questionnaires. The test was to determine the internal consistency using Cronbachs Alpha where any value above 0.5 was taken to be reliable and that above 0.6 was considered valid. Once this was completed, the questionnaires were then administered to all the respondents. It was estimated that each questionnaire would take approximately 10 minutes to complete.

3.6 Data Analysis

According to Creswell (2005), data analysis is the process of transforming complex data into information that is useful to the intended person through revealing the phenomenon characteristics. It involves breaking down the individual pieces of data in order to draw conclusions about it. The data was analyzed using qualitative and quantitative techniques through coding quantitative data using the Statistical Package for Social Sciences (SPSS) version 17 spread sheets.

Qualitative methods involved content analysis and evaluation of text material. During qualitative analysis, the researcher coded the responses against each and every objective and varied opinions accommodated separately. On the analysis of quantitative data, the researcher used descriptive statistics where frequencies and percentage of responses were obtained through the use of SPSS spread sheets. The measures of dispersion such as mean were also used, where the researcher obtained mean responses and standard deviations to indicate how the response varied from the actual mean.
3.7 Chapter Summary

This chapter discussed the various aspects of the methods to be applied in the research so as to solve the researchers’ question as mentioned through the objectives of this study. The design of the study was descriptive research and the total sample population targeted was 100 respondents, which includes 25 incubators and 75 incubatees. A primary method of collecting data was adopted by the use of questionnaires, while the data analysis method applied in the study was descriptive statistics. This summarized the complex data into simplified information for further statistical inference and was presented in the form of tables, figures and charts for ease of understanding and interpretation.

Chapter 4 will cover the results and findings of the research study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the findings of the primary data collected from the field using the questionnaire as a tool. The main objective of this study was to determine the critical success factors for the business incubation process in Kenya. The study was guided by the following research objectives: to determine the primary objectives of business incubators; to examine the challenges of developing business incubators, and to investigate the best practices for business incubators.

The chapter presents an analysis of the information designed to respond to the research objectives as outlined in the study. There are five subsections presented on the questionnaire. The first is a general section which addresses the respondents’ demographic characteristics. The second subsection review the specific research questions for both the incubator and incubatee; and the third subsection address the specific research objectives and they include the primary objectives of business incubators; the challenges of developing business incubators, and the best practices for business incubators. The results and analysis are presented in the form frequencies, percentages, means and standard deviations.

The chapter also gives the summary of the analysis and discussions made.

4.2 General Information

The general information for the study comprised of the respondents’ gender, age range, marital status, education level, experience in the business incubator, incubator capacity, nature of the business incubator, class of the incubator, position of respondent, age of business and length of time in the incubator. There were two questionnaires: for incubator respondent and incubatee respondent. The results were analysed comparatively.

4.2.1 Response Rate

The targeted sample population to which questionnaires were distributed was one hundred (100), from which seventy two (72) completed questionnaires were collected. Of these, 18 were from incubators and 54 from incubatees. This created a response rate of
72% which is an effective and representative response rate to address the research questions. The results are indicated in the following Table 4.1.

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Respondents</th>
<th>Response</th>
<th>Response Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager / Business owner</td>
<td>100</td>
<td>72</td>
<td>72%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>72</td>
<td>72%</td>
</tr>
</tbody>
</table>

4.2.1 Gender of Respondents

The researcher sought to find out the gender of the target respondents involved in the study. The findings in Table 4.2 illustrates that 74% of the respondents are males as compared to 26% females. Thus, the findings indicate that majority of the respondents are males.

Table 4.2: Gender of Respondents

<table>
<thead>
<tr>
<th>Gender of Respondents</th>
<th>Distribution</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>53</td>
<td>74%</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>19</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>72</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

4.2.2 Age Range of Respondents

The researcher sought to establish the age of the target respondents involved in the study. The findings in Table 4.3 established that most of the respondents were aged between 21 to 30 years (65.3%), followed by 18% between 31-35years, 5.6% under 21, between 41-45 years and above 50 years. This is an indicator that most of those employed in the business incubators as well as those managing the incubate businesses are the youth.
Table 4.3: Age Range of Respondents

<table>
<thead>
<tr>
<th>Age of Respondents</th>
<th>Distribution</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 21 years</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-30 years</td>
<td>47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31-35 years</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>41 – 45 years</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above 50 years</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>72</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

4.2.3 Marital Status of Incubatee Respondents

The results in Table 4.4 indicated that most of the incubate respondents were single (66.7%), 16% were married and 2% divorced. This indicates that majority of the business incubator managers and incubatee managers (and possibly owners) are the younger population who are largely single.

Table 4.4: Marital Status of Incubatee Respondents

<table>
<thead>
<tr>
<th>Marital Status of Incubatee Respondents</th>
<th>Distribution</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>16</td>
<td></td>
<td>29.6%</td>
</tr>
<tr>
<td>Single</td>
<td>36</td>
<td></td>
<td>66.7%</td>
</tr>
<tr>
<td>Divorced</td>
<td>2</td>
<td></td>
<td>3.7%</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td></td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.4 Academic Level of Respondents

The researcher also sought to find out the education level of the personnel managing the business incubator and incubatees. According to the study results in table 4.5, majority of the participants in the study are university graduates (69.4%) followed by the college diploma graduates (11.1%), the post graduates (9.6%), the certificate holders (5.5%) and the least (4.1%) in the participation were secondary school leavers. This indicates that university graduates are the majority of personnel under the incubation process and were deemed to be capable of answering the research objectives as they have acquired basic entrepreneurship knowledge.
### Table 4.5: Academic Level of Respondents

<table>
<thead>
<tr>
<th>Education Level of Respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>3</td>
<td>4.1%</td>
</tr>
<tr>
<td>Certificate</td>
<td>4</td>
<td>5.5%</td>
</tr>
<tr>
<td>Diploma</td>
<td>8</td>
<td>11.1%</td>
</tr>
<tr>
<td>Graduate</td>
<td>50</td>
<td>69.4%</td>
</tr>
<tr>
<td>Post graduate</td>
<td>7</td>
<td>9.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>72</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

#### 4.2.5 Experience of the Business Incubator

The researcher was interested in finding out the level of experience of the managers in the business incubator. The findings in table 4.6 indicate the respondents’ experience and the duration that they have been in the incubation process. 77.8% of those who participated in the study have been in the incubation process for more than one year while 11.1% have been in the process for a period of less than one year. This indicates that majority of the business incubation personnel are experienced in the business incubation process.

### Table 4.6 Experience of the Business Incubator

<table>
<thead>
<tr>
<th>Experience of the business incubator</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 1 year</td>
<td>14</td>
<td>77.8%</td>
</tr>
<tr>
<td>0-1 years</td>
<td>2</td>
<td>11.1%</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>11.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

#### 4.2.6 Incubator Capacity

The researcher sought to determine the capacity of the business incubator. The findings indicated that most (61.1%) of the business incubators have an operating capacity of 0 – 50 people, 16.7% operate at 51-100 people while 16.7% had above 100 people. The results are an indicator that for optimal efficiency, a business incubator facility should accommodate not more than 50 people at a time.
Table 4.7 Incubator Capacity

<table>
<thead>
<tr>
<th>Capacity of the Business Incubator facility</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-50 people</td>
<td>11</td>
<td>61.1%</td>
</tr>
<tr>
<td>51-100 people</td>
<td>3</td>
<td>16.7%</td>
</tr>
<tr>
<td>above 100 people</td>
<td>3</td>
<td>16.7%</td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
<td>5.6%</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.2.7 Nature of the Business Incubator

The researcher sought to establish the nature of activities and services that are offered by the business incubators in this study. The results are tabled in Table 4.7, and they show that majority of the participants (44.3%) were incubators of mixed use followed by those offering technology services (33.3%) and the least were incubators for industrial, agri-business and general service nature at 1% each. This indicates that most of the incubators offer more than one type of incubation activity and service.

Table 4.8 Nature of the Business Incubator

<table>
<thead>
<tr>
<th>Nature of business incubator</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>6</td>
<td>33.3%</td>
</tr>
<tr>
<td>Industrial</td>
<td>1</td>
<td>5.6%</td>
</tr>
<tr>
<td>Agri-business</td>
<td>1</td>
<td>5.6%</td>
</tr>
<tr>
<td>Service</td>
<td>1</td>
<td>5.6%</td>
</tr>
<tr>
<td>Mixed use</td>
<td>8</td>
<td>44.3%</td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
<td>5.6%</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.2.8 Class of Business Incubator

The researcher sought to establish the class of the business incubator so as to determine if they funded or not. Table 4.9 indicates the class of the incubators used for the study and shows the class under which most incubators operated. This indicate that majority (33.3%) of the business incubators used for the study were not-for-profit incubators while
5.6% were private incubators, hence, most of the business incubation centers in Kenya are not for profit incubators.

**Table 4.9 Class of Business Incubator**

<table>
<thead>
<tr>
<th>Class of business incubator</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not-for-profit</td>
<td>6</td>
<td>33.3%</td>
</tr>
<tr>
<td>For-profit</td>
<td>3</td>
<td>16.7%</td>
</tr>
<tr>
<td>Public</td>
<td>1</td>
<td>5.6%</td>
</tr>
<tr>
<td>Private</td>
<td>1</td>
<td>5.6%</td>
</tr>
<tr>
<td>Government</td>
<td>3</td>
<td>16.7%</td>
</tr>
<tr>
<td>Academic related</td>
<td>3</td>
<td>16.7%</td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
<td>5.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**4.2.9 Position in the Business Incubator**

The study also sought to establish the position of the respondent in the business incubator facility. The aim was to assist the researcher evaluate the reliability level of the data in the responses. The study results in table 4.9 indicate that majority (61.1%) of respondents were managers of the incubation centres while the least (11.1%) were the owners of the incubators. 22.2% of the incubators had supervisor level personnel managing the centres. This indicates that the incubators are mostly managed by managers and supervisors who are employees.

**Table 4.10 Position in the Business Incubator**

<table>
<thead>
<tr>
<th>Position of Respondent</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>2</td>
<td>11.1%</td>
</tr>
<tr>
<td>Manager</td>
<td>11</td>
<td>61.1%</td>
</tr>
<tr>
<td>Supervisors</td>
<td>4</td>
<td>22.2%</td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
<td>5.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
4.2.10 Duration of Incubatee Time in the Business Incubator

The study sought to determine the length of time that the businesses used in the study had been operating in the incubation process. The study findings in table 4.6 show that majority (68.5%) of the respondents for the study had been in the incubation process for a period not exceeding one year, while the least (18.5%) had been in the process for a period more than one year. This indicates that majority of the incubatees who participated in the study had been in the process for less than one year.

Table 4.11 Duration of Incubatee Time in the Incubator

<table>
<thead>
<tr>
<th>Length of time in the incubator</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1 year</td>
<td>37</td>
<td>68.5%</td>
</tr>
<tr>
<td>more than 1 year</td>
<td>10</td>
<td>18.5%</td>
</tr>
<tr>
<td>No response</td>
<td>7</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

4.2.11 Business Age of Incubatee Business

The research aimed to determine the duration that the incubate business had been in operation. The study findings in table 4.12 indicate that majority (57.4%) of the businesses which were used for the study had been in the operation for a period not exceeding one year, while the least (31.5%) had been in the operation for a period more than one year. This indicates that majority of the incubatees who participated in the study were largely start-up businesses.

Table 4.12 Business Age of Incubatee Business

<table>
<thead>
<tr>
<th>Business age of incubatee business</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1 year</td>
<td>31</td>
<td>57.4%</td>
</tr>
<tr>
<td>More than 1 year</td>
<td>17</td>
<td>31.5%</td>
</tr>
<tr>
<td>No response</td>
<td>6</td>
<td>11.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
4.3 Primary Objectives of Business Incubators

The research objective was to determine the primary objectives of business incubators.

The study results in table 4.13 indicate the extent of agreement by the respondents on the primary objectives of business incubators on a scale of 1-5, where 1-strong extent of agreement, 2-agree, 3-neutral, 4-disagree and 5-strong extend disagreement. The study results is based on mean values where any mean value between 1-2 is greater extent of agreement, mean between 2.1-3 is agree, mean between 3.1-4 is not sure, mean between 4.1-5 is disagree and mean value above 5 is great extent of disagreement.

The findings as indicated in Table 4.13 established the main objectives of business incubators, the highest being to promote entrepreneurship which had a mean of 1.13 and a standard deviation from the mean of 0.35 which is relatively low. The next most important objectives were to boost product innovation and facilitate the creation and growth of innovation-based firms, each with a mean of 1.17 and a standard deviation of 0.39.

The table also indicates that the mean responses given on the objectives: to create income, to create employment, to provide hands on business and management assistance, to provide opportunities for networking, to offer shared facilities and services, to act as a catalyst for economic development and to reduce start-up and early stage operational costs indicate – to be of importance as objectives for business incubators. All of these lie in the 1.1 - 2 mean which indicates that the responses given greatly agreed to the said statements.

The objectives falling in the 2.1 – 3 mean include to provide access to finance and to generate revenue for the incubator owners. These were deemed to be of lesser importance as objectives of business incubators.
<table>
<thead>
<tr>
<th>Objective</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To create employment</td>
<td>1.4444</td>
<td>.70479</td>
</tr>
<tr>
<td>To provide hands on business and management assistance</td>
<td>1.4444</td>
<td>.51131</td>
</tr>
<tr>
<td>To provide access to financing options</td>
<td>2.0556</td>
<td>.87260</td>
</tr>
<tr>
<td>To offer shared office facilities and services</td>
<td>1.7647</td>
<td>.75245</td>
</tr>
<tr>
<td>To provide opportunities for networking</td>
<td>1.3529</td>
<td>.49259</td>
</tr>
<tr>
<td>To boost product innovation, processes and enhance creativity</td>
<td>1.1765</td>
<td>.39295</td>
</tr>
<tr>
<td>To facilitate creation and growth of innovation based firms</td>
<td>1.1765</td>
<td>.39295</td>
</tr>
<tr>
<td>To promote entrepreneurship</td>
<td>1.1333</td>
<td>.35187</td>
</tr>
<tr>
<td>To create income</td>
<td>1.2941</td>
<td>.58787</td>
</tr>
<tr>
<td>To act as catalyst for economic development</td>
<td>1.6471</td>
<td>.70189</td>
</tr>
<tr>
<td>To generate revenue for owner of incubator</td>
<td>2.0588</td>
<td>1.02899</td>
</tr>
<tr>
<td>To reduce start up and early stage costs</td>
<td>1.8235</td>
<td>.63593</td>
</tr>
</tbody>
</table>

### 4.4 Challenges of Developing Business Incubators

The research objective was to examine the challenges of developing business incubators. The study results in table 4.14 indicate the extent of agreement by the respondents on the primary objectives of business incubators on a scale of 1-5, where 1-strong extent of agreement, 2-agree, 3-neutral, 4-disagree and 5-strong extend disagreement. The study results is based on mean values where any mean value between 1-2 is greater extent of agreement, mean between 2.1-3 is agree, mean between 3.1-4 is not sure, mean between 4.1-5 is disagree and mean value above 5 is great extent of disagreement.

According to the study findings in table 4.14, most of the respondents felt that one of the biggest challenges of developing business incubators was to have short and long term business plans of their own. The mean response for this was 1.55 with a standard deviation of 0.78.

The results also indicate that respondents agreed to a great extent on the following challenges: equipping of incubator management with knowledge, skills and expertise.
(mean 1.88). The findings show that business incubators generally face the following challenges: a mechanism to measure quality of services (2.05), having a clear strategic plan (2.05), access to funding (2.16), meeting incubate specialized demands (2.16), creating innovation opportunities (2.16), analyzing the local conditions (2.33), having clear operational and revenue generation models (2.33), having adequate and well planned physical infrastructure (2.44) and having clear governance structures (2.55).

Table 4.14 Challenges of Developing Business Incubators

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A clearly defined strategic plan</td>
<td>2.0556</td>
<td>.87260</td>
</tr>
<tr>
<td>Management equipped with knowledge, skills, expertise</td>
<td>1.8889</td>
<td>1.13183</td>
</tr>
<tr>
<td>Short and long term business plan</td>
<td>1.5556</td>
<td>.78382</td>
</tr>
<tr>
<td>Clear operational and revenue generation models</td>
<td>2.3333</td>
<td>1.08465</td>
</tr>
<tr>
<td>Mechanism to measure quality of services</td>
<td>2.0556</td>
<td>.93760</td>
</tr>
<tr>
<td>Access to funding</td>
<td>2.1667</td>
<td>1.09813</td>
</tr>
<tr>
<td>Clear governance structure</td>
<td>2.5556</td>
<td>1.24722</td>
</tr>
<tr>
<td>Management able to meet specialized demands</td>
<td>2.1667</td>
<td>.78591</td>
</tr>
<tr>
<td>Innovation and innovation opportunities</td>
<td>2.1667</td>
<td>.85749</td>
</tr>
<tr>
<td>Analysis of local conditions</td>
<td>2.3333</td>
<td>.68599</td>
</tr>
<tr>
<td>Adequate and well planned physical infrastructure</td>
<td>2.4444</td>
<td>1.29352</td>
</tr>
</tbody>
</table>

4.5 Best Practices for Business Incubation

The research objective was to investigate the best practices for business incubation. The study results in table 4.15 indicate the extent of agreement by the respondents on the primary objectives of business incubators on a scale of 1-5, where 1-strong extent of agreement, 2-agree, 3-neutral, 4-disagree and 5-strong extend disagreement. The study results is based on mean values where any mean value between 1-2 is greater extent of agreement, mean between 2.1-3 is agree, mean between 3.1-4 is not sure, mean between 4.1-5 is disagree and mean value above 5 is great extent of disagreement.
According to the study findings in table 4.15 on the best practices for business incubators, respondents greatly agreed that business incubators should be in a position to sustain its own operations with a mean of 1.27. The findings also indicate that respondents greatly agreed that business incubators should have a framework where they can continuously monitor and screen the incubatees for success (1.29), business incubators should have clear revenue generating models (1.33), have qualified incubator managers(1.35). It is also of importance to have clear criteria on the exit process for graduate incubatees (1.44), provide intangible services to incubatees such as mentoring, marketing, networking (1.47), have a clear purpose and mission (1.47), have a set selection criteria for incubatees (1.52), offer post incubation services (1.55) and offer selected business and technology support to incubatees (1.7).

The means for all the statements were between mean value 1 – 2, and the standard deviations to the mean responses were all below 1, thus indicating a small deviation from the actual mean response. These are strong indicators that these statements or practices are important for the success of the business incubation process.

Table 4.15 Best Practices for Business Incubation

<table>
<thead>
<tr>
<th>Best Practices</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualified incubator managers</td>
<td>1.3529</td>
<td>.60634</td>
</tr>
<tr>
<td>Purpose and mission is clear</td>
<td>1.4706</td>
<td>.51450</td>
</tr>
<tr>
<td>Selection criteria of incubate</td>
<td>1.5294</td>
<td>.51450</td>
</tr>
<tr>
<td>Business and technology support for selected incubatees</td>
<td>1.7059</td>
<td>.77174</td>
</tr>
<tr>
<td>Framework to continuously monitor incubate success</td>
<td>1.2941</td>
<td>.46967</td>
</tr>
<tr>
<td>Intangible services such as networking, marketing, mentoring</td>
<td>1.4706</td>
<td>.51450</td>
</tr>
<tr>
<td>Sustainable incubator operations</td>
<td>1.2778</td>
<td>.46089</td>
</tr>
<tr>
<td>Clear revenue generation</td>
<td>1.3333</td>
<td>.48507</td>
</tr>
<tr>
<td>Clear criteria on exit process for graduate incubatee</td>
<td>1.4444</td>
<td>.51131</td>
</tr>
<tr>
<td>Post incubation services</td>
<td>1.5556</td>
<td>.70479</td>
</tr>
</tbody>
</table>
4.5.1 Incubator Opinion on Services Provided in the Business Incubator

The study results in table 4.16 indicate the extent of agreement by the respondents on the primary objectives of business incubators on a scale of 1-5, where 1-strong extent of agreement, 2-agree, 3-neutral, 4-disagree and 5-strong extend disagreement. The study results is based on mean values where any mean value between 1-2 is greater extent of agreement, mean between 2.1-3 is agree, mean between 3.1-4 is not sure, mean between 4.1-5 is disagree and mean value above 5 is great extent of disagreement.

According to the study findings in table 4.16 on the services offered in the incubation centers, under the Shared Business Services, the mean responses lie within 2.1 – 3, and were given on the services: offering office support services, reducing chances of business failure, provision of business programs and strategic marketing and sales expertise. This indicates that the respondents agreed to the fact that these services were provided in the business incubator. Financial support services had a mean of 2.59 and a standard deviation 1.32 which is above 1, indicating a huge deviation from the actual mean. This is an indicator that most respondents generally did not agree with this statement.

The findings also show that responses given supported the statement that incubators readily provides flexible working space, as the mean response of 2.09 agreed to the statement with a standard deviation 0.85 which is below 1, indicating a small deviation from the actual mean.

The mean responses obtained on the training services of regular training, relevant training and management counseling and mentoring services availability lie between 2.1-3, indicating that the respondents’ agreed with the statements.

The table also indicates that the mean responses given on the said technical support services; adequate technology, physical facilities, as well as the governance and organization services also agrees to the given services. This is because all the mean responses fall under the category 2.1-3 which indicate a certain level of agreement. However, it is noted that the standard deviations for regular training; management counseling and mentoring; infrastructure and facilities and post incubation services have a standard deviation above 1, indicating that a majority of the respondents may not necessarily have agreed with the statements.
### Table 4.16 Opinion of Incubatee on Services Provided in the Business Incubator

<table>
<thead>
<tr>
<th>Services in the Business Incubator</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shared Business Support Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office support</td>
<td>2.5556</td>
<td>.96479</td>
</tr>
<tr>
<td>Reduction of business failure chances</td>
<td>2.0556</td>
<td>.85598</td>
</tr>
<tr>
<td>Provision of business programs</td>
<td>2.4074</td>
<td>.87993</td>
</tr>
<tr>
<td>Strategic marketing and sales expertise</td>
<td>2.4259</td>
<td>1.09203</td>
</tr>
<tr>
<td><strong>Financial Support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linkages for access to finance</td>
<td>2.5926</td>
<td>1.32492</td>
</tr>
<tr>
<td><strong>Infrastructure and Facilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexible working space</td>
<td>2.0926</td>
<td>.85271</td>
</tr>
<tr>
<td><strong>Training Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular training</td>
<td>2.9074</td>
<td>1.16988</td>
</tr>
<tr>
<td>Relevant training</td>
<td>2.4118</td>
<td>.94184</td>
</tr>
<tr>
<td>Management counseling and mentoring</td>
<td>2.7963</td>
<td>1.20345</td>
</tr>
<tr>
<td><strong>Technology Support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adequate technology</td>
<td>2.0926</td>
<td>.83029</td>
</tr>
<tr>
<td>Functioning physical facilities and services eg computers, internet</td>
<td>2.4259</td>
<td>1.31180</td>
</tr>
<tr>
<td><strong>Governance and Organization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incubator manager available to address incubate needs</td>
<td>2.1667</td>
<td>.98575</td>
</tr>
<tr>
<td>Manager dedication and commitment</td>
<td>2.0000</td>
<td>.82416</td>
</tr>
<tr>
<td>Knowledgeable manager</td>
<td>1.9444</td>
<td>.94003</td>
</tr>
<tr>
<td>Incubator adaptable to changing needs</td>
<td>2.2037</td>
<td>.91897</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conducive and interactive environment</td>
<td>2.1296</td>
<td>.86975</td>
</tr>
<tr>
<td>Post incubation services</td>
<td>2.7593</td>
<td>1.22759</td>
</tr>
</tbody>
</table>
4.5.2 Importance of Business Incubator Services to the Incubatee

The study results in table 4.17 indicate the extent of agreement by the respondents on the primary objectives of business incubators on a scale of 1-5, where 1-strong extent of agreement, 2-agree, 3-neutral, 4-disagree and 5-strong extend disagreement. The study results is based on mean values where any mean value between 1-2 is greater extent of agreement, mean between 2.1-3 is agree, mean between 3.1-4 is not sure, mean between 4.1-5 is disagree and mean value above 5 is great extent of disagreement.

The findings established that incubatees found the Infrastructure and Facilities provided by the incubator of most importance to them, with a mean of 1.6. This was followed by shared business support and consultancy with mean of 1.83, then lower start-up costs at 1.87, availability of technology services and the incubator environment and networking at 2.0. Of lesser importance were governance and organization of the incubator (2.12), product and process innovation & creativity (2.18), financial support (2.38) and post incubation services (2.42).

**Table 4.17 Importance of Business Incubators Services to the Incubatee**

<table>
<thead>
<tr>
<th>Services</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>shared services</td>
<td>1.8333</td>
<td>.50469</td>
</tr>
<tr>
<td>lower start-up costs</td>
<td>1.8704</td>
<td>.55103</td>
</tr>
<tr>
<td>financial support</td>
<td>2.3889</td>
<td>1.08882</td>
</tr>
<tr>
<td>infrastructure and facilities</td>
<td>1.6000</td>
<td>.49487</td>
</tr>
<tr>
<td>training and education</td>
<td>2.0556</td>
<td>1.03553</td>
</tr>
<tr>
<td>technology services</td>
<td>2.0000</td>
<td>.91652</td>
</tr>
<tr>
<td>governance and organization of business</td>
<td>2.1296</td>
<td>.75351</td>
</tr>
<tr>
<td>incubator environment and networking</td>
<td>2.0000</td>
<td>.70040</td>
</tr>
<tr>
<td>post incubation support services</td>
<td>2.4259</td>
<td>.96352</td>
</tr>
<tr>
<td>product and process innovation and creativity</td>
<td>2.1887</td>
<td>.87830</td>
</tr>
</tbody>
</table>
4.5.3 Incubation Funding

Figure 4.2 indicates the funding for the incubation processes. It indicates whether the incubators receive funding from an outsource.

Figure 4.1 Incubation Funding

The study results in figure 4.2 indicate that at least number six (6) of the incubator respondents received an outsource funding while majority, eleven (11), of the incubators do not receive any outsource funding for the incubation process. This indicates that most of the incubators depend on self-raised funds for purposes of their operations.

4.5.3 Training Expertise Availability

The researcher sought to establish if the business incubators faced any challenges with the expertise required to train incubatees. Table 4.18 shows the findings.

Table 4.18 Training Expertise Availability

<table>
<thead>
<tr>
<th>Training Expertise availability</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>2</td>
<td>11.1</td>
</tr>
<tr>
<td>Yes</td>
<td>14</td>
<td>77.8</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>11.1</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>11.1</td>
</tr>
</tbody>
</table>

The study results indicate that majority (77.8%) of the incubation centers had adequate training expertise while 11.1% of them experienced some training expertise challenge. This indicates that most of the business incubators are well equipped with the best knowledge and skills required by incubatees.
4.6 Chapter Summary
This chapter gives the findings and analysis of the results of the study. The researcher used the filled questionnaires to arrive at the results. The results were then presented in the form of charts, figures and tables. The quantitative data was analyzed using the Statistical Package for Social Sciences (SPSS) version 17 spread sheets, while qualitative data was analyzed through coding. The entries marked “no response” in the tables refer to the respondents that did not respond to the question under review.

Chapter 5 provides a discussion on the research findings, conclusions and recommendations.
CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter provides a summary of the findings; discussion of the research findings where these are compared with findings of other relevant studies as discussed in the literature review; conclusions that were drawn by the researcher based on the findings of the study; and recommendations made by the researcher for further studies on the business incubation process. The study further illustrates the recommendations that can be adopted by relevant authorities to ensure effectiveness of the business incubation process in the economy.

5.2 Summary of the Study
The focus of this study was on the business incubation process as an enabler of entrepreneurship development. The purpose of this study was to determine the Critical Success Factors for the Business Incubation Process in Kenya. The study was guided by the following research objectives: to determine the primary objectives of business incubators; to examine the challenges of developing business incubators and to investigate the best practices for business incubators.

The study was carried out through descriptive research design. It adopted the judgmental sampling method. The total population of the study was 125 respondents including both incubators and incubatees. The sample size was 100 target respondents and the response rate 72%. The data was analyzed using qualitative and quantitative techniques. Qualitative method involved content analysis and evaluation of text material. Data was collected through the use of questionnaires where the questions were structured in such a manner that all the objectives of the study were captured. The researcher used descriptive statistics where frequencies and percentage of responses were obtained. The mean and standard deviation measures of dispersion were also used.

In determining the primary objectives of business incubators, the findings established that the most important objective for business incubators is to promote entrepreneurship. This was followed by creating employment, then to provide hands-on business and management assistance to businesses. However, most respondents found that providing
access to finance and generating revenue for incubator owners were the least important objectives.

In examining the challenges of developing business incubators, the results indicate that most respondents felt that business incubator management should be equipped with knowledge, skill and expertise to run the incubator, as well as the incubators having both short and long term business plans in addition to a clear vision. However, lesser challenges for business incubator development included having adequate and well planned physical infrastructure and space; and having clear operational and revenue generation models. The study also found that most of the incubators received no funding from outside the incubator operations, which calls for the incubators to remain self-reliant and self-funded of all its activities.

In investigating the best practices for business incubators, the findings established that developing sustainable operational processes, having a framework to monitor incubatees, hiring qualified incubator managers and developing clear revenue generation models were among the best practices for the success of business incubators. However, practices not deemed to be as important included having a selection criteria for incubatee entry, having specialised business and technology support services and post incubation services.

From the incubatees point of view, the findings established that incubatees had various perceptions on the services offered by business incubators. They were in agreement that incubators ought to work towards reducing incubatee chances of failure and instead promote their success, provide flexible working space and facilities, have knowledgeable incubator managers who are well equipped to address incubatee concerns, as well as having a conducive and interactive environment. However, they did not regard post incubation services, having management counselling and mentoring, or obtaining linkages to finance with as much importance.

The incubatee respondents were in agreement to a great extent that the following services were of more importance in and through a business incubator: shared business support and consultancy services, infrastructure and facilities, lower start-up costs, technology services, conducive incubator environment and networking. Services such as post incubation services and financial support were of lesser importance.
5.3 Discussions on the Study Findings

5.3.1 Primary Objectives of Business Incubators

The study established that promoting entrepreneurship was the major objective of business incubators. This concurs with the historical purpose and origin of business incubation which was to “incubate” small businesses at the Batavia Industrial Center in the USA with the aim of curbing unemployment and firm failure, by helping them to nurture their businesses until they became independent. The research also reveals that creating employment is another major objective of business incubation and is directly linked to promoting entrepreneurship. These findings are similar to those of Leblebici and Shah (2005) which found that the first generation incubators aimed at job-creation and new venture creation, which are catalysts for economic development. By creating employment this directly impacts positively the economic and social development at both local and regional level.

The research also found that incubators are mostly managed by employed managers (61%). This indicates that incubators largely create job opportunities in different dimensions as some are directly employed in the incubation centres, while others are trained to become self-employed thus creating an indirect form of employment. This result supports the previous findings on the role of incubators in economic development which established that the main objective of the business incubators is to create employment in the formal and the informal sector which supports employment level thus leading to economic growth and development.

However, Akçomak, (2009) notes that the mere existence of incubators cannot guarantee people to become entrepreneurs, nor can it induce networking among firms. Setting up incubators is a viable but not the sole tool to promote entrepreneurship and innovation.

In addition, the nurturing and conducive environment within the business incubator allows for firms to grow and succeed. This is indicated by the great extent of agreement by the respondents that provision of hands-on business and management assistance is crucial for the success of firms. Where incubators have the core competencies in business assistance and the resources to provide the kind of value demanded, then incubatee firms are more likely to thrive. This argument supports Kinoti, A.(2011) assertion that business
incubation includes the development of a supportive and stimulating environment for entrepreneurship.

Creation of income was another primary objective identified as important. As entrepreneurs, both the incubatee firms and the incubator owners have a common objective of creating wealth and building sustainable businesses. This supports Suresh and Sudha D, 2012 argument that wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment of providing value.

Other objectives and goals of business incubators that have been in existence since inception of the concept of business incubation such as: offering shared office facilities and services so as to lower their operating costs; boosting product innovation; reduction of start-up costs and providing opportunities for networking concurred with findings of researchers in the previous years. These findings are similar to those of Kinoti, 2011 and Akçomak, 2009 and the objectives of the National Business Incubation Association (NBIA) which outlines the objectives of business incubators as “dynamic processes of business enterprise development which: nurture young firms, help them to survive and grow during the start-up period when they are most vulnerable, provide hands-on management assistance, access to financing and orchestrated exposure to critical business or technical support services, and offer entrepreneurial firms shared office services, access to equipment, flexible leases and expandable space — all under one roof.”

The research established that providing access to financing options and exposure to critical business or technology services was of lesser importance as a primary objective of a business incubator. Interestingly, the mean score on this item by the respondents was lower than for all other items, which is a strong indicator that incubatee firms are reliant on other sources for information and assistance on access to finance. This could be attributed to the robust financial industry in Kenya, with over 40 banks and financial institutions that offer financial services and solutions. Hence in Kenya, business incubators may have a limited role in this regard as compared to other economies especially in the developed world.

Another objective that had a lower score compared to the rest is that of reducing start up and early stage operational costs for start-ups. However, this still remains a primary objective which compares to studies done previously by researchers such as Semih (2009)
and Hurley, (2002). This finding interestingly reveals another perspective that business incubators may be focusing more on value added services for incubatee firms such as product innovation, opportunities for networking, creating employment, business and management assistance as opposed to focusing on the incubatees operational costs. This implies that by providing the basic physical facilities and technology infrastructure, the incubator assumes that the incubatees’ start-up costs have been reduced and hence would not focus on that as its own objective.

5.3.2 Challenges of Developing Business Incubators

The study found that challenges existed in the operational processes of the incubators as more complex requirements were to be met which require higher level business and management skills. The purpose and objectives of the business incubator also impact on the process model and how it would be implemented. The vision and mission of the incubator as a business enterprise play a significant role in the overall achievement of the incubators’ goals. According to Suresh and Sudha, 2012, the success of the incubator depends on the larger role to be played by the institutions apart from the space, building and the equipment, and the strategies to be adopted by the incubator to create an enabling environment by helping the start-ups to overcome the obstacles and challenges faced in transforming themselves into an enterprise.

The respondents of the business incubators felt that in addition to having a clearly defined business strategic plan that defines the purpose of the incubator, the incubator faced a great challenge in developing both short and long term business plans for itself. This is an insightful finding because business incubators being enterprise firms in their own right, ought to have these plans as basic documentation for themselves. It is from these plans that the objectives of the business incubator are drawn. It would be difficult to assess the success of the business incubator if the business plans are not adequately and comprehensively documented and reviewed. This is an important performance indicator or scorecard for any enterprise firm.

The findings show that the management of the business incubators are equipped with knowledge, skill and expertise of running the business incubator. They are also well versed and offer training to the incubatee firms without major challenges as responded to by 77% of the respondents. In correlation, the study found that 77% of the respondents
had more than one year of experience in the business incubation process while 31% of the business incubators had been in operation for more than one year. This illustrates that the business incubators were either in development or maturity stage hence knowledgeable in the business incubation process, so as to be able to provide more efficient and offer skilled services to incubatee firms. The managers of the incubators are also mature in their roles and the process. The longer the business operation period and the longer the management have been in their roles, the more beneficial it is to the incubatees, who in this particular study had 68% of the respondents in the incubator for less than one year. These findings are supported by Allen (1988); Robert, Bordt and Daoood (2005) as well as BIAK objectives.

Another interesting perspective is that of incubator capacity. A total of 61% of the respondents have a capacity of less than 50 incubatees housed at any one time. From this finding it can be assumed that there is a direct relation between the number of incubatee firms and the quality of training in the incubation process. The level of education of all the respondents was high, with 69% graduates, 11% diploma and 9.6% post graduates. This indicates that education at diploma level and above in Kenya will largely reflect on the aptitude and quality of management personnel who are employed in business incubators. The performance of the incubators and their success is thus linked to the education level of the management.

According to Hackett and Dilts (2008), as interest in entrepreneurship continues to grow, interest in methods for increasing the likelihood of entrepreneurial success and preventing entrepreneurial failure will also continue to grow. The study also found similar findings under the challenges faced by the incubators such as having a clear governance structure like management boards which would increase the chances of success of the incubator, as a business enterprise. This supports the study of Dirks and Wijn 2002, who established that the most important role of management control systems is to support the implementation of strategies. This role is best performed by management boards which are tasked with the oversight and implementation of the business strategy. With privately owned business incubators, this may pose a challenge because most are small ventures that do not have these boards in place yet. Larger corporations, academia institutions and government sponsored institutions may not have a challenge with this as they are more established.
Access to funding is yet another challenge for business incubators as established in this research. Historically, business incubators were founded by universities and research centres, and financed largely by central and local governments. For-profit incubators are mainly lured by the potential profits as well as having a higher control of the incubation activities, hence their continuous need for financing options. The study established that most of the incubators depend on self-funding for their operational activities. This creates a big challenge to the successful operation of business incubators in Kenya since financing is vital for the successful operation of any organization. These findings supported the study by Semih (2009) which found that finance was the key determinant of the successful operation of the business incubators, which had a direct relationship with the operation capacity of the incubators.

The findings of the research established that business incubators should have a mechanism to measure the quality of the services that it provides. Vanderstraeten and MatthysSENS (2012) noted that an incubators’ performance depends on “the careful planning and implementation of the incubation process”. It is not the incubator facility, but the incubation process itself which defines incubator success. These findings were also supported by Kumar and Rani (2012) noting that incubation managers to face the challenges in identifying the basis on which the performance of an incubator is ascertained.

5.3.3 Best Practices for Business Incubators

The practices adopted by business incubators are linked to their success or failure. This study aimed at establishing the best practices and linking these to the business plan and objectives as well as the challenges inherent in order to determine their success.

The research findings established that a number of practices or factors are essential for business incubators hence supporting previous research work. Kumar and Rani (2012) noted that incubators have been established with different technologies, leading to different operational models being adopted to meet the objectives of the incubator. This research found that business incubators must have clear business plans on how it would sustain its operations as well generate revenue. The objectives of any firm must be drawn from the strategic business plan and outlined clearly so that it is understood by its staff. This also indirectly assists the incubatee firms when they emulate the business incubator operations and revenue models. This helps them strategise for their businesses better. This
is similar to the assertion by BIAK (2009) that “the goal of an incubator is not only to ensure the small business survives the start-up period where they are most vulnerable, but to produce confident, successful graduates that are well grounded and secure in their knowledge of how to run a productive business independently”.

The findings also indicate that one of the best practices is to have qualified incubators managers who can competently run the incubation centres as well as train incubatee firms. Likewise, it is important to also have competent incubatee business managers so that the training curve is shortened and efficiencies gained within a much shorter time in the business incubator.

The findings established that a framework that continuously monitors and screens the incubatees so as to ensure their success is an essential tool. This is an essential value adding service in the business incubator since it will curb any tendencies towards failure by the incubatee firm. The business incubator ought to closely evaluate the progress made by the incubatee firm regularly at agreed intervals on a pre-agreed scorecard. This process should be appreciated by both the incubatee and the incubator and can be used a tool of performance management. This finding supports that of Fararishah, (2012) which states one of the characteristics of prime importance in the incubation process is that of monitoring new (incubatee) businesses and assistance intensity, resource allocation as well as professional management services within the incubator.

The research findings indicate that intangible services such as networking, business planning, monitoring, and marketing among others ought to be given priority. Incubators should be in a position to sustain their own operations. These findings were also similar to the findings of the study done by Fararishah, (2012).

In terms of the perceptions of the incubatee firms on the services provided by the business incubators, the research found that having a knowledgeable and qualified incubator manager to be the best. This concurs with an earlier finding discussed above which was found to be a challenge to many incubators. Other services that are of more importance include an incubator that has business programs, an incubator that works towards the success of the incubatee firm; intangible services as discussed above; adequate facilities; adequate technology infrastructure as well as a conducive and interactive environment.
The findings established the following as the most important services to an incubatee firm in order of priority: physical infrastructure and incubator facilities and services; shared services; ensuring lower start-up costs; environment and networking opportunities; governance and organization of business; training and education; product and process innovation; access to financial support; and post incubation support services.

It would be worth noting that incubatee firms play a big role in the business incubation process. This process should not be left to business incubators only but should encompass the views and perceptions of the incubatees in order to establish an effective and efficient operational framework model. In addition, the incubatee firms should determine whether the incubator that they would want to join meets their requirements. This finding supports the study conducted by Hackett and Dilts (2004) who found that the importance of would-be-incubatees should perform due diligence on the incubator in order to determine whether the incubator has the core competencies in business assistance and the resources to provide the kind of value demanded. This study also gives similar findings to that of Kumar and Rani (2012) that the success of the incubator depends on the larger role to be played by the institutions apart from the space, building and the equipment, and the strategies to be adopted by the incubator to create an enabling environment by helping the start-ups to overcome the obstacles and challenges faced in transforming themselves into an enterprise.

5.4 Conclusions

5.4.1 Primary Objectives of Business Incubators

This research has established that among the primary objectives of business incubators under study, promoting entrepreneurship is the key objective. Creating employment as a means of boosting local and regional development is also important. In addition, most business incubators provide hands-on business and management assistance which is important to incubate firms’ growth and success. Creating income and reducing start-up and early stage operational costs are paramount towards the survival of incubatee firms which are largely start-up business ventures. This is a positive indicator in the country’s agenda as it contributes a vital role towards the attainment of the goals of Kenya’s Vision 2030 blueprint. One of the goals is to maintain a sustained economic growth of at least 10% per annum from the year 2012 and beyond. The business incubation process will
have made a contribution through one of the anticipated projects of development of 47 SME parks (one in each county). The benefits of these parks will include creation of jobs; creation of related industries and increased economic activity in SME Park areas.

5.4.2 Challenges of Developing Business Incubators

The need for a clear strategic business plan which is aligned to the business incubators’ purpose, vision and mission is seen to pose a challenge to many business incubators’ across the different types of incubators. Governance and organization of the incubator business are also important in the overall development of the incubation process. A skilled and predominantly independent, and well organized board of directors would make it possible to set the right strategy of the company and properly oversee its managements’ performance. The choice of directors and senior managers should be based on their qualifications and performance.

Access to funding and financing options is a requirement for any business venture, and more so to start-ups or early stage businesses that require funds to boost their activities in order to grow, sustain their operations, continuously innovate and contribute to economic development.

Provision of adequate physical infrastructure and facilities within the shared service centre is a basic requirement for incubators and is may not be considered a major challenge. Having qualified, knowledgeable and skilled incubator managers greatly contributes to the conducive and nurturing environment of the incubator through provision of hands-on business and management assistance. Incubatee firms consider the training received in the incubator important for their success. Incubators must invest in training their own incubator managers in addition to hiring people of higher education level if they are to achieve their objectives as well of those of incubatees. A professional and well-driven management is essential to running the day-to-day activities of any business venture.

Establishing an effective, efficient and sustainable performance evaluation mechanism is important though this is still not well developed within the business incubation process. The study enabled the researcher confirm that performance management is key in determining the success of a business venture, and hence the necessary performance measurement tools should be implemented for both the incubator and incubatee. The
criteria for performance should be very clear so as not to create ambiguity or subjectivity. The success criteria for one business may not necessarily be the same for another business.

5.4. Best Practices for Business Incubators

Having clear strategic business plans is an essential for any business venture. Likewise, the business incubator must conduct itself like any business that has a life cycle, in addition to supporting other businesses. This will determine its own success or failure. Employing staff of high education qualifications such as a university degree determines the level of quality of services in the incubation process. With high unemployment rate in Kenya, this is an area that can create jobs for graduates and also promote entrepreneurship as opposed to graduates seeking white collar jobs that are not easily available.

Offering of intangible services such as networking opportunities, mentoring, marketing and monitoring are very important to incubatee firms, hence business incubators must continue to provide these services. The physical infrastructure and facilities are considered a basic provision in the incubation process and prospecting incubate firms would be looking for value adding services being provided before joining an incubator.

Whilst the success of the business incubation process largely highlights the services and facilities provided in the business incubator, more consideration should be given to the perceptions and needs of the incubatee firm, if the desired outcomes are to be achieved. This will ensure that the most essential and important objectives of both the business incubator and the incubatee firm are met.

5.5 Recommendations

5.5.1 Recommendations for improvement

5.5.1.1 Primary Objectives of Business Incubators

This study recommends the need to develop framework models that will categorize business incubators according to their nature, for instance, agriculture, technology or mixed use. The classification of the business incubator is also important, for instance, not-for-profit, for-profit, academia, governments funded or private. These categories will assist in deriving standard objectives for business incubators that are similar. These type
of framework models will serve as guides or reference points when setting objectives for an incubator or assessing its performance. This standardization will contribute greatly to the development of the business incubation process in the future.

Policy makers, regulators, stakeholders and players need to come together to assist in formulating policies that will support the development of the business incubation process in Kenya. A Business Incubation Policy to govern the process would assist in streamlining the various activities involved and channel the focus of various players and stakeholders towards achieving national development goals.

5.5.1.2 Challenges of Developing Business Incubators

Funding of the business incubators and offering financial support to prospective entrepreneurs or incubatee firms remains the major challenge. The infrastructure for funding by governments through subsidies, loans or grants is still not transparent. The government hopes to create employment by empowering the youth through youth funds, but it remains to be seen how many such youth shall benefit from the funds and how the business incubation process can assist in creating more jobs. Venture capitalist and angel investors are also not known to emerging entrepreneurs who may benefit from them.

5.5.1.3 Best Practices for Business Incubators.

This study also recommends that one of the best practices that should be adopted for the success of business incubators is to involve other stakeholders and players in addition to business incubator owners and entrepreneurs in the process.

A post incubation strategy is recommended, and its role should not only be to review the success or failure of graduate firms, but to also integrate them into the market and link them back to the related industry, so as to show their relevance. Coordination between the incubator and the industry can be achieved through participative forums.

A corporate membership organization is recommended, which can enlist business incubators countrywide. This would be a repository and a guide for potential incubatee firms when selecting an incubator to join, as well as an interactive forum for discussions, seminars that would add value to the process. Such an organization should incorporate all stakeholders as their views are important.
5.5.2 Recommendations for Further Studies

This study provides feedback on the critical success factors of the business incubation process in Kenya. Opportunities for business development, the impact of these on social and economic development and the major contribution to innovation advancement continue to increase.

Firstly, it is recommended that further studies could be carried out on categorized incubator types in order to gain an in-depth view on their operations. For instance, an agri-business incubator would have different challenges from an ICT incubator. The value proposition for each type of incubator should be known from the beginning.

Secondly, a limited sample was taken from the city of Nairobi for this study. As incubators continue to emerge at a fast pace, studies covering regions other than Nairobi are recommended. These would form a good comparison base for a variety of factors such as education level, age, service delivery, objectives, challenges and best practices.

A third recommendation would be to assess the impact of the evolving information technology platform on the business incubation process. With the virtual rooms and cloud computing infrastructure available today, are internet incubators the future?

Fourthly, a study into the ecosystem formed by business incubators which house several incubatee firms of the same nature would give interesting insights into how these firms interact, how they build on their synergies and what contribution they make towards their related industries eg. the ICT sector.
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To Whom It May Concern

Dear Sir/Madam,

We wish to inform you that the bearer of this letter is a Graduate Student at the United States International University (USIU), Nairobi, pursuing a degree of the Global Executive Masters in Business Administration (GeMBA).

As partial fulfillment of the requirement for the degree, Ms Pauline Marima (ID no. 637339) is conducting a research on the Critical Success Factors for the Business Incubation Process in Kenya.

Kindly note that any information you provide will be treated with confidentiality, and at no instance will it be used for any other purpose, other than for this research project.

Your assistance in this regard will be highly appreciated. We look forward to your cooperation and prompt response.

Yours Faithfully,

Prof Francis Wambalaba
Supervisor

Pauline Marima
Researcher
APPENDIX B
QUESTIONNAIRE – INCUBATOR

SECTION A: DEMOGRAPHICS

1. Gender
   Male ☐    Female ☐

2. Age
   21-30 years ☐   41-45 years ☐
   31-35 years ☐   46-50 years ☐
   36-40 years ☐   51 years & above ☐

3. Education Level
   Primary ☐    College: Certificate ☐ Diploma ☐
   Secondary ☐   University: Graduate ☐ Postgraduate ☐

4. Experience in Business Incubation
   Years: _________
   Months: _________

5. Incubator Capacity
   0-50 people ☐    100 and above ☐
   51-100 people ☐

6. Nature of Business Incubator
   Technology ☐    Manufacturing ☐
   Industrial ☐    Service ☐
   Agri-business ☐   Mixed Use ☐

   Other : Specify ____________________

60
7. **Class of Incubator**

- Not-for-Profit □ Government □
- For-Profit □ Community □
- Public □ Academic related □
- Private □ Hybrid □

Other : Specify ___________________

8. **Position in the Business Incubator**

- Owner □ Manager □

Other : Specify ___________________

**SECTION B: PRIMARY OBJECTIVES OF BUSINESS INCUBATORS**

Based on your primary objectives, please indicate the extent to which you agree with the following statements, by using a scale of 1 to 4 where 1= Strongly Agree and 4 = Strongly Disagree. Tick (✓ ) inside the box that best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Description</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 To create employment by supporting regional development.</td>
<td></td>
</tr>
<tr>
<td>10 To provide hands-on business and management assistance.</td>
<td></td>
</tr>
<tr>
<td>11 To provide access to financing options and exposure to critical business or technology</td>
<td></td>
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<td>---</td>
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<tr>
<td>support services.</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>To offer shared office facilities and services.</td>
</tr>
<tr>
<td>13</td>
<td>To provide opportunities for networking with other strategic partners.</td>
</tr>
<tr>
<td>14</td>
<td>To boost product innovation, processes and enhance creativity.</td>
</tr>
<tr>
<td>15</td>
<td>To facilitate the creation and growth of innovation based firms.</td>
</tr>
<tr>
<td>16</td>
<td>To promote entrepreneurship.</td>
</tr>
<tr>
<td>17</td>
<td>To create income.</td>
</tr>
<tr>
<td>18</td>
<td>To act as a catalyst for economic development.</td>
</tr>
<tr>
<td>19</td>
<td>To generate revenue for the owners of the incubator.</td>
</tr>
<tr>
<td>20</td>
<td>To reduce start-up and early stage operational costs by providing a protective environment for start-ups.</td>
</tr>
</tbody>
</table>
SECTION C: BEST PRACTICES FOR BUSINESS INCUBATORS

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 4, where 1= Strongly Agree and 4 = Strongly Disagree. Tick (√) inside the box that best describes your opinion of the best practices for your business incubator.

<table>
<thead>
<tr>
<th>Description</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 Qualified Incubators managers who can competently handle the running of incubators.</td>
<td>1- Strongly Agree</td>
</tr>
<tr>
<td>22 The purpose and mission of the business incubator is clear and understood by its staff.</td>
<td>1- Strongly Agree</td>
</tr>
<tr>
<td>23 The selection criteria for acceptance of incubatees into the incubator is clearly defined.</td>
<td>1- Strongly Agree</td>
</tr>
<tr>
<td>24 The business and technology support services offered by the business incubator are strategically selected for the benefit of the incubatees.</td>
<td>1- Strongly Agree</td>
</tr>
<tr>
<td>25 There is a framework to continuously monitor and screen the incubatees so as to ensure their success.</td>
<td>1- Strongly Agree</td>
</tr>
<tr>
<td>26 Intangible services such as networking, business planning, mentoring, marketing are given high priority.</td>
<td>1- Strongly Agree</td>
</tr>
</tbody>
</table>
27 The business incubator can sustain its own operations.

28 The business incubator has clear revenue generating models.

29 There is a clear criteria on the Exit process of a graduate incubatee.

30 The business incubator offers Post incubation services to follow through on successful incubation graduates.

### SECTION D: CHALLENGES OF DEVELOPING BUSINESS INCUBATORS

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 4, where 1= Strongly Agree and 4 = Strongly Disagree. Tick (✓) inside the box that best describes the challenges you face or have faced when developing your incubator.

<table>
<thead>
<tr>
<th>Description</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 There is a clearly defined strategic plan that also defines the purpose of the business</td>
<td>1-Strongly Agree</td>
</tr>
<tr>
<td>Number</td>
<td>Description</td>
</tr>
<tr>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td>32</td>
<td>The management is equipped with the knowledge, skill and expertise of running the business incubator.</td>
</tr>
<tr>
<td>33</td>
<td>The business incubator has its own short term and long term business plan.</td>
</tr>
<tr>
<td>34</td>
<td>There are clear operational and revenue generation models for the business incubator.</td>
</tr>
<tr>
<td>35</td>
<td>The business incubator has a mechanism to measure the quality of the services it provides.</td>
</tr>
<tr>
<td>36</td>
<td>The incubator has access to funding.</td>
</tr>
<tr>
<td>37</td>
<td>The business incubator has a clear governance structure such as a management board or board of directors.</td>
</tr>
<tr>
<td>38</td>
<td>The sponsors or incubator management are able to meet the specialized demands of the incubatees.</td>
</tr>
<tr>
<td>39</td>
<td>The business incubator is innovative and provides channels and opportunities to nurture innovation and creativity.</td>
</tr>
<tr>
<td>40</td>
<td>The business incubator continuously analyses the local conditions it operates in so as to remain relevant and adaptive to changes as they arise.</td>
</tr>
<tr>
<td>41</td>
<td>The business incubator has adequate and well planned physical infrastructure and</td>
</tr>
</tbody>
</table>
42. In your own opinion, how can a business incubator assist the incubatee in building a strong internal control system, in order to succeed and remain sustainable, after completing the incubation process?
..............................................................................................................................................................................................
..............................................................................................................................................................................................
..............................................................................................................................................................................................

43. Do you receive any funding for the business incubation process?
YES ☐ NO ☐

If Yes, do you at any one time experience any sort of challenges with the funding you receive? YES ☐ NO ☐

Explain..............................................................................................................................................................................................
..............................................................................................................................................................................................
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44. Have you at any one time fallen short of training expertise? YES ☐ NO ☐

Explain..............................................................................................................................................................................................
..............................................................................................................................................................................................

45. Have you encountered any lack of co-operation from the incubatees?
YES ☐ NO ☐

Explain..............................................................................................................................................................................................
..............................................................................................................................................................................................
46. **Comment on the Business Incubation Process in Kenya.**

Thank you for your response.
APPENDIX B
QUESTIONNAIRE - INCUBATEE

SECTION A: DEMOGRAPHICS

1. **Gender**
   - Male □
   - Female □

2. **Age**
   - Below 21 years □
   - 21-30 years □
   - 31-35 years □
   - 36-40 years □
   - 41-45 years □
   - 46-50 years □
   - 51 years & above □

3. **Marital Status**
   - Single □
   - Married □
   - Divorced □
   - Widowed □

4. **Education Level**
   - Primary □
   - Secondary □
   - College: Certificate □
   - University: Graduate □
   - Diploma □
   - Postgraduate □

5. **Employment Status**
   - Employed □
   - Self employed □
   - Unemployed □

6. **Position in the Business**
   - Owner □
   - Manager □
   - Other: Specify __________________
7. **How old is the Business?**
   Years: __________  Months: __________

8. **Length of time in the Business Incubator**
   Years: __________  Months: __________

**SECTION B: SERVICES PROVIDED IN THE BUSINESS INCUBATOR**

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5, where 1 = Strongly Agree and 4 = Strongly Disagree. Tick (√) inside the box that best describes your opinion of the services provided in the incubator.

<table>
<thead>
<tr>
<th>Description</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1- Strongly Agree</td>
</tr>
<tr>
<td>9  <a href="#">Shared Business Support Services:</a></td>
<td></td>
</tr>
<tr>
<td>a The incubator provides office support services and other services such as legal, accounting, public relations, recruiting, business plan development.</td>
<td></td>
</tr>
<tr>
<td>b The incubator works towards reducing the chances of business failure and aims for success by offering advice.</td>
<td></td>
</tr>
<tr>
<td>c The incubator provides business programs that are specific to the needs of the incubatee</td>
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<tr>
<td><strong>d</strong></td>
<td>The incubator provides strategic marketing and sales expertise as well opportunities.</td>
</tr>
<tr>
<td><strong>10</strong></td>
<td><strong>Financial Support:</strong></td>
</tr>
<tr>
<td><strong>a</strong></td>
<td>The incubator assists with linkages for access to financing options.</td>
</tr>
<tr>
<td><strong>11</strong></td>
<td><strong>Infrastructure and Facilities:</strong></td>
</tr>
<tr>
<td><strong>a</strong></td>
<td>The incubator readily provides flexible working space, office furniture, physical safety and security.</td>
</tr>
<tr>
<td><strong>12</strong></td>
<td><strong>Training Services:</strong></td>
</tr>
<tr>
<td><strong>a</strong></td>
<td>Training is conducted regularly.</td>
</tr>
<tr>
<td><strong>b</strong></td>
<td>Training is relevant to the development of my business.</td>
</tr>
<tr>
<td><strong>c</strong></td>
<td>Management Counselling and Mentoring services are available.</td>
</tr>
<tr>
<td><strong>13</strong></td>
<td><strong>Technology Support:</strong></td>
</tr>
<tr>
<td><strong>a</strong></td>
<td>Adequate technology infrastructure and support are provided.</td>
</tr>
<tr>
<td><strong>b</strong></td>
<td>Functioning physical facilities and services such as computers, telephone, printer, internet are readily available.</td>
</tr>
<tr>
<td><strong>14</strong></td>
<td><strong>Governance and Organization:</strong></td>
</tr>
<tr>
<td><strong>a</strong></td>
<td>The Business Incubation manager is readily available to address the needs of the incubatees.</td>
</tr>
</tbody>
</table>
b. The Business Incubation manager is dedicated and committed to the success of the incubatees.

c. The Business Incubation manager is knowledgeable and provides quality services to the satisfaction of the incubatees.

d. The Business Incubator is adaptable to the changing needs of all stakeholders ie incubate, environment, industry and markets.

15 Other:

a. A conducive and interactive environment that promotes networking is found within and outside the incubator.

b. Post incubation services are available to all incubatees.

16. Do you believe that business incubators are able to facilitate and achieve successful business ventures by supporting innovative entrepreneurs in Kenya?

   YES ☐   NO ☐

   Explain……………………………………………………………………………………………
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………

17. Does business incubation lead to creation of jobs and wealth in Kenya?

   YES ☐   NO ☐

   Explain……………………………………………………………………………………………

   71
SECTION C: IMPORTANCE OF SERVICES RECEIVED FROM THE BUSINESS INCUBATOR

Please indicate the level of importance of the services received from the business incubator to you as an entrepreneur, where 1 = Most Important and 4 = Least Important. Tick (✓) inside the box that best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Description</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 Shared Business Support and Consultancy Services</td>
<td></td>
</tr>
<tr>
<td>19 Lower Start-Up Costs</td>
<td></td>
</tr>
<tr>
<td>20 Financial Support</td>
<td></td>
</tr>
<tr>
<td>21 Infrastructure and Facilities</td>
<td></td>
</tr>
<tr>
<td>22 Training &amp; Education Programs</td>
<td></td>
</tr>
<tr>
<td>23 Technology Services</td>
<td></td>
</tr>
<tr>
<td>24 Governance and Organization of the Business Incubator</td>
<td></td>
</tr>
<tr>
<td>25 Incubator Environment and Networking</td>
<td></td>
</tr>
<tr>
<td>26 Post Incubation Support Services</td>
<td></td>
</tr>
<tr>
<td>27 Product and Process Innovation and Creativity</td>
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</tbody>
</table>
28. In your view, are Post-Incubation services offered by business incubators significant to the success of business ventures that have been through the incubation process?  YES ☐  NO ☐

Explain…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

29. Do you think that Business Incubators should do more to assist incubatees to access financing for their businesses?  YES ☐  NO ☐

Explain…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

30. Should incubatees balance long and short term responses to new technical and market opportunities?  YES ☐  NO ☐

Explain…………………………………………………………………………………………
…………………………………………………………………………………………
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31. In your own opinion, how can an incubator assist the incubatee in building a strong internal control system in order to succeed and remain sustainable after completing the incubation process?

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…………………………………………………………………………………………

Thank you for your response.