KEY SUCCESS FACTORS FOR BUSINESS INCUBATION PROCESS IN KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

SUMMER 2018
STUDENT’S DECLARATION

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

Signed___________________                                     Date___________________

Mary Kibai (ID 651171)

The research project has been presented for examination with my approval as the appointed supervisor

Signed___________________                                     Date___________________

Dr. Joseph Ngugi Kamau

Signed___________________                                     Date___________________

Dean, Chandaria School of Business
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ABSTRACT

The purpose of this study was to determine the Key Success Factors for Business Incubation Process in Kenya. The focus of this study is on business incubators as an enabler of entrepreneurship development. Objectives guiding the study was; To establish the role of client (incubatee) selection criteria as a success factor for business incubators, to determine how conducive environment plays a role in ensuring success of business incubators, to establish what role does network support play in relation to success of the business incubators and the role of financial support as a success factor for business incubators. The study adopted descriptive study as it is considered as the most suitable research design to be descriptive by its nature, because it an independent variable causes changes in a dependant variable. The main data collection instruments were Questionnaires with judgemental sampling as the main sampling design. The target population was all incubate and managers of incubation centres. Total of 100 questionnaires were distributed 90 was collected representing 90% response rate. Both descriptive and inferential statistics were used to obtain the output.

The first objective of the study found out the key consideration during the selection criteria were; the comparative advantage over competitor’s product ($M = 4.63, SD = .500$), the substitutability of start-up product in the market ($M = 4.63, SD = .500$), ability of the product to demonstrate defensible competitive position ($M = 4.63, SD = .500$), and lastly the profit potential of the start-up company ($M = 4.69, SD = .479$). On objective two, the coefficient for the relationship shows the regression weight coefficients model in this study was statistically significant $p<.05$. The coefficient for the relationship conducive environment can determine the business success ($\beta = .254, t = 2.867, p<.05$). Hence conducive business environment is a factor that determine success of business incubators. On objective three, the coefficient for the relationship shows the regression weight coefficients model in this study was statistically significant $p<.05$. The analysis showed network support can determine the business success ($\beta = .247, t = 3.068, p<.05$). Hence network support is a factor that determine success of business incubators. On the last objective, the coefficient for the relationship shows the regression weight coefficients model in this study was...
statistically significant $p<.05$. The coefficient for the relationship showed though financial support can determine the business success ($\beta = .088$, $t = 1.106$, $p > .05$) it’s not a factor that determine success of business incubators. Hence financial support is not a factor that determines success of business incubators. The study established that the selection criteria strategy used by an incubator, conducive environment and network support have a significant positive correlation to business incubation centres. Business incubators need to organize more platforms such as seminars, forums and workshops to create more networking opportunities for their incubatees and industry players.

Main conclusions from this study were that incubate selection criteria, conducive environment, network support are key objectives of business incubators. Moreover, most business incubators aim to provide hands on business and management assistance which is important to incubate firms’ growth and success. Some of the challenges among many that came to light 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 among others, that the government through the Ministry of Education and management of individual business incubators set up more incubation centres given the positive potential effect they have on enterprise growth. Business incubators should continuously enrich their selection criteria strategy to attract and incubate only the very potential incubatees. Government policy makers need to relook into the education curricula to ensure it structured in such a way that it impacts entrepreneurial skills and enhances the development of policies and standards that guard the operations of incubation centres based on the research objectives. Such standards should be adopted by the incubation centres. A Business Incubation Policy to govern the process would help in streamlining the various activities. Also, a post incubation strategy would be best in reviewing the success or failure of graduate firms and integrate them into the market and link them back to the related industry. A
corporate membership organization which can register business incubators countrywide is also recommended.
ACKNOWLEDGEMENT

My sincere appreciation goes to my family members for the support. Without their love, support and encouragement, completion of my studies would have been an uphill task.

To Dr. Joseph Ngugi Kamau, my supervisor, I am grateful for the support and guidance. His vast knowledge and insights helped me research deeper into the subject under study and his willingness to provide constructive feedback made completion of this research a worthwhile experience.

Lastly, I also wish to thank all the people who allowed me to use their information to conduct this research.
DEDICATION

This research work is dedicated to my family for their love, support, patience, understanding and encouragement all through. To all those people I interacted with in this process, my persistence and determinations have yielded good fruits. Also, to all Start-up companies and business incubators in Kenya, if because of this study I will have made even a small contribution to their performance, then my efforts will not have been in vain.
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<thead>
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<th>BDS</th>
<th>- Business development services</th>
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<tr>
<td>BI</td>
<td>- Business Incubator</td>
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<tr>
<td>ICDC</td>
<td>- Industrial and Commercial Development Corporation</td>
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<tr>
<td>KIE</td>
<td>- Kenya Industrial Estate</td>
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<td>MSMEs</td>
<td>- Micro, Small and Medium Enterprises</td>
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<td>NBIA</td>
<td>- National Business Incubation</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Entrepreneurship refers to the recognition or creation of business opportunities and the exploitation of the opportunities through new firm creation. Entrepreneurial process requires various types of skills, such as to search and evaluate information about opportunities, to translate the information into new markets, techniques, and goods, to marshal the financial resources necessary for the enterprise, to make time-binding arrangements, to take ultimate responsibility for management, to be the ultimate uncertainty and/or risk bearer, to provide and be responsible for the motivational system within the firm, and to provide leadership for the work group” (Fukugawa, 2013).

According to Suresh and Sudha (2012), 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. Entrepreneurship being the in thing in this era, comes with loads of challenges, the major one being getting the seed capital to bring the idea into life. Other myriad reasons include but not limited to are; poor management, lack of adequate knowledge and know-how and lack of planning among others have also been floated as some of the factors contributing to the low success rates. The sweet gospel out there is that there are venture capitalists and non - profits making organizations who are willing to hold one’s hand and see one walk this entrepreneurship journey successfully. With that unique idea that guarantees great returns in future, potential investors will not bat eyelids, trying to gamble on whether to absorb you or not, they will gladly take you in.

Business incubation programmes are recognized by various national governments as the mechanism used to support Small and Medium enterprises (SMEs). “According to the American National Business Incubation (NBIA, 2015), business incubation is a support process that accelerates the successful development of start-up and fledgling
companies by providing entrepreneurs with an array of targeted resources and services. The American National Business Incubation Association (NBIA, 2014) defines a ‘Business Incubator’ as “an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services”.

Business incubators offer several value-added services apart from the space provided to the start-ups under incubation. The services offered by the business incubators enable the incubatees to have access to infrastructure, mentoring, funding, talent, markets and legal support thereby mitigating risks faced by them. Eventually, successful outcome of venturing effort of the incubatee firms are affected by these value-added services and hence are the deterministic factors attributing to the success of incubators. The aim of the study is to discover what these success factors are and to find the dominant ones among them. While incubator managers and developers make up a large share of NBIA’s membership base, the association also represents other interested individuals and groups. As the phrase itself implies, business incubators are programs intended to help small businesses get off the ground (Arumugam & Ravindran, 2014).

Business incubators for over 50 years ago have significantly increased and during this period, it has continually altered businesses. Business incubators have spurred great business growth in the developed world and their influence continues to rise. The steady rise in the number of business incubators universally is a clear indication of the value they are considered to have. In the United Kingdom, “there is a network of around three hundred business incubators which sustains an average of 12,000 industries” (UKBI, 2011). Globally, business incubators have demonstrated capacity to spur growth of businesses. UK has about 23 per cent businesses which recognize the role incubators has on the performance of their businesses. More than 60 per cent admit that the incubators are critical, there are about 17 per cent or less who consider the incubator as insignificant to growth of their business (Centre for Strategy and Evaluation Services, 2012). America has estimated that incubators have supported more than 27,000 new companies with yearly income of about $17 billion (Knopp, 2014).
Concept of Business Incubation has emerged in the last 30 to 35 years where a lot of research is being conducted. In its Web-site article titled "The History of Business Incubation," NBIA names the Batavia Industrial Centre (Batavia, NY) as the first incubator, founded in 1959. As per NBIA reports, this concept did not catch on with many communities until at least the late 1970’s, that is the concept of providing business assistance services to early-stage companies in shared facilities. In 1980, approximately 12 business incubators were operating in the United States—all of them in the industrial Northeast, which had been hard-hit by plant closures in the previous decade." Other important influences were promotional efforts by the U.S. Small Business Administration (mid-1980s), a program enacted by the Pennsylvania legislature in 1982, and the efforts of Control Data Corporation (Minneapolis) under the leadership of its founder, William Norris.

The significance of small and medium enterprises (SMEs) is critical for developing countries in an era of liberalisation and globalisation. New business incubators and enterprise support systems have emerged globally as effective instruments for enhancing decentralised economic growth both in developed and transition and newly industrialised economies. (Salem, 2014). Different perspectives on the role of incubators are based on whether the domain for the provision of relevant facilities the public sector is, academic institutions or the private sector. In Denmark for instance, incubators have been established to support and develop high-tech-oriented SMEs (Centre for Strategy and Evaluation Services [CSES], 2002), while in the Kingdom of Saudi Arabia they have been created to support SMEs with low financial capacity (Salem, 2014). In China, business incubators in different regions have been designed to counter market failure in innovation and to generate a capacity for globally competitive technological capability (Chandra & Chao, 2011).

Globally, business incubation centres are acknowledged as among the most significant sources of creating employment, generating wealth both locally and nationally and the reduction of poverty in general (Aldrich & Zimmer, 2011). For over 50 years, business incubators have greatly increased and during this period have continually transformed businesses and have also demonstrated capacity to spur growth of businesses. For instance, UK has about 23 per cent businesses which
recognize the role business incubators have on the performance of their businesses. More than 60 per cent admit that business incubators are critical, about 17 per cent or less considers the incubator as insignificant to growth of their business (Centre for Strategy and Evaluation Services, 2012). America has estimated that business incubators have supported more than 27,000 new companies with yearly income of about $17 billion (Knopp, 2014). International business incubators are considered the “third generation” of incubators in most developed countries. These incubators give a wide variety of support services for the growth of innovative enterprises (Harris & Gibson, 2012).

In developed countries and emerging markets, business incubators are being progressively used to support and attract foreign firms in a variety of different ways. For instance, in the United States of America, as part of the soft landings programme, the National Business Incubation Association (NBIA) has designated close to 13 local and 11 foreign incubators (in Australia, Hong Kong, Taiwan, Spain, France, UK and Netherlands) as incubators with specialised programmes/facilities for helping firms destined for new markets (NBIA, 2014). Academic institutions and private sector incubators may be described as providers of ‘outlets for student ideas’, ‘commercialising research’, ‘survival’ and ‘increasing shareholder value for the future. They are also seen as the natural hotbed of the incubation industry (Zuo, You, & Liu, 2014).

Business incubators are used to describe a wide range of organizations that in one way or the other help entrepreneurs develop their ideas from inception up to commercialization. Business incubators have two main goals. One is to provide nascent entrepreneurs with physical resources such as offices, internet connection, and shared facilities like reception, meeting rooms, and copy machines. Another, and more important, goal is to help nascent entrepreneurs’ access to intangible resources such as knowledge. That is, business incubators help nascent entrepreneurs improve their general human capital so that they can recognize or create business opportunities and to pursue the opportunities through new firm creation (Fukugawa, 2013).
According to the EU Centre for Strategy & Evaluation Services, “A business incubator is an organization that accelerates and systematizes the process of creating successful enterprises by providing them with a comprehensive and integrated range of support, including: incubator space, business support services, and clustering and networking opportunities and a successful business incubator will generate a steady flow of new businesses with above average job and wealth creation potential”. Objective and primary purpose of business incubators is to provide support to start-ups, early stage businesses and established businesses with new products / new directions by providing them with the safe harbour, intensive resources and a development environment in which they can flourish and by doing these assist businesses to perform marginally better by creating nurturing and supportive environments that offer specialized services and support programs in a controlled manner.

According to Kinoti (2011), the concept business incubators in Kenya 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”. Different factors contribute to the success of an incubator. He further observes that business services that include training, technology transfer, business advice, marketing assistance, mentoring and information aimed to helping small and micro entrepreneurs will help improve the performance of their businesses. Providing a nurturing and supportive environment is key towards the success rate of small firms.

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. Business incubators play a critical role in incubating businesses or companies. They help create and grow young business by providing them with necessary support and financial and technical services so that they ultimately can achieve their goals which include creating employment, cultivating an entrepreneurial climate, contributing towards economic development. According to Suresh and Sudha (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. Thus, 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 among many others would include financing, premises, support, markets, customers, competition, location and logistics. An important aspect would be to determine the different stages of growth of the venture, and the life cycle of each stage.

Today, incubation centres perform a fundamental part in a nation's financial development and advancement. Not all incubators are successful, and it is therefore important to investigate the factors that contribute to the success of business incubators.

1.2 Statement of the Problem

Enterprise growth is a very important component of social and economic development. It promotes capital formation and creates wealth in a country. It reduces unemployment and poverty and it is a pathway to prosperity (Kaiburi, Mobegi, Kombo & Sewe, 2012). Unemployment continues to be a problem to Kenyans and most people are turning to entrepreneurship to try to make a living and create employment opportunities for others. The Kenya National Bureau of Statistics (KNBS) shows that 80% of new jobs created annually are created by small and medium enterprises (SME’s) and 45% of the population is employed by the SME’s. An estimated 75% of small enterprises started in Kenya do fail within first three years of their birth. Indeed, an enterprise that is more than three years old is regarded as having achieved some measure of success (Kaiburi et al., 2012).

The reality is that starting and growing a business or an enterprise in Kenya can be very challenging especially during the start-up period when most are vulnerable. It is therefore natural for businesses and entrepreneurs to tap into all the help they can find, and this is where the business incubators come in. Nowadays, incubation program is an important element in economic development in both developed and developing countries. In Kenya, there is no clear blue print as to how business
incubators should be run. Most incubators tend to operate on models and processes that best fit their objectives, the community and region being targeted. This therefore presents an opportunity for the development of suitable process models that determine the success or failure of business incubators thus leading 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.

Thus, the aim of this study is to determine what are the success factors business incubators ought to adopt or are currently adopting as well as the key factors influencing their performance so that they can attain success.

1.3 General Objective of the Study

General objective of this study was to determine the Key Success Factors for Business Incubation process in Kenya.

1.4 Specific Objectives

Specific objectives guiding the study were:

1.4.1 To establish the role of client (incubatee) selection criteria.
1.4.2 Establish the role of financial support as a success factor for business incubators
1.4.3 Establish what role does network support play in relation to success of the business incubators.
1.4.4 To determine how conducive environment plays a role in ensuring success of business incubators.

1.5 Significance of the Study

1.5.1 Business Incubators

Findings from the study can be beneficial to 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 Policy Makers

The findings and recommendations of the study have implications for decision makers in universities, industry and government regarding setting up, financing, operation and general support of university-based business incubators. The decision makers will be able to make better informed decisions. It 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 contribute 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.
1.5.5 Entrepreneurs

This study shall assist nascent entrepreneurs appreciate the contribution an incubation process would have in turning their entrepreneurial ideas into real sustainable enterprises that contribute to enterprise growth.

1.6 Scope of the Study

The study will discuss the factors that contribute to the success of the incubation program and how the factors can influence the performance of the incubator. The respondents of this study will include incubator Proprietors, Managers/ Owners and Incubatees. The scope of the study is limited to business incubation service providers in Nairobi where the study can easily be conducted. The study will be conducted for a period of three months between April and June 2018.

1.7 Definition of Terms

1.7.1 Business Incubation

Business Incubation can be defined as a tool for economic development which strengthens the local economies (Al-Mubarak. et. al., 2010).

1.7.2 Business Incubator

Bruneel, Ratinho, Clarysse and Groen (2012) define Business Incubators as recent tools utilized to promote the creation of successful entrepreneurial companies. A Business Incubator can also be defined as an environment formally designed to stimulate the growth and development of new and early stage firms by improving their opportunities for the acquisition of resources aimed at facilitating the development and commercialisation of new products, new technologies and new business models (Eshun, 2009).
1.7.3 Entrepreneurship

Entrepreneurship is a dynamic process of vision, change and creation (Kuratko & Hodgetts, 2004).

1.7.4 Key Success Factors

Lumpkin and Ireland (1988) defined key success factors as “those dimensions of a firm’s operations that are vital to its success”. This includes the constituent elements of the business incubator’s design and support arrangements (Autio & Klocksten, 1998). Key success factors then are essential in ensuring that incubatee firms are successful (survive and grow) and they must work well in combination with each other (Theodorakopoulos et al., 2014)

1.8 Chapter Summary

Chapter one gives 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 also outlines the significance of the study, the specific research objectives, the importance and the scope of the study as well as the working definitions of specific terms used. Chapter Two covers the literature review based on the specific objectives shared.
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. Based on a critical review of what has been presented by other scholars in this area, the study identifies research gaps that it aims to bridge. 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.

2.2 The Client Selection Process for Successful Business Incubation.

Business incubators are viewed as entrepreneurial hubs that can channel the entrepreneur and allow them to unleash their ideas and business enterprises to markets. These enterprises would be operating from a position of strength by the nurturing environment of a business incubator which increases their success rate to 90%. Nonetheless there is competition for resources and business incubation placements and the success of the Business Incubation Programme hinges on the performance of the client and their business enterprise (Ayatse et al., 2017).

Despite the general argument of the importance of new venture creation and the benefits of business incubation to economic development, not all new venture creations may contribute to economic growth. Recent research (Shane 2009) suggests that economic growth and job creation are a function of high quality, high growth companies. As a result, to positively impact economic development, policy interventions strive to stimulate the development of high quality new ventures rather than the mere achievement of high numbers of new ventures (Fritsch & Schroeter, 2009). So, to should business incubators, being economic development policy instruments, be selective in the development of new ventures if they aim to positively impact economic growth, striving to attain high quality, high growth companies as opposed to merely high numbers of new ventures.
Consequently, client selection processes and the criteria used to select incubator clients become paramount to the success of the business incubator. This contention is further supported by Bizzotto (2003), who argued that a crucial point for the success of any incubator is indisputably the selection process of prospective companies. He states that the number of graduated companies will be directly proportional to the quality of the selection process. As a result, the goals of any selection process should be to identify those business proposals that have a greater chance of success. Being selective ensures that only high-quality start-ups are assisted to start-up and grow.

According to Cammarata (2003), the goal of a client selection process is to determine the existence of an appropriate match between the prospective client’s needs and potential and the incubator’s mission and resources. Similarly, Walker (2004) also shared the belief that the ultimate role of an incubator’s screening process is to define the existence of a suitable fit between the mission and resources of the incubation program and the entrepreneur’s business and needs. It becomes paramount for the incubator to provide support to clients that will most benefit from incubator services and that have a high likelihood of success, especially for incubators operating with limited staff and financial resources. As a result, the aim of selection is to evaluate the prospective client’s potential capabilities to attain successful new venture creation (Lumpkin & Ireland, 1988).

Supporting clients who will in turn support the incubator’s mission helps the incubator establish a track record, a fundamental element for marketing the program, enticing new clients and guaranteeing the program’s financial stability and longevity. Effective client selection represents a critical part of the business incubation process. Business incubators must be selective in nature to ensure the most efficient channelling of their limited resources to the most deserving new ventures. Various studies acknowledge the importance of selection for successful business incubation, whereby efficient selection is not only identified as a component of the business incubation process but as a critical business incubation success factor (Bizzotto, 2003; Lumpkin & Ireland, 1988).
The selection of quality start-ups, that is new ventures with high growth potential, increases the chances of business incubation success. As a result, the importance of selection for business incubators lies in that it enables the identification of new ventures with potential for growth and success (Bizzotto, 2003; Lumpkin & Ireland, 1988).

Even though selection processes used in different incubators have similar goals, the stages and the criteria used differ greatly among incubators. Ganamotse (2011) defines selection criteria as the “yard stick” used to validate the decision to accept entrepreneurs and ideas for business incubation whilst selection practices refer to the proclivity of business incubators to utilize specific criteria for the selection of businesses for incubation. Many researchers have attempted to discover the selection practices and client selection criteria used amongst successful business incubators. For example, Lewis et al. (2011) highlighted practices highly correlated with incubator client success. They posit that among the practices most characterized by high-achieving programs were selecting clients based on cultural fit, selecting clients based on potential for success and reviewing client needs at entry.

Further research done by Cammarata (2003) went on to describe the steps involved in the client selection process for business incubators. She explains that the first step in an effective, strategic process is to create a distinct list of admissions criteria, for example business type and growth potential. Setting these specific standards, she explains, provides focus for committee members in their selection of the most appropriate applicants for the incubator. The next step in the selection process is generally an informal exchange of information, either in the form of a formal application or business plan submission. Applicants meeting the incubator’s basic qualifications would then be invited for a formal interview by the selection committee, whereby the applicant’s needs are clarified, and it is determined whether the program is capable of meeting those needs. In addition to this, participation on a given selection committee should be determined by the type of businesses being interviewed. A thorough discussion of expectations should also be incorporated in the
selection process, inclusive of a review of graduation criteria and any contracts clients are required to sign.

According Colbert, Adkins, Wolfe and LaPan, (2010) business incubation programs’ client selection criteria include coach ability, viability, industry sector, and stage of development and growth potential. A best practice incubator positions itself to source the top clients through the implementation of a comprehensive application and screening process, demanding disruptive or non-performing clients to exit the incubation program whilst focusing on working towards graduating successful businesses into the community.

To add to the list of criteria used by business incubators for selecting tenants, Kumar and Kumar (1997) highlight the importance of job creation, local ownership and the ability of the tenant company to pay its own operating costs, provide a unique opportunity, be a new start up enterprise with fast growth potential, have clients who are in some cases required to have a business plan, and have business liability insurance. In addition to these findings, Colbert et al. (2010) also noted the existence of variations in the criteria used for admission to an incubator program; these variations being dependent on the incubator’s mission as well as their stage of development.

Despite these variations, they proposed that an application and screening process should determine ten main things about a prospective client. Firstly, the process should determine whether the client possesses a viable business proposition. Secondly, it should determine whether there exists a management team ready to accept the incubator’s support and participate in the incubator’s internal community. Thirdly, it must assess whether the client will be beneficial to the economic development of the community, either through job creation, the provision of new business opportunities, the commercializing of technologies, the increase in community competitiveness, the diversifying of local economies, the creation of wealth or through the provision of entrepreneurial opportunities for low-income or other demographic groups. The process should also determine whether the client will directly compete with an existing incubator client; can pay rental charges and other
fees while sustaining positive cash flow; is aligned with the industry niche or sector focus areas of the incubator; has requirements the incubation program and its service provider network can fulfil; will meet the needs of any incubator partners the company may need; will meet graduation benchmarks and positively contribute to the incubator culture.

According to Ayatse et al. (2017), the concept of business incubation is here to stay and is viewed as a positive strategy to foster socio-economic development and the creation of a stratum of dynamic and sustainable business enterprises. The process of business incubation also provides an opportunity for the entrepreneur to carve out a space in the market by the provision of a nurturing environment that increases the success rate of fledging business enterprises. The success of a Business Incubator is dependent on the inputs received and the operating transformation processes to engage and push the entrepreneur towards sustainable outcomes. The Client Selection strategy plays a major role in giving a Business Incubator programme a solid platform for support and realization of core objectives. While the Literature has suggested diverse approaches, the consensus is that the client selection process can be tailored to the entrepreneurial eco-system of the business incubator. It was revealed that staff selection, communication and community strategies, early entrepreneurial linkages and a client diversion system are main aspects of an effective client selection system for a business incubator.

2.2.1 The Benefits of an Effective Client Selection Process.

According to Walker (2004) the client screening process is a powerful mechanism for business incubators. A well-designed screening process can lead to the incursion of promising client companies and a steady outflow of successful graduates. It can aid in the attraction of entrepreneurs with the skills, motivation and passion to take an idea to fruition and pool a mix of clients generating synergies within the incubator. Furthermore, Cammarata (2003) also outlined the numerous benefits of an effective client selection. An effective selection process allows an incubation program to secure an optimum combination of client companies; it maintains a smooth and efficient
flow of businesses into a program; it identifies those truly committed to and capable of business growth and success; and it aids selection committees in determining who benefits from the limited staff time, space, and equipment of the incubation program.

2.3. Financial Support and Business Incubators

Pappas (2003) investigated why over the past few decades, business incubation has been attracting many research studies in developed and developing countries. This is achievable through the analysis of business policies that support economic growth and development. The term ‘business incubation’ implies a business development strategy utilized by policy makers and nations to ensure sustainable economic growth and development through the creation of entrepreneurial ventures that are effective in the contribution of economic growth and a health status of the economy. Successful incubation, as applied by various countries, involves a supportive environment that facilitates the creation of new ventures and fulfilment of potential growth and giving such ventures the access to a wide range of business development resources. It also entails providing new ventures with tailored services. Therefore, business incubation is significant in seeding and developing new business ventures alongside technology transfer to facilitate potential growth in most economic sectors within a country (Pappas, 2003).

In several developed countries across the globe, the use of incubation emerged as early as 1980’s, while operating alongside other generic business development programs, and later evolved into narrow and very deep business services for supporting small selected groups of companies. Subsequently, developing countries began to adopt the concept of business incubation. The use of traditional business incubation methods, and their importance in enhancing growth and development, was the motivation factor behind the adoption of business incubation programs among various developing countries. As argued by various economists, business incubation is a very vital tool in nurturing entrepreneurship and the development of small and medium enterprises to create more job opportunities, consequently leading to improved standards of living (Volkmann, 2004).
Wagner (2006) argues that the growth of business incubators globally is justifiable through various established theoretical dimensions based on previous and existing empirical evidence that support the role of innovation and technology in promoting economic growth. Such business incubation programs are also important in speeding up the rate of growth and development among the developing nations like the Kingdom of Saudi Arabia. Nonetheless, business incubators do not play a part in the transformation of national, community, or regional economy. Nevertheless, literature proves that the integration of business incubators in economic policy reform, in its broader perspective, is of great importance. It is also important to integrate business incubator programs in other reforms, like those of infrastructure investment and financing, to ensure speedy and sustainable economic growth and development.

In such circumstances, having a clear understanding of the objectives of and missions of business incubator programs is of much importance in achieving the expected return on the resources invested in the general program. Business incubators are mostly regarded as companies that assist the development and growth of SMEs by proving various services such as, access infrastructure, marketing, financial support and networks. To insure company’s financial performance, it is vital to think about how to attract funds and as well as create a reasoned financial structure so that the enterprise may work making a profit. It is important to choose the most appropriate and most effective method for attracting financial sources. Especially at the business start-up stage, there is an abundance of ideas but little funding.

Any robust business environment promotes development of businesses, attracts new companies and investments and involves the general population in addition to the workforce and new employers. A clear and comprehensible business environment serves as a guarantee for personal income for everyone and revenue for the state. Under such conditions, businesses recognize the importance of corporate social responsibility and operate in a responsible manner towards society and the environment. The main task of an incubator is to create successful new businesses, ones which, after leaving the incubator, will be financially self-sufficient. Business incubators create jobs, promote social activity, commercialization of new technologies and create wealth both locally and nationally (Pukite 2014). Many new
business start-ups are faced with the problem of insufficient initial capital, difficulties in attracting financial support, poor management or marketing skills and technical support, and lack of information.

One of the procedures of good management is an incubator’s ability to attract sponsors, raise funds and mobilize resources that could be utilized to better the incubator business model in servicing incubatees. This researcher concurs that in developing countries, particularly where business incubators are still evolving in obtaining the public support, and international linkage is essential during the early years of operation. International linkage in this context means partnering with other incubators and companies internationally.

In a South African context, the main sponsors for incubators are SEDA Technology Programme (STP) and Incubation Support Programme (ISP) through the Department of Trade and Industry (DTI). Unlike public business incubators, private BIs do not normally get sponsorships and funds from public funding. In this case, private BIs may have to depend on their own funds and sponsorship. The main supporter needs to “buy into” the business incubator’s mission and objectives, by assessing the performance, purpose, and idea behind the goal, and overall incubator strategy. As business incubators increase both in developed and developing countries, the next generation of incubators are expected to be profit driven organizations that specialize in a specific sector environment.

Business incubators nurture the development of early-stage and new companies, helping them to survive and grow during the start-up period, when they are most vulnerable. The most common goals of incubation programs include creating jobs in a community, enhancing a community’s entrepreneurial climate, retaining businesses in a community, building or accelerating growth in a local industry, and diversifying local economies (Umpqua business centre, 2014). A business incubator is a commercial entity that supports and encourages any form of business operation in any sector of the economy. Its basic function is to encourage creation of new innovative companies, during the incubation period providing these companies with facilities, services and consulting business on core issues.
Global experience shows that the performance and success of business incubators is directly dependent on the performance and development of business that exit the incubator. A successful business incubator is characterized by a high survival rate post the incubation stage. It is equally important to ensure the vitality and development of incubated businesses, thus demonstrating the incubator’s sustainable economic impact on the development of the region (Pukite 2014). Incubators have become a ubiquitous phenomenon in many parts of the world and are viewed as a tool for promoting the development of technology-based growth firms. Considering the large faith and considerable amounts of money invested in incubators, the identification of best practice incubator models is of importance (Bergek & Norrman, 2008).

The principal aim of a business incubator is not only limited to improve quality of services to the new firms, but also move towards sustainability. To measure the success rate of incubators researchers often take variables such as incubator occupancy rate, tenant survival as well as growth of the tenant (Basu & Biswas, 2013). Incubation can be divided into three stages: First, Pre-incubation period, where the future company needs support in making of business plan, market research. Traditionally special knowledge skills are important at this stage. In Latvia the operator may apply at this stage to various non-governmental organizations, universities, participate in seminars and training courses. Second, Incubation period. During the incubation phase, Latvian incubators offer significant financial support, make available of infrastructure, expert services, as well as support for new product development, also support for the cost cutting, which is also the services offered by the business incubators. Lastly, the post-incubation stage, when a company already can operate continuously without support. At this stage, a strategic plan for business development is important, the availability of technology and experts is vital (Vanaga, 2011).

Business incubators provide an excellent opportunity for new entrepreneurs by helping then to realize their ideas in real life. Business development whilst situated in an incubator gains from a mutual learning and exchange of views between several companies. Often Businesses are able in a collaborative way to solve many common
problems. Each company is focused on something different; they may become partners or customers who use one another's services. Each person who wishes to place his newly formed company in a business incubator has different life, work experience, education and skills. Therefore, a synergy effect may emerge based on correlation with the several parties involved.

Generally, the incubation concept aims at achieving some fundamental objectives which include to create new jobs and businesses, foster a climate of entrepreneurship, commercialize technology, diversify, revitalize and accelerate growth of industry and local economies, reduce company mortality rate, reduce unemployment, increase university-incubation interaction and foster technology development (Bizzotto, 2003; Mutambi et al., 2010; Al-Mubaraki & Busler, 2011).

The objective of business incubation is achieved through business incubators. Incubators are major actors in the entrepreneurial ecosystem by linking talent, technology, capital and know-how (Todorovic & Moenter, 2010; Bejarano, 2012; Levakova, 2012; Al-Mubaraki et al., 2013). However, definitional challenges exist on what constitute business incubators or business incubation (Bergek & Norrman, 2008). Sources of this definitional challenge arise from the confusion of virtual incubators with traditional incubators that provide in-house tenancy, the inability to properly define the incubation process or define it but fail to identify with whom the incubation process occurs and the use of the terms such as science parks, technology centres etc. interchangeably (Bergek & Norrman, 2008; Hackett & Dilts, 2004).

**2.3.1 Concept of Business Incubation and Incubators**

The Campbell et al. (1985), Smilor (1987) and Hackett and Dilts (2004) models of the incubation process provide a comprehensive perspective of what the incubation process is. The Campbell, Kendrick and Samuelson model are the first attempt at modelling the incubation process with Smilor extending the model by incorporating a network dimension to the model. Hackett and Dilts model gains input from the real options theory in explaining the incubation phenomenon. However, the success of any incubation program is dependent on the practices adopted by such an incubation program. Incubators size, age and local environment have an influence on its success.
However, incubator’s best practice is perhaps the most important determinant of its success (Ayatse, Kwahar, & Iyortsuun, 2017).

According to (Ayatse et al., 2017) business incubation is a unique institutional arrangement that is primarily concerned with developing entrepreneurial culture in a community. However, the onus remains on the entrepreneur to make the business survive, as they are prone to be affected by what Levakova (2012) calls the ‘incubator syndrome’. To Brooks (1988), the whole concept of incubation is attitudinal in that incubation fosters a community attitude of encouraging and supporting emerging firms to be successful with its success dependent on three fundamental factors: “an entrepreneurial and learning environment, ready access to monitors and investors, visibility in the marketplace” (European Commission, 2002; Levakova, 2012).

The concept of business incubation is founded on the premise of increasing the survival and growth of firms by developing mechanisms that will ensure the early identification of those firms that have great potentials for success but are constrained by resources. The concept ensures that firms overcome what is called the liability of newness and the liability of smallness thereby creating innovative firms that are competitive, profitable and sustainable (Salvador & Rolfo, 2011). The incubation phenomenon is therefore, considered an enabling technology “that capacitate the functionality of critical and possibly strategic technologies” (Hackett & Dilts, 2004).

The general idea of what research scholars see as business incubators is that they are institutions concerned with speeding up the growth, financial and operational stability of entrepreneurial start-ups by offering them targeted services and support (EC, 2002; Bergek & Norrman, 2008; Mendoza, 2009; Levakova, 2012; Moreira et al., 2012; Masutha & Rogerson, 2014) with a strong emphasis on knowledge agglomeration, resource sharing, innovativeness and competitiveness by creating an environment which help start-ups deal with the challenges of entrepreneurial pursuit (Phan et al., 2005; Akcomak, 2009).

Bringing a network dimension to the concept, Weinberg (1991) views incubators as inter-organizational or social partnership organizations that are concerned with addressing “socially-relevant” purposes by harnessing the strength from diverse
organizations. Mian (1996); Bollingtoft and Ulhoi, (2005) championed the concept of a network incubator “based on territorial synergy, physical proximity, relational symbiosis and economies of scale” with the overall aim of leveraging entrepreneurial initiative and know-how in creating and operating successful companies. In their contribution, Bergek and Norrman, (2008) observed that research scholars disagree on whether a business incubator is an organization, or a general term likened to an entrepreneurial support environment. To scholars such as Brooks (1988); Weinberg et al, (1991); Lalkaka (2001), and Phan et al, (2005), incubators are registered organizations that provide affordable office space, offering targeted support services with the sole purpose of nurturing small fledgling firms into healthy businesses.

2.4. Business Incubators and Networking

“Business incubator” is a broad definition that refers to any institution that provides physical workspace, management assistance, access to finance, and other supporting services to newly founded firms and helps them survive and grow during their early years (Suk & Mooweon, 2006); (Allen & McCluskey,1990) define business incubators as organizations that “provide affordable space, shared support services, and business development assistance in an environment conducive to enterprise creation, survival, and early-stage growth”. Carayannis and von Zedtwitz, (2005) identified five services as central to incubation. These are: Access to physical resources (office space, furniture, computer network etc.), Office support (mail, fax and copying services, computer network, book-keeping etc.), Access to financial resources (business angels, venture capitalists etc.), Entrepreneurial start-up support (business plan, legal/accounting advice etc.) and Access to networks.

Among the types of services, many studies have underlined networking services as the most important element of the incubation process (Roper, 1999; Shepherd et al., 2003; Sherman, 1999; Smilor, 1987, Tamasy, 2007). The studies investigating the effect of locating in a business incubator emphasize the importance of business incubators as intermediaries to help establishing collaborative relationships of newly founded firms with various economics actors through incubator’s network (Löfsten & Lindelöf, 2003; Rothschild & Darr, 2005; Bergek & Norrman, 2008; Peters et al., 2004; Bollingtoft & Ulhoi, 2005; Grimaldi & Grandi, 2005; Rice, 2002). An
The incubator’s external network is composed of potential customers and suppliers, specialist service providers (lawyers, accountants, tax specialists, etc.), financial institutions (banks, venture capitalists etc.), public and private research organizations and political institutions (such as the regional development agencies).

Through the business incubator’s network, tenant firms can access the critical resources they need such as knowledge, technology, financial capital, human capital. Access to such networks can help new entrepreneurial firms to overcome some difficulties associated with “liability of smallness” (Freeman, Carroll & Hannan, 1983) and “liability of newness” (Stinchcombe, 1965) and support to develop cooperative relationships which are critical in early stages of business (McAdam & Marlow, 2007). Incubators, via external networks, connect the entrepreneurs to the channels where they can reach resources they don’t have (Rice, 2002). Internal and external networks of business incubators create a synergy and potential to growth for tenant firms by combining firms’ internal resources and external resources through collaboration and joint ventures. There are numerous studies emphasizing the facilitator role of business incubators and discussing the effect of networking on tenant firm performance (Verma, 2004; Suk & Mooweon, 2006; Zhang & Jiang, 2009).

Business incubators may foster network resources, which we define as a firm’s access to information, knowledge, reputation, and input factors from a variety of sources such as customers, suppliers, competitors, R&D institutions, and governmental bodies (partly derived from Spithoven & Teirlinck, 2015). To measure the potential benefits of business incubation, it is therefore critical to study network resources provided by incubators, which include both internal networks among tenants and external networks facilitated by the incubator.

Business incubation can make available to the start-ups resources such as office space, counselling, and other basic services, but their purpose is also to stimulate internal networking and exchange of knowledge between entrepreneurial start-up firms (Hansen et al., 2000; Hughes et al., 2007; Sá & Lee 2012; Kitagawa & Robertson 2012). Moreover, business incubators should help tenants to build
networks with external companies, organizations, and other individuals (Hansen et al., 2000). Cooper et al. (2012) note that “business incubators strive to advance robust business and social networks to bring value to their resident companies in the form of intellectual and material resources.” Sá & Lee (2012) state that “one of the central features of incubators is the provision of networking opportunities for tenants to establish collaborative relationships with other organizations.” In line with this perceptive, Hansen et al. (2000) note that “most business incubators provide office space, funding, and basic services. The better ones also offer an extensive network of powerful business connections, enabling fledging start-ups to beat their competitors to market.”

A recent Finnish study has stressed the crucial role of multifaceted relations between incubator firms and how they can develop through diverse processes (Pellinen 2014). In another study in Denmark, Bøllingtoft and Ulhøi (2005) investigated various facades of networking between incubator tenants, and their fieldwork revealed that mutual trust is more vital than formal contracts. Tenants do not collaborate “on command;” many of the relationships are multiplex (e.g., friendship and business relations), and joint activities appear to be formative for social ties. Physical nearness is a catalyst for relationship formation (Bøllingtoft 2012; Bøllingtoft & Ulhøi, 2005). Similar findings were reported by Cooper et al. (2012) in their study of motivations and obstacles to networking in a university incubator. Cooper and colleagues further reported that “primary obstacles residents face… in networking… include lack of constant information about other residents, and lack of trust related to keeping information about innovations and funding sources secure”.

Chan and Lau (2005) assessed a university technology business incubator program in Hong Kong; their multiple case study of six incubators revealed that only one appeared to have extensive relationships and knowledge sharing between the incubator firms. A study by Schwartz and Hornych (2008) in Germany examined whether industrial sector specialization incubation would foster internal networking among incubator tenants, but the authors uncovered deficiencies in this regard. A follow-up study did not show that incubator specialization increased internal networking (Schwartz & Hornych, 2010). According to Battisti and McAdam (2012)
graduate entrepreneurs in incubation face challenges with reference to relational and
cognitive dimensions of social capital, which may somewhat explain Schwartz and
Hornych’s findings.

A Taiwanese survey indicated that incubator tenants’ proactive use of incubator social
capital is positively linked with technological capability, managerial competence, and
incubation satisfaction (Fang et al., 2010). Recently, a Canadian study by Sá and Lee
(2012) reported that networks with crucial stakeholders were created in a major
technology incubator (for example accounting firms, government agencies, venture
capital firms, and research institutes). Some respondents reported that “the social
setting of incubators may be a source of networking opportunities that can translate
into business opportunities” thus, it appears that incubator facilities can provide
access to credibility and an extended network for the tenants. Yet, the same study
concluded that it “seemed almost impractical for the incubator to fully address each of
the tenant’s networking needs according to their industry and business plans”.

Taken together, the reviewed studies generally show that a crucial mission of business
incubators is to enable the tenants to leverage network resources internally and with
external agents. However, several studies have reported that these activities have
proven challenging. Inter-tenant networking is limited and business incubators’
mission to foster external network resources is also limited and not particularly
adapted “to serve effectively each individual tenant” (Tötterman & Sten, 2005).

No start-up is conceived in a vacuum, and business ideas are generally initiated prior
to incubation. It therefore appears that network resources shaped through network
incubation also tend to be generic in nature. In addition, it is interesting to note that
incubation studies are practically silent on comparing the value and characteristics of
the path-dependent trajectory of the tenants’ “private” networks established prior to
incubation and in parallel with incubation. Sá and Lee (2012) addressed this issue
when referring to incubator start-ups, claiming that “most of their strategic relations
were established before locating at MaRS [the incubator] or through their own effort,”
but we lack systematic knowledge of how incubator tenants may combine incubator
network resources with “private” external network resources.
To understand fully the nature of incubated network resources, it is therefore crucial to emphasize how start-ups potentially combine “private” external network resources with incubator-provided internal and external network resources. Because most start-ups not only need generic resources but also depend on specific or idiosyncratic resources for their business, it is practical to assume that “private” network resources will play a relatively crucial role for incubated tenants.

Business incubators are considered important to local economies because of their perceived value creation derived from nurturing and developing innovative and high growth, small and medium enterprises (SMEs). The recent research into business incubation suggests that it is a significant tool for sustainable economic development. Many Business Incubators aid in the process of strengthening the local economies in which they operate as the survival rate of their operational business tenants within the incubator is 90% (InfoDev 2009). This positive rate has encouraged the state to provide funding and other business incubator support services to increase the supply of entrepreneurs within a community.

According to Lalkaka (2001) the benefits of a well-managed incubator can be numerous for stakeholders. Firstly, for tenants, incubation augments the chances of success, creates synergies among client-firms, helps improve entrepreneurial and business skills, raises credibility and facilitates access to mentors, information and seed capital. For governments, incubation promotes regional development through the generation of jobs, incomes and taxes. Furthermore, it allows governments to actively demonstrate their political commitment to small businesses. The local community also reaps benefits, as incubation enhances local incomes while fostering an entrepreneurial culture, as many graduating businesses stay within the area (Ayatse et al., 2017).

2.5 Conducive Environment and Business Incubators

According to Pappas (2003) the incubation program is one of the most dynamic programs aimed at developing and supporting new commercial businesses. Incubators have the ability of nurturing young firms by helping them to survive during their start-up stages and maintain a sustainable growth thereafter. Most importantly, helping
new firms survive during their start-up stages is the most crucial function of business incubators owing to the fact that, at this particular period, newest firms are vulnerable to failure and collapse. Moreover, business incubators are important in providing hands-on management practices, provision of the necessary resources, and orchestrated exposure to business strategies on critical thinking, and provision of the most important technical support for business success. Also, business incubators are useful in providing new firms with the facilities to share office services, easy access to business equipment, and expandable space.

According to a survey conducted by Hackett and Dilts (2004) that concentrated in Asia and North America regions, business incubator programs imply a shared office space facility that assists entrepreneurs with the strategies or tenant companies to facilitate business monitoring and assistance. This is key since the business incubator helps in controlling and linking necessary resources that facilitate the development of client’s new ventures through the ability to contain the cost of potential threats and failures in the business.

However, the establishment of such business incubators could depend on the different set of objectives to reflect specific operating environments and the stakeholders’ needs. It is imperative to note that the design of each incubator is in a certain manner that seeks to drive one or more objectives, say like commercially viable venture, facilitating technology transfer, enhancing innovation, and encouraging economic development. According to Lalkaka (2002), other objectives may include the creation of new employment opportunities, accelerating business growth, empowerment, and developing role models to create a good entrepreneurial culture.

Lalkaka (1997) makes a case for the required physical facilities and layout of business incubators. He argues that for a business incubator it is generally fast and economical to utilize a renovated vacant building rather than construct a new one. A state-of-the-art building can become expensive, raising rental rates and making it difficult to break even at fewer than 85 percent occupancy. Tamasy (2007) investigated the environment as a success factor to operate business incubators effectively. Among the factors that they noted as vital were the physical infrastructure of the incubator, easy
access to facility and equipment and common access to service space and office equipment were specifically singled out. The support available in technology-oriented business incubators is often based on subsidized, and thus inexpensive, office spaces and office services, which eases the difficult start-up phase of technology-oriented businesses by reducing fixed costs. The range of office services includes meeting rooms, telecommunication services, and secretarial functions, which are available in most of the incubators. In addition, many of the business incubators provide a cafeteria as a meeting place and platform for possible synergy effects (Tamasy, 2007).

This view is collaborated by Xu (2010) who shows that Business incubators usually provide tenants with various types of physical resources or facility-related services to help reduce the costs faced by start-up enterprises. In a wider classification, services offered include affordable and flexible office space and building facilities, office equipment and shared office services. Office space is usually charged at a rate below market rents and is flexible in terms of both leasing arrangements and the changing needs of the incubator’s tenants. Services related to building facilities typically include conference or meeting rooms, cafeteria, building security and additional amenities. Shared office services include secretarial, reception services, mail handling, fax and copying services and the like, which are generally not affordable or neglected by start-ups. By offering these basic office services, business incubators provide at minimum level opportunities to reduce costs and to save time for entrepreneurs who want to start their businesses immediately.

Notably, all incubatees expect to be connected to the information highway. The need for a direct phone line and high-speed data transfer can become expensive. Particular production reference books and business/marketing journals are required. The entrepreneur doing artistic work needs a pleasant but business-like setting, with spaces to meet, communicate, and relax. This can be functional and modern, without luxuries (Lalkaka, 1997).

According to Ebbers (2013) by being located on the same site, a symbiotic environment can be established where firms exchange contacts, establish collaborative projects and share experiences as well as sharing the use of equipment.
or research facilities. Partnerships enable firms to utilize the existing expertise or technology of other firms. Incubator firms may also gain access to resources from their external networks. Ideally, incubators need to add value by bringing together a comprehensive array of networks with knowledge sources to match the needs of firms. These might consist of researchers from research institutes or academics from universities, who are willing to provide advice and assistance. Collaborations with universities, research centres or other knowledge-based institutions enable firms to enjoy economies of specialization, without the prior investments often needed for internal development (Tötterman & Sten, 2005).

Within business incubators, the external and internal networks developed may be different from firm to firm: each firm can have distinctive resource needs (Colombo, Mustar & Wright, 2010). The need for tangible and intangible resources can be different from firm to firm (Colombo et al., 2010). Tangible resources may include financial assets and physical assets. Intangible resources are assets which include intellectual property assets, organizational assets (Fernandez, Montes & Vazquez, 2000), reputational assets and skills/capabilities (Roberts & Dowling, 2002).

Literature supports the indication that what matters in the process of founding a new organization is the size of the subset of people who are in some way involved with the entrepreneurs in founding it (Colombo, et al., 2010). Yet a comprehensive network must still process a great number of transactions in order to start up a new high-growth organization. McAdam and Marlow (2007) report a positive association between the average number of times per week that entrepreneurs contact their network members and the creation of a new venture. They argue that the frequency of communication linkage use is expected to be positively related to new-venture initial growth. These contributions suggest that the regularity of interaction between the founding team and external agents is a factor related to new-venture success.

Government policy also affects the business incubator environment. On the basis of the previous work done, government policy is a well-established element that exerts a significant impact on range of activities. Cases in point include entrepreneurship and growth performance of SMEs (MohdShariff, Peou, & Ali, 2010), organisational
learning for export activities (Chailom & Kaiwinit, 2010), green production adoption (Ruslan, Senin, & Soehod, 2014) and contingency factors and performance of R&D (Harash, AlTimimi, Alsaad, Al-Badran, & Ahmed, 2014). Moreover, several studies have been conducted with regards to the role of government policies in the development of entrepreneurship generally (Friedman, 2011; Ihugba, Odii, & Njoku, 2014; Mason & Brown, 2011; Minniti, 2008). Their various contributions have been contradictory as well as supporting. The kind of influence of business support on incubator performance is likely to differ according to the level of government policy.

Government policy is a well-established factor that exerts a significant influence on a variety of activities such as financial crisis (Ha & Kang, 2015), university technology transfer (Guan, Xie, & Zhou, 2015), regional innovation system (Yang, 2014), as well as incubator performance among others. The uniqueness of government role in almost all facet of national economy is resultant from the fact that government is always in the lead of national activities before private sector participation comes in. Despite these empirical studies on the role of government policy in explaining variety of entrepreneurial activities, only a few numbers of studies have been conducted to examine the government policy as a potential mediator on the relationships between business support and incubator performance.

Business incubation program, as a means for promoting innovation and economic development (Bergek & Norrman, 2008; Al-Mubarak & Busler, 2011), is intended to be capable of adding value to incubated companies with the intent of increasing the survival rates of such incubated companies (Bizzotto, 2003; Moreira et al., 2012). The value adding activities are generally regarded as the business incubation process with several models developed to explain the phenomenon. Bergek & Norrman (2008) cautions on the limited scope to which most of the incubation models are conceived as focusing primarily on results neglecting the interrelationship of the value-added activities to other incubator activities.

Smilor (1987) extended the Campbell model with an emphasis on the external environment (incubator affiliation and support systems) to the neglect of the internal processes occurring inside the incubator. He conceptualizes the incubator as a system
that confers ‘structure’ and ‘credibility’ on incubatees while controlling a set of assistive resources. The incubator operates a network of support ‘services’ or value-addition activities with affiliation to the private sector, universities, government and non-profit. The incubator has internal support ‘services’ or value-addition activities in four basic ways: secretarial, administrative, business expertise and facilities. Both the external and internal support systems are designed to achieve the following objectives: economic development, technology diversification, job creation, profits, viable companies and successful products.

Earlier researchers of the incubation phenomenon such as Campbell et al. (1985) are acknowledged as the first to develop a business incubation process model. The Campbell, Kendrick and Samuelson model has four basics ‘services’ or value addition activities, foci areas where incubators contribute to firm performance. The value addition activities start with diagnosis of needs, which is applied to prospective incubatee’s new business proposals. When the diagnosis is successful, the successful companies selected for incubation (called incubator tenants) are monitored. The incubator tenants also enjoy additional value addition activities by way of capital investment and access to expert networks with the prospect of venture capital. The tenants then graduate from the incubation program as successful growth ventures or businesses. Hackett and Dilts (2004), Moreira et al. (2012) in critiquing the model observe that the model is developed with the fundamental assumption that all incubated companies will survive. The Campbell model is further limited to private incubators only with it not considering the capabilities of the potential entrepreneurs, environmental barriers and a lack of a selection criterion.

2.5.1 The Challenges of Business Incubators

Business incubators in both the developed and developing countries face more than a few challenges.

2.5.1.1 Access to Entrepreneurial Management

According to Cullen et al. (2014) selecting and attracting adequately skilled professionals to manage the business functions is a critical factor for the success of
every business incubator. These researchers also pointed out that without qualified and experienced subordinates the entrepreneurial venture will encounter difficulties in being sustainable and in delivering quality services. In agreement are researchers Nieman and Nieuwenhuizen (2009) who approve that one of the greatest assets of any organization is to be productive and gain continuous growth in human resources. Therefore, it is very imperative for the incubator manager to provide creativity and innovation within the business incubation functions. In addition, can conclude by investing in human capital, business incubation will be able to deliver and reach its target. Incubators should strive to hire experienced and knowledgeable staff members. The management team of the incubator should be made up of a director and a few permanent staff members depending on the number of incubates; and an incubator should always attract of investors and sponsor, public and private stakeholders.

2.5.1.2 Lack of Entrepreneurial Skills

There is considerable evidence that entrepreneurial ventures that lack the relevant entrepreneurial skills, technical skills, management experience, and are inflexible tend to fail. Quite several entrepreneurial ventures do not pay much attention to efficiency and financial education. Furthermore, Lesakova (2012) mentioned that business incubators in developing countries face several challenges concerning innovation and creativity, which can be addressed through entrepreneurship education. Lastly, the researcher believes that with the use of entrepreneurial skills, both business incubators and incubated entrepreneurs become well-developed and sustainable.

2.5.1.3 Access to Technological Based Facilities

According to Caleb, Olaopa and Siyanbola (2012) businesses have limited access to technology-based facilities and face difficulties in gaining access to intangible and tangible resources. Depending on the type of incubation, Ndedi (2009) suggests that the challenge is further compounded by the fact that “these incubators must also provide potential youth entrepreneurs with information on appropriate space and flexible leases existing in the market, shared basic business services and equipment, technology support services and assistance in obtaining the financing necessary for
company sustainable growth”. Therefore, the lack of technology-based facilities further inhibits an incubator ability to meet the needs of its clients SMEs.

2.6 Chapter Summary

Main objective of this study is to find out or rather identify they key success factors that contribute to the success of business incubators. Numerous studies have attempted to identify the key success factors and best practices for improving the performance of business incubators. Gaps still exist despite the rapid growth of the business incubators and its success has been mixed. There is still lack of comprehensive framework for assessing the effectiveness of business incubators thus the research.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this study was to determine the key success factors for Business Incubation process in Kenya. This chapter discusses the research design, target population, sampling design, data collection methods, research procedures and data analysis methods that was used in this study.

3.2 Research Design

Research design can be thought of being the plan and structure of investigation needed to obtain answers to the research questions and assist the researcher in the allocation of the limited resources by posing crucial choices in methodology (Sekaran & Bougie, 2016). Cooper and Schindler (2011) define research design as the plan and structure of investigation so conceived as to obtain answers to research questions. This study used a descriptive research design. According to Bryman (2012) descriptive designs are used in preliminary and exploratory studies, to allow researchers to gather information, summarize, present data, and interpret it for the purpose of clarification. The design has successfully been used in other studies (Ngugi, 2012). A descriptive design was well fitted for this study because an independent variable causes changes in a dependant variable.

3.3 Target Population

Zikmund, Babin, Carr and Griffin (2013) define target population as all elements or people that a researcher would like to study. Cooper and Schindler (2011) observe that a population is the total collection of elements about which one wants to make inferences. Further, a population is an accurately defined body of people or objects under consideration for statistical purposes (Sekaran & Bougie, 2013). This study focused on a population of respondents comprising of both incubators and the incubatees. Target respondents included the business owners or managers within the organizations. In each of the twenty-five (25) incubators, one (1) incubator manager/
proprietor / business owner and a minimum of three (3) incubatees were selected to participate in the study.

3.4 Sampling Design

The sampling design includes the sampling frame, sampling technique and sample size.

3.4.1 Sampling Frame

According to Cooper and Schindler (2011), a sampling frame describes the list of all population units from which the sample was selected. Saunders et al. (2016) defines a sampling frame as an all-inclusive list of individuals, units or entities in the population, from which a sample is drawn and to which study findings are to be generalized. In this study, the sample frame used was all the twenty-five (25) incubators in the country as given by Kinoti (2011).

3.4.2 Sampling Techniques

This study adopted the judgemental/ Non – probability sampling. 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. This safeguarded the reliability of the data that was taken from these participants, and it gave room for the free and willing persons to partake in the study. Another advantage of the technique was that a short time was taken in collecting data since the sampling technique is simple and easy to administer.

3.4.3 Sample Size

Sample size is a subset of the population or the number of items to be elected from the population to constitute a sample (Creswell, 2014). Saunders et al. (2016) argue that when the sample size is large, then there is a lower likelihood of error in generalizing the population. For this research a sample size of 100 respondents was selected. The sample size was deemed sufficient and representative of the population.
3.5 Data Collection Method

The main source of data for this study was primary sources which mean that primary data was used. The study used questionnaires to collect data from the incubators and incubatees. The questions in these questionnaires was structured (present the respondents with a fixed set of choices, often called closed questions) and unstructured (they do not limit responses but do provide a room for respondents’ answer, sometimes referred to open-ended questions) (Cooper & Schindler, 2011). The questionnaires were self- administered to the respective respondents who were asked to indicate their responses on a five level Likert scale ranging from 1 to 5 where 1 reflects Strongly Disagree, 2 reflects Disagree, 3 reflects Neutral, 4 reflects Agree and 5 reflects Strongly Agree for the close ended questions.

3.6 Research Procedures

This study used a questionnaire as the main data collection tool. The questionnaire was self- administered. A telephone follow ups or reminders were put through to respondents who may delay in returning the filled questionnaire. Also, introductory letters from the University seeking consent and permission to carry out the research will be vital for ease of data collection.

3.7 Data Analysis

Data collected was analysed to transform the data into information that was useful to the intended persons. To avoid any inconsistencies and errors in the data, clean-up of the data was necessary. Descriptive statistics was used to outline the demographic information and objective one that looked at the role of incubate selection criteria. Inferential statistics was used to answer objective two, three and four; by use of regression analysis.

3.8 Chapter Summary

This chapter converses the several aspects of the methods to be applied in the research so as to solve the researchers’ question as stated through the objective of this study which includes a discussion on the research design, target population, sampling
frame, sampling technique and sample size, data collection methods, research procedures and data analysis methods.

Chapter Four cover the results and findings of the research study while chapter Five covers the results and findings.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
The purpose of this study was to determine the Key Success Factors for Business Incubation process in Kenya. This chapter presents the data analysis findings. The findings are presented thematically based on the study objectives.

4.2 Response Rate
The sample frame for this study was all the business incubators in Nairobi. The sample size was 80 incubatees and 20 incubation managers. Of these, 74 incubatees and 16 incubation managers participated in the study by answering and returning the questionnaires. This gave 90% response rate which was adequate for the study. Further, the study questionnaire was different for the incubatee and for the managers.

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>90</td>
<td>90%</td>
</tr>
<tr>
<td>Did not respond</td>
<td>10</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.3 Demographic Characteristics
This section outlines the demographic information captured on the incubatee questionnaire. This includes but not limited to gender, age, highest education level, nature of the business, and the duration that one had been under incubation.

4.3.1 Gender of Respondents
Figure 4.1 presents the gender of the respondents; 62% of the respondents were male and 38% of the respondents were female. This shows majority of the participants in the study were male.
4.3.2 Age Bracket

Figure 4.2 indicates the age bracket of the respondents. Majority were aged 21 to 30 years at 89.2% while the remaining were less than 10%; 31 to 35 years were 8.1% while those aged 36 to 40 years were 2.7%. None of the respondents aged more than 40 years or less than 21 years.

4.3.3. Level of Education

The respondents were asked to indicate their level of Education. As shows in figure 4.3, 75.5% were graduates followed by 18.9% who were diploma level. The last group were post-graduate levels who were 5.4%.
4.3.4 Nature of Business

The respondents were asked to indicate their nature of business as presented in figure 4.4. Most of the respondents were in technology business at 27%, followed by those in agri-business sector at 21.6%. Those in services and industrial sector were each at 18.9% and the least sector was other sectors classified as mixed-use sector at 13.5%.

Figure 4. 4 Nature of Business
4.3.5 Duration at the Incubator

The length of period in incubator was also determined. As indicated in figure 4.5. Those who had been on incubation for 6 months to 1 year were the most at 43.2%. They were followed by those who had been on incubation for less than 6 months at 27%. Those who had been on incubation for 1-2 years were 21.6% and lastly, those who had been on incubation for above 2 years were 8.1%. This shows majority were new and had only been on incubation for less than 1 year.

Figure 4. 5 Duration at the Incubator

4.4 Descriptive Analysis of Study Variables

4.4.1 The Role of Client (Incubatee) Selection Criteria

The first objective of the study was to establish the role of the incubatee selection criteria. Since the selection process involves and is determined by the management, the managers’ questionnaire had these questions but not the incubatee questionnaire. Based on the five likert scale; Where 1 = Not Important, 2 = Somewhat important, 3 = Neutral, 4 = Important, 5 = Very Important, the mean of the response is as indicated on table 4.2. The items ranked as ‘very important’ with mean of 5 at the selection criteria were; ‘Whether the product has comparative advantage over competitor’s product’ ($M=4.63$, $SD=.500$), ‘Substitutability of the product the start-up company
is proposing to sell’ \((M= 4.63, SD = .500)\), ‘Whether the product demonstrates defensible competitive position’ \((M= 4.63, SD = .500)\), and lastly ‘Whether the profit potential of the start-up company is high’ \((M= 4.69, SD = .479)\). These were the ‘very important’ factors that managers looked for at the selection of incubate.

Other items ranked as ‘important’ with mean value of 4 at the selection criteria were as follow. ‘Whether the start-up company has potential to attract investment involvement from venture capitalists’ \((M= 4.44, SD = .512)\), ‘Prior management experience of the start-up company’s management team’ \((M= 4.00, SD = 1.64)\), ‘Long-term growth potential of the market the start-up plans to enter’ \((M= 4.00, SD = 1.53)\), ‘Size of the target market the start-up company plans to enter’ \((M= 4.00, SD = 1.55)\), ‘The uniqueness of the product’ \((M= 3.94, SD = 1.29)\), ‘Whether the start-up company has several harvestable exits (i.e., cash–out options)’ \((M= 3.94, SD = 1.24)\), ‘Product patent protection (Does the product have patent protection)’ \((M= 3.88, SD = 1.75)\), and lastly, ‘Prior work experience of the start-up company’s management team in the field they plan to enter’ \((M= 3.63, SD = 1.45)\). The findings were presented on table 4.2 below.

**Table 4. 2 Client (Incubatee) Selection Criteria**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whether the product has comparative advantage over competitor’s product.</td>
<td>4.6250</td>
<td>.50000</td>
</tr>
<tr>
<td>Substitutability of the product the start-up company is proposing to sell.</td>
<td>4.6250</td>
<td>.50000</td>
</tr>
<tr>
<td>Whether the product demonstrates defensible competitive position.</td>
<td>4.6250</td>
<td>.50000</td>
</tr>
<tr>
<td>Whether the profit potential of the start-up company is high.</td>
<td>4.6875</td>
<td>.47871</td>
</tr>
<tr>
<td>Prior management experience of the start-up company’s management team</td>
<td>4.0000</td>
<td>1.63299</td>
</tr>
<tr>
<td>Long-term growth potential of the market the start-up plans to enter.</td>
<td>4.0000</td>
<td>1.54919</td>
</tr>
</tbody>
</table>
Size of the target market the start-up company plans to enter. 4.0000 1.54919
The uniqueness of the product 3.9375 1.28938
Product patent protection (Does the product have patent protection). 3.8750 1.74642
Whether the start-up company has potential to attract investment involvement from venture capitalists. 4.4375 .51235
Whether the start-up company has several harvestable exits (i.e., cash–out options). 3.9375 1.23659
Prior work experience of the start-up company’s management team in the field they plan to enter. 3.6250 1.45488

### 4.4.2 Role of Conducive Environment on Success of Business Incubators.

The second objective of the study looked at the role of conducive environment on the success of business incubator. The incubatee participated on this question which was measured by five likert scale; Where 1 = Not Important, 2 = Somewhat important, 3 = Neutral, 4 = Important, 5 = Very Important, the mean of the response was as indicated on table 4.3. The questions were divided into three categories; governance of the organization, conduct environment, and infrastructure and development.

There was no item ranked as ‘very important’ with mean of 5 though the median of all the items was 5. All the items were ranked as ‘important’ with a mean of 4. The response based on the categories were; on governance and organization, ‘The business incubation manager is readily available to address the needs of the incubates’ (\(M=\ 4.32, SD = 0.94\)), and ‘The business incubation manager is dedicated and committed to the success of the incubates’ (\(M=\ 4.41, SD = 0.92\)). On Conducive Environment, ‘A conducive and interactive environment that promotes networking is found within and outside the incubator’ (\(M=\ 4.30, SD = 0.90\)), and ‘Post incubation services are available to all incubators’ (\(M=\ 4.27, SD = 0.955\)). On Infrastructure and Facilities, ‘The incubator readily provides flexible working space, office furniture, physical safety and security’ (\(M=\ 4.38, SD = 0.789\)) and ‘There are shared business support and consultancy services’ (\(M=\ 4.14, SD = 1.197\)). The response was as indicated on table 4.3.
### Table 4.3 Conducive Environment

<table>
<thead>
<tr>
<th>Governance and organization</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>GO1</td>
<td>4.3243</td>
<td>0.93791</td>
</tr>
<tr>
<td>GO2</td>
<td>4.4054</td>
<td>0.92038</td>
</tr>
<tr>
<td>Conducive Environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CE1</td>
<td>4.2973</td>
<td>0.9025</td>
</tr>
<tr>
<td>CE2</td>
<td>4.2703</td>
<td>0.95512</td>
</tr>
<tr>
<td>Infrastructure and Facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IF1</td>
<td>4.3784</td>
<td>0.78866</td>
</tr>
<tr>
<td>IF2</td>
<td>4.1351</td>
<td>1.19731</td>
</tr>
</tbody>
</table>

#### 4.4.3 Network Support on Success of Business Incubators.

The third objective of the study looked at the role of network support on the success of business incubator. The incubatee participated on this question which was measured by five Likert scale; Where 1 = Not Important, 2 = Somewhat important, 3 = Neutral, 4 = Important, 5 = Very Important, the mean of the response was as indicated on table 4.4. The questions were divided into two categories; business support services and business networking services. On business support services, there was no item ranked as ‘very important’ with mean of 5 but on business networking, there were two items ranked as ‘very important’ with mean of 5.

On the business networking services, the items ranked as ‘very important’ with mean of 5 were; ‘Incubator Environment supports networking’ ($M = 4.51$, $SD = 0.646$), and ‘Networking enhances the product and process creativity’ ($M = 4.54$, $SD = 0.831$). These two items ranked as ‘very important’ had also a smaller standard deviation compared to other items indicating a higher agreement level among the respondents.
The other items ranked as ‘important; with mean of 4 were; ‘Governance and organization of the Business Incubator enhance networking’ \((M = 4.41, SD = 1.006)\), and ‘Post incubation support services has networking component’ \((M = 4.05, SD = 1.17)\). On business support services, the mean ranking was ‘important’ with mean of 4; ‘Incubator provides office support services and other services such as legal, accounting, public relations, recruiting, business plan development’ \((M = 4.13, SD = 1.05)\), ‘The incubator works towards reducing the chances of business failure and aims for success by offering advice’ \((M = 4.32, SD = 1.07)\), and ‘The incubator provides business programs that are specific to the needs of the incubate business \((M = 4.30, SD = 0.903)\) as presented on table 4.4.

<table>
<thead>
<tr>
<th>Business Support Services</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BS1 Incubator provides office support services and other services such as legal,</td>
<td>4.1351</td>
<td>1.05108</td>
</tr>
<tr>
<td>accounting, public relations, recruiting, business plan development.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BS2 The incubator works towards reducing the chances of business failure and aims</td>
<td>4.3243</td>
<td>1.07408</td>
</tr>
<tr>
<td>for success by offering advice.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BS3 The incubator provides business programs that are specific to the needs of the</td>
<td>4.2973</td>
<td>0.9025</td>
</tr>
<tr>
<td>incubate business.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Networking Services</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BN1 Governance and organization of the Business</td>
<td>4.4054</td>
<td>1.00572</td>
</tr>
<tr>
<td>Incubator enhance networking.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BN2 Incubator Environment supports networking</td>
<td>4.5135</td>
<td>0.64624</td>
</tr>
<tr>
<td>BN3 Post incubation support services has</td>
<td>4.0541</td>
<td>1.16915</td>
</tr>
<tr>
<td>networking component</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BN4 Networking enhances the product and process</td>
<td>4.5405</td>
<td>0.83073</td>
</tr>
<tr>
<td>creativity.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.4.4 Financial Support on Success of Business Incubators.

The last objective of the study looked at the role of financial support on the success of business incubator. The incubatee participated on this question which was measured...
by five likert scale; Where 1 = Not Important, 2 = Somewhat important, 3 = Neutral, 4 = Important, 5 = Very Important, the mean of the response was as indicated on table 4.5. The questions were divided into three categories; financial technological support, financial options, and financial training support services. On both financial technological support and financial options there was no item ranked as ‘very important’ with mean of 5 but on financial training support services, there were two items ranked as ‘very important’ with mean of 5.

Items ranked as ‘very important’ with a mean of 5 on financial training support services were; ‘Training is relevant to the development of my business’ ($M=4.57$, $SD=0.80$), and ‘Training and Education programs are frequently offered for free’ ($M=4.54$, $SD=0.76$). These two items ranked as ‘very important’ had also a smaller standard deviation compared to other items indicating a higher agreement level among the respondents. The item ranked as ‘important’ with mean of 4 was ‘Management, counselling and mentoring services are available’ ($M=4.22$, $SD=1.05$). Under Financial technological support category, the response was ranked as ‘important’ with mean of 4 as follow ‘Functioning physical facilities and services such as computers, telephone, printer, internet is readily available’ ($M=4.03$, $SD=1.23$), and ‘Adequate technology infrastructure and support are provided’ ($M=4.16$, $SD=1.09$). Lastly, on financial option, the response was ‘The incubator assists with linkages for access to financing options’ ($M=4.00$, $SD=1.18$).

<table>
<thead>
<tr>
<th>Table 4.5 Financial Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Technology Support</td>
</tr>
<tr>
<td>TS1 Functioning physical facilities and services such as computers, telephone, printer, internet is readily available.</td>
</tr>
<tr>
<td>TS2 Adequate technology infrastructure and support are provided.</td>
</tr>
<tr>
<td>Financial options</td>
</tr>
<tr>
<td>FS1 The incubator assists with linkages for access to financing options</td>
</tr>
</tbody>
</table>
financing options

**Financial Training Support Services**

<table>
<thead>
<tr>
<th>TSS1</th>
<th>Management, counselling and mentoring services are available.</th>
<th>4.2162</th>
<th>1.05038</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSS2</td>
<td>Training is relevant to the development of my business.</td>
<td>4.5676</td>
<td>0.79521</td>
</tr>
<tr>
<td>TSS3</td>
<td>Training and Education programs are frequently offered for free</td>
<td>4.5405</td>
<td>0.76192</td>
</tr>
</tbody>
</table>

### 4.4.5 Business Success

The dependent variable looked at the success of business incubator. The incubatee participated on this question which was measured by five Likert scale: Where 1 = Not Important, 2 = Somewhat important, 3 = Neutral, 4 = Important, 5 = Very Important, the mean of the response was as indicated on table 4.6. The set had only one category of questions. The respondents were asked to rate ‘My business is successful because of the following services’ indicating business success. The services were the independent variable items; business environment, network support and financial support. Items ranked as ‘very important’ was ‘Strategic marketing and sales expertise as well as opportunities’ ($M= 4.51$, $SD = 0.65$). While items ranked as ‘important’ were: ‘Lower start -up costs’ ($M= 4.43$, $SD = 0.76$), ‘Financial support’ ($M= 4.35$, $SD = 0.91$), ‘Infrastructure and facilities’ ($M= 4.49$, $SD = 0.73$), ‘Adaptable changing needs of all stakeholders that incubate, environment, industry and markets’ ($M= 4.38$, $SD = 0.79$) and ‘Technology services’ ($M= 4.43$, $SD = 0.80$).

| Table 4. 6 Business Success |
|-----------------------------|-----------------|--------|---------|
| My business is a success because of the following services | Mean | Std Deviation |
| S1 Strategic marketing and sales expertise as well as opportunities. | 4.5135 | 0.64624 |
| S2 Lower start-up costs. | 4.4324 | 0.75998 |
| S3 Financial support. | 4.3514 | 0.91311 |
| S4 Infrastructure and facilities. | 4.4865 | 0.72609 |
Adaptable changing needs of all stakeholders that incubate, environment, industry and markets.

Technology Services

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**4.5 Inferential Analysis**

**4.5.1. Factor Analysis**

On factor analysis, three output were presented as follow: exploratory factor analysis (EFA), total variance explained and pattern matrix. The rotational method used the promax with Kaiser Normalization.

**4.5.1.1 Exploratory Factor Analysis**

Exploratory factor analysis was used to refine the constructs. Kaiser Meyer-Olkin Measure of Sampling Adequacy, Bartlett’s Test of Sphericity and communalities tests were run to assess the data factorability. The KMO statistic of sampling adequacy indicated an approximate score 0.745, well above 0.50 level; the KMO measure of Sampling Adequacy measure varies between 0 and 1, and values closer to 1 are better. The measure of .745 indicates an acceptable degree of sampling adequacy. Bartlett’s test of Sphericity shows a Chi-Square of 719.64, significant P-value of 0.000<0.05 indicating that the items retained were significant as shown in table 4.7.

**Table 4. 7 KMO and Bartlett’s Test**

<table>
<thead>
<tr>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</th>
<th>.745</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bartlett's Test of Sphericity</td>
<td></td>
</tr>
<tr>
<td>Approx. Chi-Square</td>
<td>719.640</td>
</tr>
<tr>
<td>Df</td>
<td>120</td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>

**4.5.1.2 Total Variance Explained**

Table 4.8 indicates the total variance explained with the extraction. Only four components had Eigen values greater than 1 and the extracted factors accounted for 70.251% of the variables.
<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared</th>
<th>Rotation Sums of Squared</th>
<th>Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
<td>Cumulative</td>
<td>Total</td>
</tr>
<tr>
<td>1</td>
<td>6.558</td>
<td>40.986 40.986</td>
<td>6.558 40.986 40.986</td>
<td>4.641</td>
</tr>
<tr>
<td>2</td>
<td>1.714</td>
<td>10.714 51.701</td>
<td>1.714 10.714 51.701</td>
<td>4.921</td>
</tr>
<tr>
<td>4</td>
<td>1.369</td>
<td>8.557 70.251</td>
<td>1.369 8.557 70.251</td>
<td>3.014</td>
</tr>
<tr>
<td>5</td>
<td>.858</td>
<td>5.363 75.614</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>.763</td>
<td>4.767 80.380</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>.638</td>
<td>3.990 84.370</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>.546</td>
<td>3.415 87.785</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>.479</td>
<td>2.993 90.778</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>.377</td>
<td>2.359 93.137</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>.339</td>
<td>2.117 95.255</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>.221</td>
<td>1.382 96.636</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>.196</td>
<td>1.227 97.863</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>.134</td>
<td>.835 98.698</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>.121</td>
<td>.756 99.454</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>.087</td>
<td>.546 100.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

### 4.5.1.3 Pattern Matrix

The pattern matrix indicates the exact variables extracted from each factor identified on the total variance explained matrix. The pattern matrix indicates the exact variable to be used on each factor. A low value factors or factors with different pattern have been extracted. The value on the pattern matrix is above 0.5 indicating a stronger
factor which is acceptable for all items. The four components with factor loading of
greater than .5 were: conducive environment, business success, business networking
and lastly the financial support as shown on table 4.9.

**Table 4. 9 Pattern Matrix**

<table>
<thead>
<tr>
<th></th>
<th>Conducive Environment</th>
<th>Business Success</th>
<th>Business Networking</th>
<th>Financial Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>GO1</td>
<td>.879</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CE1</td>
<td>.847</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IF2</td>
<td>.745</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CE2</td>
<td>.622</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S6</td>
<td></td>
<td>.902</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S1</td>
<td></td>
<td>.709</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S5</td>
<td></td>
<td>.706</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S4</td>
<td></td>
<td>.691</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S2</td>
<td></td>
<td>.577</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S3</td>
<td></td>
<td>.574</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BN4</td>
<td></td>
<td>.907</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BN2</td>
<td></td>
<td>.841</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BN3</td>
<td></td>
<td>.774</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSS3</td>
<td></td>
<td>.907</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSS2</td>
<td></td>
<td>.874</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS1</td>
<td></td>
<td></td>
<td></td>
<td>.555</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
Rotation Method: Promax with Kaiser Normalization.
a. Rotation converged in 5 iterations.

**4.5.2 Construct Reliability**

Construct reliability was assessed by the measure of Cronbach’s alpha. In this study,
the Cronbach alpha was .782 based on standardized items. This was greater than .7
thresholds. This means the variables in the study demonstrated construct reliability as
indicated in table 4.10
Table 4. 10 Construct Reliability

<table>
<thead>
<tr>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.774</td>
<td>.782</td>
</tr>
<tr>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

4.5.3 Convergent Validity.

To evaluate convergent validity, the variance if item is deleted was used as outlined on table 4.11, inter-item total statistics. From the table, there is no significant variance on the scale mean if item is deleted and the alpha value if item is deleted; variance of 0.11; highest mean of 13.16 and lowest mean of 13.05. The comparison of values on the scale variance and Cronbach’s alpha if item deleted were nearly the same. However, on the item total correlation, the value of financial support was lower at .472 compared to business success at .628. 4.5.4 will determine the correlation test

Table 4. 11 Item- Total Statistics.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Cronbach's Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network support</td>
<td>13.1104</td>
<td>2.747</td>
<td>.599</td>
</tr>
<tr>
<td>Conducive environment</td>
<td>13.1622</td>
<td>2.779</td>
<td>.645</td>
</tr>
<tr>
<td>Financial support</td>
<td>13.1194</td>
<td>3.119</td>
<td>.472</td>
</tr>
</tbody>
</table>

4.5.4 Correlation Coefficient.

Correlation analysis was conducted to test the significant relation between business success as dependent variables and independent variables; conducive business environment, financial support and network support. As shown in table 4.12, all the independent variables were statistically significant correlated with the dependent variables. ‘Conducive business environment’ $r = .559, p < .05$; ‘financial support’ $r$
=0.381, p<.05; and ‘network support’ r =0.555, p<.05. There was no major difference on the findings or strength that depict 4.5.6.

**Table 4. 12 Inter-item Correlation Matrix**

<table>
<thead>
<tr>
<th></th>
<th>Business success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network support</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.555**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0</td>
</tr>
<tr>
<td>Conducive environment</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.559**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0</td>
</tr>
<tr>
<td>Financial support</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.381**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.001</td>
</tr>
<tr>
<td>Business success</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).**

**4.5.5 Normality Test**

The normality test was conducted using the skewness and kurtosis tests. The normality is positive when Skewness and kurtosis statistics in the range -1.0 and +1.0. As indicated on table 4.13, financial support failed the normality tests with a higher kurtosis of 3.039. Network support, financial support and business success passed the normality test. Further analysis conducted to determine suitability of financial support variable was 4.5.6

**Table 4. 13 Normality Test**

<table>
<thead>
<tr>
<th></th>
<th>Network support</th>
<th>Conducive environment</th>
<th>Financial support</th>
<th>Business success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skewness</td>
<td>-1.326</td>
<td>-1.135</td>
<td>-1.543</td>
<td>-0.692</td>
</tr>
<tr>
<td>Std. Error of Skewness</td>
<td>.279</td>
<td>.279</td>
<td>.279</td>
<td>.279</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>1.063</td>
<td>.313</td>
<td>3.039</td>
<td>-0.817</td>
</tr>
<tr>
<td>Std. Error of Kurtosis</td>
<td>.552</td>
<td>.552</td>
<td>.552</td>
<td>.552</td>
</tr>
</tbody>
</table>
4.5.6 Multicollinearity Test

Though the strength of the relation was lower at the correlation test, which depicts lower chances of multi-collinearity, the multi-collinearity test was performed to determine if the values of independent variables and dependent variables had higher similarity that will affect their regression analysis. As indicated on table 4.14, the Variance Inflation Factor (VIF) was used as testing tool; VIF values were more than 1 and less than 10 hence the factors were not multi-collated.

Table 4.14 VIF Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>Network Support</td>
<td>.690</td>
</tr>
<tr>
<td>Conductive Environment</td>
<td>.643</td>
</tr>
<tr>
<td>Financial Support</td>
<td>.784</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Business Success

4.6 Regression Model

Having passed the statistical assumption tests; multi-collinearity, normality, validity, reliability and linearity, regression model was adopted to the test the study objectives two, three and four. Objective one was answered by the descriptive statistics. Regression analysis determines the relationship, magnitude of the influence and projection of the influence of network support, financial support and conducive business environment on business success. The regression weight of the linear regression was used to test the specific research objectives. The regression weight results were indicated on table 4.15. The research objectives were:

i. To determine role of Conducive Environment in success of Business Incubators.


iii. Establish the role of Financial Support as a success factor for Business Incubators.
4.6.1. Role of Conducive Environment in Success of Business Incubators

Table 4.15 shows the regression weight coefficients model in this study was statistically significant $p<.05$. The analysis showed conducive environment can determine the business success ($\beta = .254, t = 2.867, p<.05$. Hence conducive business environment is a factor that determines success of business incubators.

4.6.2 Role of Network Support in Success of the Business Incubators

Table 4.15 shows the regression weight coefficients model in this study was statistically significant $p<.05$. The analysis showed network support can determine the business success ($\beta = .247, t = 3.068, p<.05$. Hence network support is a factor that determines success of business incubators.

4.6.3 Role of Financial Support as a Success Factor for Business Incubators.

Table 4.15 shows the regression weight coefficients model in this study was not statistically significant $p>.05$. The analysis showed though financial support can determine the business success ($\beta = .088, t = 1.106, p>.05$ it’s not a factor that determine success of business incubators.

Table 4. 15 Regression Weights

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variable</th>
<th>Unstandardized Coefficient</th>
<th>Standard Error</th>
<th>Standardized Coefficient</th>
<th>T Value</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Success</td>
<td>Network Support</td>
<td>.247</td>
<td>.081</td>
<td>.338</td>
<td>3.068</td>
<td>.003</td>
</tr>
<tr>
<td>Business Success</td>
<td>Conducive Environment</td>
<td>.254</td>
<td>.088</td>
<td>.327</td>
<td>2.867</td>
<td>.005</td>
</tr>
<tr>
<td>Business Success</td>
<td>Financial Support</td>
<td>.088</td>
<td>.079</td>
<td>.114</td>
<td>1.106</td>
<td>.272</td>
</tr>
</tbody>
</table>

Further, the regression standard predictor was presented on the following figure which shows the regression line.
Predictive Relevance of the Model

The quality of the structural model can be assessed by \( R^2 \) which shows the variance in the dependent variable that is explained by the independent variables. Based on the results reported on table 4.16, the adjusted \( R^2 \) was found to be 0.389 indicating that financial support, network support, and conducive environment can account for 38.9% of the variance in the business success.

Table 4. 16 Predictive Relevance of the Model

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>Adjusted R</th>
<th>Std. Error</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>R Square</td>
<td>of</td>
<td>( \text{SquareF} )</td>
</tr>
<tr>
<td>1</td>
<td>.643(^a)</td>
<td>.414</td>
<td>.389</td>
<td>.45079</td>
</tr>
</tbody>
</table>
4.8 Chapter Summary

This chapter presents the findings of the study. This section outlines the demographic information captured on the incubatee questionnaire. This includes but not limited to gender, age, highest education level, nature of the business, and the duration that one had been under incubation. The first objective outlines the role of the selection criteria from the management perspective based on mean comparison. The second objective found out conducive business environment is a factor that determines success of business incubators. The third objective found out network support is a factor that determines success of business incubators. While the last objective found out financial support is not an important factor that determine success of business.

The next chapter gives the chapter summary, discusses the research findings, recommendations and conclusion of the study.
CHAPTER FIVE

5.0 RESULTS AND FINDINGS

5.1 Introduction

This chapter presents the summary of the findings followed by the discussion of findings, conclusion and recommendations. The discussion is based on literature review, the recommendations on areas of improvement and recommendations on further studies as follow.

5.2 Summary of the Study

The general objective of this study was to determine the Key Success Factors for Business Incubation process in Kenya. The Specific Objectives were: To establish the role of Client (incubatee) Selection criteria; To determine how Conducive Environment plays a role in ensuring success of business incubators; Establish what role does Network Support play in relation to success of the business incubators; and lastly to Establish the role of Financial Support as a success factor for business incubators. The research was significant to scholars, practitioners and decision makers in incubation sector in Kenya.

The study adopted descriptive study as it is considered as the most suitable research design to be descriptive by its nature, because it an independent variable causes changes in a dependant variable. The main data collection instruments were Questionnaires with judgemental sampling as the main sampling design. The target population was all incubate and managers of incubation centres. Total of 100 questionnaires were distributed and 90 was collected representing 90% response rate. Both descriptive and inferential statistics were used to obtain the output.

The first objective of the study was to establish the Role of the Incubatee Selection Criteria. Since the selection process involves and is determined by the management, the managers’ questionnaire had these questions but not the incubatee questionnaire. The items ranked as ‘very important’ with mean of 5 at the selection criteria were; ‘Whether the product has comparative advantage over competitor’s product’ (M=
4.63, \(SD = .500\), ‘Substitutability of the product the start-up company is proposing to sell’ \((M = 4.63, \ SD = .500)\), ‘Whether the product demonstrates defensible competitive position’ \((M = 4.63, \ SD = .500)\), and lastly ‘Whether the profit potential of the start-up company is high’ \((M = 4.69, \ SD = .479)\). These were the ‘very important’ factors that managers looked for at the selection of incubate. Items ranked as ‘important’ with mean value of 4 at the selection criteria were as follow. ‘Whether the start-up company has potential to attract investment involvement from venture capitalists’ \((M = 4.44, \ SD = .512)\), ‘Prior management experience of the start-up company’s management team’ \((M = 4.00, \ SD = 1.64)\), ‘Long-term growth potential of the market the start-up plans to enter’ \((M = 4.00, \ SD = 1.53)\), ‘Size of the target market the start-up company plans to enter’ \((M = 4.00, \ SD = 1.55)\), ‘The uniqueness of the product’ \((M = 3.94, \ SD = 1.29)\), ‘Whether the start-up company has several harvestable exits (i.e., cash-out options)’ \((M = 3.94, \ SD = 1.24)\), ‘Product patent protection (Does the product have patent protection)’ \((M = 3.88, \ SD = 1.75)\), and lastly, ‘Prior work experience of the start-up company’s management team in the field they plan to enter’ \((M = 3.63, \ SD = 1.45)\).

The second objective of the study looked at the role of Conducive Environment on the success of business incubator. The incubatees participated on this question. The questions were divided into three categories; governance of the organization, conduct environment, and infrastructure and development. There was no item ranked as ‘very important’ with mean of 5 though the median of all the items was 5. All the items were ranked as ‘important’ with a mean of 4. The response based on the categories were; on governance and organization, ‘The business incubation manager is readily available to address the needs of the incubates’ \((M = 4.32, \ SD = 0.94)\), and ‘The business incubation manager is dedicated and committed to the success of the incubates’ \((M = 4.41, \ SD = 0.92)\). On Conducive Environment, ‘A conducive and interactive environment that promotes networking is found within and outside the incubator’ \((M = 4.30, \ SD = 0.90)\), and ‘Post incubation services are available to all incubators’ \((M = 4.27, \ SD = 0.955)\). On Infrastructure and Facilities, ‘The incubator readily provides flexible working space, office furniture, physical safety and security’ \((M = 4.38, \ SD = 0.789)\) and ‘There are shared business support and consultancy
services’ \((M=4.14, SD = 1.197)\). On the inferential statistics, ‘Conducive business environment’ was correlated with business success \(r = .559, p < .05\); the coefficient for the relationship conducive environment can determine the business success \(\beta = .254, t = 2.867, p < .05\). Hence conducive business environment is a factor that determine success of business incubators.

The third objective found out key Network Support items selected as strongly agreed were; ‘Networking enhances the product and process creativity’ \((M= 4.54, SD = 0.831)\), ‘Governance and organization of the Business Incubator enhance networking’ \((M= 4.41, SD = 1.006)\), and ‘Post incubation support services has networking component’ \((M= 4.05, SD = 1.17)\). On business support services, ‘Incubator provides office support services and other services such as legal, accounting, public relations, recruiting, business plan development’ \((M= 4.13, SD = 1.05)\), ‘The incubator works towards reducing the chances of business failure and aims for success by offering advice’ \((M= 4.32, SD = 1.07)\), and ‘The incubator provides business programs that are specific to the needs of the incubate business’ \((M= 4.30, SD = 0.903)\). On the inferential statistics, the independent variable was statistically correlated with the dependent variables. ‘Network support’ was not correlated with ‘business success’ \(r = .550, p < .05\). The coefficient for the relationship shows the regression weight coefficients model in this study was statistically significant \(p < .05\). The analysis showed network support can determine the business success \(\beta = .247, t = 3.068, p < .05\). Hence network support is a factor that determine success of business incubators.

The last objective of the study looked at the role of Financial Support on the success of business incubator. The questions were divided into three categories; financial technological support, financial options, and financial training support services. On both financial technological support and financial options there was no item ranked as ‘very important’ with mean of 5 but on financial training support services, there were two items ranked as ‘very important’ with mean of 5. Items ranked as ‘very important’ with a mean of 5 on financial training support services were; ‘Training is relevant to the development of my business’ \((M= 4.57, SD = 0.80)\), and ‘Training and Education programs are frequently offered for free’ \((M= 4.54, SD = 0.76)\). These two
items ranked as ‘very important’ had also a smaller standard deviation compared to other items indicating a higher agreement level among the respondents. The item ranked as ‘important’ with mean of 4 was ‘Management, counselling and mentoring services are available’ ($M= 4.22, SD = 1.05$). Under Financial technological support category, the response was ranked as ‘important’ with mean of 4 as follow ‘Functioning physical facilities and services such as computers, telephone, printer, internet is readily available’ ($M= 4.03, SD = 1.23$), and ‘Adequate technology infrastructure and support are provided’ ($M= 4.16, SD = 1.09$). Lastly, on financial option, the response was ‘The incubator assists with linkages for access to financing options’ ($M= 4.00, SD = 1.18$). On the inferential statistics, ‘Financial support’ was correlated with business success $r = .381, p<.05$; the coefficient for the relationship showed though financial support can determine the business success ($\beta = .088, t = 1.106, p>.05$ it’s not a factor that determine success of business incubators. Hence financial support is not a factor that determines success of business incubators.

5.3. Discussion

5.3.1. Determinants of Selection Criteria for the Success of Business Incubators

The first objective of the study found out the key consideration during the selection criteria were; the comparative advantage over competitor’s product ($M= 4.63, SD = .500$), the substitutability of start-up product in the market ($M= 4.63, SD = .500$), ability of the product to demonstrate defensible competitive position ($M= 4.63, SD = .500$), and lastly the profit potential of the start-up company ($M= 4.69, SD = .479$). These were the key factors that managers looked for at the selection of incubatee. Other factors looked at but not key were; potential to attract venture capitalists, prior management experience of the team, long- term growth potential at the market, size of the target market, uniqueness of the product, and the product patent protection.

Researchers have looked at the importance of incubate selection criteria and others have further determined the relation between the selection criteria and the business success. The selection processes are paramount to the success of the business incubator as it identifies business proposals with greater chance of success (Bizzotto, 2003). According to Cammarata (2003); Walker (2004) the mission and business and
the type are key to determine suitable fit between the mission and resources of the incubation program and the entrepreneur’s business and needs. Such resources cover the support of incubatees on the market, competition and uniqueness that eventually determines the growth potential. These factors were outlined as key determinants for the success of the business. Further, the selection of incubate enables the identification of new ventures with potential for growth and success (Bizzotto, 2003, Lumpkin & Ireland, 1988). However, the new venture was among other determining factors during the selection but not among the key factors.

The incubatee characteristics inclusive of prior business skills and management skills were also identified as important at the selection criteria on the research findings. Cammarata (2003) also outlined the skills of the entrepreneurs, motivation and passion to take an idea to fruition as key individual skills to be determined at the selection process. Such individual characteristics maintains a smooth and efficient flow of businesses into a program; it identifies those truly committed to and capable of business growth and success; and it aids selection committees in determining who benefits from the limited staff time, space, and equipment of the incubation program (Ganamotse, 2011).

On the product development, many researchers have attempted to discover the selection practices and client selection criteria used amongst successful business incubators. Lewis et al. (2011) posit that among the practices most characterized by high-achieving programs were selecting clients based on cultural fit, selecting clients based on potential for success and reviewing client needs at entry. Such includes but not limited to the business type and growth potential based on the resources required, market competition and the applicability of the product. Colbert, Adkins, Wolfe and LaPan (2010) attributes the product development to coachability, viability, industry sector, and stage of development. The research findings found out the comparative advantage over competitor’s product ($M = 4.63, \ SD = .500$), and the substitutability of start-up product in the market ($M = 4.63, \ SD = .500$) as among key factors on the selection process. This have been discussed above.
Besides the product development and the end product, the research also found out the environmental output or benefit caused by the product development is key at the selection criteria. Such includes the ability of the product to demonstrate defensible competitive position \( (M= 4.63, SD = .500) \), the profit potential \( (M= 4.69, SD = .479) \) and the potential to attract venture capitalists. Kumar and Kumar (1997) highlight the environmental benefit of the start up to include but not limited to; importance of job creation, local ownership and the ability of the tenant company to make profit in order to pay its own operating costs. Such provide start-up with unique opportunity to contribution to the environment and society.

In addition to these findings, Colbert et al. (2010) listed the following as consideration at the selection process which supports the research findings; viable business proposition, management team, and benefit to the economic development of the community. Such benefits include but not limited to job creation, new business opportunities, the commercializing of technologies, the increase in community competitiveness, and the creation of wealth. From these discussions, it is clear the study findings are positive to other researcher’s findings.

5.3.2. Role of Conducive Environment in Success of Business Incubators

The second objective of the study looked at the role of conducive environment on the success of business incubator. The questions looked at the governance of the organization, conduct environment, and infrastructure and development. All the items were ranked as ‘important’ including; ‘The business incubation manager is readily available to address the needs of the incubates’ \((M= 4.32, SD = 0.94)\), and ‘The business incubation manager is dedicated and committed to the success of the incubates’ \((M= 4.41, SD = 0.92)\). On Conducive Environment, ‘A conducive and interactive environment that promotes networking is found within and outside the incubator’ \((M= 4.30, SD = 0.90)\), and ‘Post incubation services are available to all incubators’ \((M= 4.27, SD = 0.955)\). The inferential statistics found out the independent variable was statistically correlated with the dependent variables. ‘Conducive business environment’ was correlated with business success \( r =.559, p<.05 \). The coefficient for the relationship shows the regression weight coefficients
model in this study was statistically significant $p<.05$. The coefficient for the relationship conducive environment can determine the business success ($\beta = .254$, $t = 2.867$, $p<.05$). Hence conducive business environment is a factor that determines success of business incubators.

Business environment is key for the success of any business, one of the factors found out in the study and discussed by Cullen et al. (2012) is the professionalism. The selection of adequately skilled professionals to manage the business functions is a critical factor for the success of every business incubator environment. The study found out the presence of the business incubation manager, the availability to address the needs of the incubatees and the dedication of the manager if key for the success of the business. Further, each incubation centre should enhance the environment by hiring experienced and knowledgeable staff members, the management team of the incubator should be made up of a director and a few permanent staff members depending on the number of incubates; and an incubator should attract of investors and sponsor, public and private stakeholders (Bergek & Norrman, 2008).

Fritsch and Schroeter (2009) discussed the importance of professional managers at the incubation centres and they pinpointed that without qualified and experienced incubation team such as managers and subordinates, the incubate will encounter difficulties in being sustainable and in delivering quality products posit to the underservice they will receive. Ayatse et al. (2017) outlined requirement of organization success. They stated the greatest assets of any organization are to be productive and gain continuous growth in human resources. Hence, it is very important for the incubator manager to provide creativity and innovation within the business incubation environment for the success of the business growth of the incubatee.

On the infrastructure and development of the business environment, researchers have argued the importance of such for the success of the business environment. Ayatse et al. (2017) discussed the need of the government to actively demonstrate their political commitment to small businesses by fostering an entrepreneurial culture and environment since it increases employment and benefits the local community.
Further, Carayannis and von Zedtwitz (2005) identified five environmental services as central to incubation. These are: Access to physical resources (office space, furniture, computer network etc.), Office support (mail, fax and copying services, computer network, book-keeping etc.), Access to financial resources (business angels, venture capitalists etc.), Entrepreneurial start-up support (business plan, legal/accounting advice etc.) and Access to networks. Such infrastructure are major actors on the entrepreneurial ecosystem by linking talent, technology, capital and know-how (Todorovic & Moenter, 2010; Bejarano, 2012; Levakova, 2012; Al-Mubaraki et al., 2013).

The environment for business incubation is beyond the physical facility only. The incubation is not only the house tenancy or virtual services to the new start-ups but the environment at which the process occurs (Bergek & Norrman, 2008; Hackett & Dilts, 2004). Such includes the provision of environment with science parks, technology centres, internet services, required lab for experiment and prototypes with knowledge agglomeration, innovativeness and competitiveness by creating an environment which help start-ups deal with the challenges of entrepreneurial pursuit (Phan et al., 2005; Akcomak, 2009). This supports the findings that a conducive and interactive environment that promotes networking should be found within and outside the incubation as a physical room. Further, with the process, the post incubation services should be available to all incubators hence enhance business success.

5.3.3. Role of Network Support in Success of Business Incubators

On the inferential statistics, the independent variable was statistically correlated with the dependent variables. ‘Network support’ was not correlated with ‘business success’ \( r = 0.550, p < 0.05 \). The coefficient for the relationship shows the regression weight coefficients model in this study was statistically significant \( p < 0.05 \). The analysis showed network support can determine the business success \( \beta = 0.247, t = 3.068, p < 0.05 \). Hence network support is a factor that determine success of business incubators. The network support included ‘Networking enhances the product and process creativity’ \( M = 4.54, SD = 0.831 \), ‘Governance and organization of the Business Incubator enhance networking’ \( M = 4.41, SD = 1.006 \), and ‘Post incubation support services has networking component’ \( M = 4.05, SD = 1.17 \). On business
support services, ‘Incubator provides office support services and other services such as legal, accounting, public relations, recruiting, business plan development’ ($M=4.13$, $SD=1.05$), ‘The incubator works towards reducing the chances of business failure and aims for success by offering advice’ ($M=4.32$, $SD=1.07$), and ‘The incubator provides business programs that are specific to the needs of the incubate business ($M=4.30$, $SD=0.903$).

Researchers have discussed the need of network support at the incubation as it enhances the success capability of start-ups. Mian (1996); Bollingtoft and Ulhoi (2005) championed the concept of a network incubator “based on territorial synergy, physical proximity, relational symbiosis and economies of scale” with the overall aim of leveraging entrepreneurial initiative and know-how in creating and operating successful companies. Such networking platform includes business support services, the physical networking and government networking services which were captured in this study.

Perhaps the definition of networking start-ups at incubation by Brooks (1988), Weinberg et al. (1991), Lalkaka (2001), and Phan et al. (2005), outlines the importance of network support for business based on the research finds ‘incubators are registered organizations that provide affordable office space, offering targeted support services with the sole purpose of nurturing small fledgling firms into healthy businesses though the support among themselves and from professionals. This supports the business support services findings that, ‘Incubator provides office support services and other services such as legal, accounting, public relations, recruiting, business plan development’ ($M=4.13$, $SD=1.05$), ‘The incubator works towards reducing the chances of business failure and aims for success by offering advice’ ($M=4.32$, $SD=1.07$).

On the concept of network support, the presence of facilities enhances synergies among client-firms, training for entrepreneurial and business skills, and access to mentors, information and seed capital with resource sharing. Further, the external network is composed of potential customers and suppliers, specialist service providers (lawyers, accountants, tax specialists, etc.), financial institutions (banks, venture
capitalists etc.), public and private research organizations and political institutions (such as the regional development agencies). Research shows the presence of such environment boosts networking by emphasize the importance of business incubators as intermediaries to help establishing collaborative relationships of newly founded firms with various economics actors through incubator’s network (Löfsten & Lindelöf, 2003; Rothschild & Darr, 2005; Bergek & Norrman, 2008; Peters et al., 2004; Bollingtoft & Ulhoi, 2005; Grimaldi & Grandi, 2005; Rice, 2002).

Numerous studies have emphasized on the effect of networking on performance. In summary, they found out the incubators, via the internal and external networks, connect the entrepreneurs to the channels where they can reach resources they don't have (Rice, 2002). Further, the internal and external networks of business incubators create a synergy and potential to growth for tenant firms by combining firms’ internal resources and external resources through collaboration and joint ventures (Verma, 2004; Suk & Mooweon, 2006; Zhang & Jiang, 2009). Such networking tool includes but not limited to information, knowledge, reputation, and input factors from a variety of sources such as customers, suppliers, competitors, R&D institutions, and governmental bodies (partly derived from Spithoven & Teirlinck, 2015). Researchers have established the importance of network support and to measure the potential benefits of business incubation, they have stated it is critical to study network resources provided by incubators, which include both internal networks and external networks facilitated by the incubator. This study looked at the resources and concluded the network support as key element to the success of business incubation.

5.3.4. Role of Financial Support in Success of Business Incubators

On the inferential statistics, the independent variable was statistically correlated with the dependent variables. ‘Financial support’ was correlated with business success $r = .381, p < .05$. The coefficient for the relationship shows the regression weight coefficients model in this study not was statistically significant $p < .05$. The coefficient for the relationship showed though financial support can determine the business success ($\beta = .088, t = 1.106, p > .05$) it’s not a factor that determine success of business incubators. Hence financial support is not a factor that determines success of business
incubators. The key variable outlined based on the output of the study included; ‘Training is relevant to the development of my business’ ($M = 4.57$, $SD = 0.80$), and ‘Training and Education programs are frequently offered for free’ ($M = 4.54$, $SD = 0.76$). Other items ‘Management, counselling and mentoring services are available’ ($M = 4.22$, $SD = 1.05$), ‘Functioning physical facilities and services such as computers, telephone, printer, internet is readily available’ ($M = 4.03$, $SD = 1.23$), and ‘Adequate technology infrastructure and support are provided’ ($M = 4.16$, $SD = 1.09$) and ‘The incubator assists with linkages for access to financing options’ ($M = 4.00$, $SD = 1.18$).

While finance is key aspect in any business, this research found out finance was not a determining factor of business success at the incubation stage. There are also very few literatures that covers why finance is not determining factor for the success of business at incubation. While it is believed that many new business start-ups are faced with the problem of insufficient initial capital, difficulties in attracting financial support, and poor management, these factors are not the key output of incubation. The main task of an incubator is to create successful new businesses, ones which, after leaving the incubator, will be self-sufficient, make profit, create jobs, promote social activity, commercialization of new technologies and create wealth both locally and nationally (Pukite, 2014).

While the incubation environment needs to attract venture capitals, any robust business environment promotes development of businesses, attracts new companies and investments and involves the general population in addition to the workforce and new employers. A clear and comprehensible business environment serves as a guarantee for personal income for everyone and revenue for the state. Under such conditions, businesses recognize the importance of corporate social responsibility and operate in a responsible manner towards society and the environment (Pukite, 2014).

One of the measures of good management is an incubator’s ability to attract sponsors, raise funds and mobilize resources that could be utilized to better the incubator business model in servicing incubatees. Business incubators nurture the development of early-stage and new companies, helping them to survive and grow during the start-up period, when they are most vulnerable. This researcher concurs that the finance
required are for the development of the incubation internal environment which
determines the success of the business but not as the only source of capital for the
success of the incubate business. The most common goals of incubation programs
include creating jobs in a community, enhancing a community’s entrepreneurial
climate, retaining businesses in a community, building or accelerating growth in a
local industry, and diversifying local economies (Umpqua business centre, 2014).

Further research shows in developing countries, particularly where business
incubators are still evolving in obtaining the public support, and international linkage
is essential during the early years of operation. International linkage in this context
means partnering with other incubators and companies internationally (Grimaldi &
Grandi, 2004). In some countries like South Africa, the main sponsors for incubators
are SEDA Technology Programme (STP) and Incubation Support Programme (ISP)
through the Department of Trade and Industry (DTI). Unlike public business
incubators, private BIs do not normally get sponsorships and funds from public
funding. In this case, private BIs may have to depend on their own funds and
sponsorship (Lalkaka & Shaffer, 2010).

Lastly the global experience shows that the performance and success of business
incubators is directly dependent on the performance and development of business that
exit the incubator. For better performance and success of the business, it is equally
important to ensure the vitality and development of incubated businesses, thus
demonstrating the incubator’s sustainable economic impact on the development of the
region (Pukite, 2014). Considering the time and capital invested in incubators, the
identification of best practice incubator models is of importance (Bergek & Norrman,
2008). This should be replicated for best performance and ensure the incubation focus
on business environment, and networking services. Research has proved a successful
business incubator is characterized by a high survival rate post the incubation stage
and not by the large capital received at incubation stage.
5.4. Conclusions

5.4.1. Determinants of Selection Criteria for the Success of Business Incubators.

The research concludes the key consideration during the selection criteria were; the comparative advantage over competitor’s product, the substitutability of start-up product in the market, ability of the product to demonstrate defensible competitive position and lastly the profit potential of the start-up company. Other factors looked at but not key were; potential to attract venture capitalists, prior management experience of the team, long-term growth potential at the market, size of the target market, uniqueness of the product, and the product patent protection.

5.4.2. Role of Conducive Environment in Success of Business Incubators.

From the inferential statistics, the independent variable was statistically correlated with the dependent variables. Further, the coefficient for the relationship shows the regression weight coefficients model in this study was statistically significant hence the study concludes, the conducive business environment is a factor that determines success of business incubators.

5.4.3. Role of Network Support in Success of Business Incubators.

From the inferential statistics, the independent variable was statistically correlated with the dependent variables; ‘network support’ was not correlated with ‘business success’. The coefficient for the relationship shows the regression weight coefficients model in this study was statistically significant. Hence the study concludes that network support is a factor that determines success of business incubators.

5.4.4. Role of Financial Support in Success of Business Incubators

From the inferential statistics, the independent variable was statistically correlated with the dependent variables; ‘Financial support’ was correlated with business success. The coefficient for the relationship shows the regression weight coefficients model in this study was statistically significant. The coefficient for the relationship showed though financial support can determine the business success. Hence the study
concludes that financial support is a not factor that determine success of business incubators.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Determinants of Selection Criteria for the Success of Business Incubators.

The researcher recommends the incubators to develop a standard that fits the incubatee and use it as selection criteria for the incubatee. Further, the selection should be based on the mission and vision of the organization together with the incubatee. For the policy makers, there is need to develop policy that guards the operation of incubation centres and selection criteria of the incubatee.

5.5.1.2 Role of Conducive Environment in Success of Business Incubators.

The study concludes, the conducive business environment is a factor that determines success of business incubators. It is from this that the researcher recommends the need to develop standards for the conducive business environment. Such standards should be adopted by the incubation centres. Similarly, the incubatee should look out for those standards to ensure they will receive the required business environment for the success of their business.

5.5.1.3 Role of Network Support in Success of Business Incubators.

The study concluded that network support is a factor that determines success of business incubators and recommends the improvement and development of standards to ensure incubation centres meets the required network support standards. Further, the study recommends the need to develop policy that will guide incubates joining such incubation facilities from being exploited on the networking platforms.

5.5.1.4 Role of Financial Support in Success of Business Incubators

The study concludes that financial support is not a factor that determine success of business incubators. With this, the study recommends awareness for incubators to know in the long run, the success of the business at incubation stage is based on other
factors and not finance. Further, the venture capitals also need to understand the need to invest on projects that have gone through the incubation successfully and not at the incubation stage.

5.5.2. Further Research

The research focused on incubatees mostly from Nairobi region as respondents. More research can incorporate those outside Nairobi. The research findings show financial assistant as insignificant factor in determining success of business at incubation stage. Further analysis needs to be conducted on this; the reason why this is not a determining factor on business incubation. Lastly, further research should look at the role of incubation managers and the perception of the incubatee on their selection criteria.
REFERENCES


APPENDICES

APPENDIX A: INTRODUCTION LETTER

Mary Kibai

United States International University - Africa,

P.O. Box 14634 - 00800,


February 27th, 2018.

Dear Respondent,

RE: GRADUATE RESEARCH QUESTIONNAIRE.

I am a Graduate student at United States International University-Africa. As partial fulfilment of my MBA degree, I am conducting a research on “Key Success Factors for Business Incubation Process in Kenya”.

You have been selected as one of the respondents for this study. Please respond as candid and objectively as possible. Your participation will be highly appreciated and is essential for the accomplishment of this study.

I guarantee that the information provided will be handled with utmost confidentiality and will be used only for academic purposes where confidentiality is strictly emphasized. Kindly spare some time to complete the questionnaire attached.

Thank you.

Yours faithfully,

Mary Kibai
APPENDIX B: INCUBATEES QUESTIONNAIRE

SECTION A: DEMOGRAPHICS

1. Gender
   - Male [ ] Female [ ]

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

3. Highest Education Level
   - Diploma [ ] Graduate [ ]
   - Post Graduate [ ] Other [ ]

4. Nature of your business
   - Technology [ ] Manufacturing [ ] Industrial [ ]
   - Service [ ] Agri-business [ ] Mixed Use [ ]
   - Others [ ]

5. Length of period in incubator
   - Less than 6 months [ ] 6 months – 1 year [ ]
   - 1 year to 2 years [ ] Above 2 years [ ]

SECTION B: SERVICES PROVIDED IN THE BUSINESS INCUBATOR

Kindly indicate your opinion by ticking on the following statements regarding your business and yourself Where 1 = Not Important, 2 = Somewhat important, 3 = Neutral, 4 = Important, 5 = Very Important.

<table>
<thead>
<tr>
<th>Shared Business Support Services</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>BS1 Incubator provides office support services and other services such as legal, accounting, public relations, recruiting, business plan development.</td>
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<td>BS2 The incubator works towards reducing the chances of business failure and aims for success by offering advice.</td>
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<tr>
<td>BS3 The incubator provides business programs that are specific to the needs of the incubate business.</td>
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<td>BN1 Governance and organization of the Business Incubator enhance networking.</td>
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<tr>
<td>BN2 Incubator Environment supports networking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BN3</td>
<td>Post incubation support services has networking component</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
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<td>-----</td>
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<tr>
<td>BN4</td>
<td>Networking enhances the product and process creativity.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

**Financial Technology Support**

<table>
<thead>
<tr>
<th>TS1</th>
<th>Functioning physical facilities and services such as computers, telephone, printer, internet is readily available.</th>
<th>1</th>
<th>2</th>
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</thead>
<tbody>
<tr>
<td>TS2</td>
<td>Adequate technology infrastructure and support are provided.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**Financial options**

| FS1 | The incubator assists with linkages for access to financing options                                         | 1 | 2 | 3 | 4 | 5 |

**Financial Training Services**

<table>
<thead>
<tr>
<th>TSS1</th>
<th>Management, counselling and mentoring services are available.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSS2</td>
<td>Training is relevant to the development of my business.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>TSS3</td>
<td>Training and Education programs are frequently offered for free</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**Governance and Organization.**

<table>
<thead>
<tr>
<th>G01</th>
<th>The business incubation manager is readily available to address the needs of the incubates.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</tr>
</thead>
<tbody>
<tr>
<td>GO2</td>
<td>The business incubation manager is dedicated and committed to the success of the incubates.</td>
<td>1</td>
<td>2</td>
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</tbody>
</table>

**Conducive Environment**

<table>
<thead>
<tr>
<th>CE1</th>
<th>A conducive and interactive environment that promotes networking is found within and outside the incubator.</th>
<th>1</th>
<th>2</th>
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<th>5</th>
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</thead>
<tbody>
<tr>
<td>CE2</td>
<td>Post incubation services are available to all incubators.</td>
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<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**Infrastructure and Facilities**

<table>
<thead>
<tr>
<th>IF1</th>
<th>The incubator readily provides flexible working space, office furniture, physical safety and security.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>IF2</td>
<td>There are shared business support and consultancy services.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
6. Do you believe that business incubators are able to facilitate and achieve successful business ventures by supporting innovative entrepreneurs in Kenya? Yes □ No □

7. Do you think business incubation lead to creation of jobs and wealth in Kenya?

Yes □ No □

SECTION C: IMPORTANCE OF SERVICES RECEIVED FROM THE BUSINESS INCUBATOR

Kindly indicate your opinion by ticking on the following statements regarding your business success  

Where 1 = Not Important, 2 = Somewhat important, 3 = Neutral, 4 = Important, 5 = Very Important.

My business is successful because of the following services

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>S2</td>
<td>Lower start-up costs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S3</td>
<td>Financial support.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S4</td>
<td>Infrastructure and facilities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S6</td>
<td>Technology Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>S5</td>
<td>The business incubator is adaptable to the changing needs of all stakeholders that is incubate, environment, industry and markets.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>S1</td>
<td>The incubator provides strategic marketing and sales expertise as well as opportunities.</td>
<td></td>
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</tbody>
</table>

8. 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 □
9. Do you think that business incubators should do more to assist incubates to access financing for their businesses? Yes □ No □

10. In your own opinion, how can an incubator assist the incubate in building a strong internal system to succeed and remain sustainable after completing the incubation process?

…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

Thank you for your response.
APPENDIX C: INCUBATOR MANAGERS/OWNERS/ PROPRIETORS QUESTIONNAIRE

SECTION A: DEMOGRAPHICS

1. Gender
   Male ☐ Female ☐

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

3. Highest Education Level
   Diploma ☐ Graduate ☐ Post Graduate ☐ Other ☐

4. Experience in Business Incubation
   Months ☐ Year ☐

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

6. Nature of business incubator
   Technology ☐ Manufacturing ☐ Industrial ☐
   Service ☐ Agri-business ☐ Mixed Use ☐
   Others ☐

7. Class of Incubator
   Not for Profit ☐ For - Profit ☐ Public ☐
   Private ☐ Government ☐ Community ☐
   Hybrid ☐ Other ☐ Academic related ☐

8. Position in the Business Incubator
   Owner ☐ Manager ☐ Other: Specify ☐

SECTION B: INCUBATEE SELECTION CRITERIA

Kindly indicate your opinion by ticking on the following statements regarding your business and yourself Where 1 = Not Important, 2 = Somewhat important, 3 = Neutral, 4 = Important, 5 = Very Important

<table>
<thead>
<tr>
<th>MANAGERIAL CHARACTERISTICS</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>MC1 Prior work experience of the start-up company’s management team in the field they plan to enter</td>
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</tr>
<tr>
<td>MC2 Prior management experience of the start-up company’s</td>
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</tr>
</tbody>
</table>
### SECTION C: CONDUCIVE ENVIRONMENT

Kindly indicate your opinion by ticking on the following statements regarding your business and yourself *Where 1 = Not Important, 2 = Somewhat important, 3 = Neutral, 4 = Important, 5 = Very Important.*

<table>
<thead>
<tr>
<th>Statement</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>CE1</td>
<td>The incubator physical facilities affect effectiveness of the incubation process.</td>
</tr>
<tr>
<td>CE2</td>
<td>Adequate physical space.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MARKET CHARACTERISTICS</th>
<th>1  2  3  4  5</th>
</tr>
</thead>
<tbody>
<tr>
<td>MKTC1</td>
<td>Long-term growth potential of the market the start-up plans to enter.</td>
</tr>
<tr>
<td>MKTC2</td>
<td>Size of the target market the start-up company plans to enter.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRODUCT CHARACTERISTICS</th>
<th>1  2  3  4  5</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRC 1</td>
<td>The uniqueness of the product</td>
</tr>
<tr>
<td>PRC 2</td>
<td>Product patent protection (Does the product have patent protection).</td>
</tr>
<tr>
<td>PRC 3</td>
<td>Whether the product has comparative advantage over competitor’s product.</td>
</tr>
<tr>
<td>PRC 4</td>
<td>Substitutability of the product the start-up company is proposing to sell.</td>
</tr>
<tr>
<td>PRC 5</td>
<td>Whether the product demonstrates defensible competitive position.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FINANCIAL CHARACTERISTICS</th>
<th>1  2  3  4  5</th>
</tr>
</thead>
<tbody>
<tr>
<td>FC1</td>
<td>Whether the profit potential of the start-up company is high.</td>
</tr>
<tr>
<td>FC2</td>
<td>Whether the star-up company has potential to attract investment involvement from venture capitalists.</td>
</tr>
<tr>
<td>FC3</td>
<td>Whether the start-up company has several harvestable exits (i.e., cash – out options).</td>
</tr>
</tbody>
</table>
CE3 | Suitable workstation layout.  
---|---
CE4 | Affordable rental charges.  
---|---
CE5 | Established routines. (Scheduled meetings, scheduled breaks).  
---|---
CE6 | Suitable physical facilities (furniture, internet, office equipment).  
---|---
CE7 | R&D facilities for instance for designing, simulation and testing new products such as labs, servers).  
---|---
CE8 | Accessible location.  

**SECTION D: BUSINESS NETWORK SUPPORT**

Kindly indicate your opinion by ticking on the following statements regarding your business and yourself *Where 1 = Not Important, 2 = Somewhat important, 3 = Neutral, 4 = Important, 5 = Very Important.*

<table>
<thead>
<tr>
<th>CORPORATES</th>
<th></th>
</tr>
</thead>
</table>
| CR1 | Funding/ sponsorships for the incubation programmes.  
---|---
| CR2 | Access to mentors, skilled volunteers, sectoral knowledge and functional expertise and other skills for the incubates.  
---|---
| GOVERNMENT |  
---|---
| GOV1 | Funding as well as network connections as they control most resources.  
---|---
| IMPACT INVESTORS |  
---|---
| IMI1 | Feedback that helps incubates make more realistic and better -informed decisions.  
---|---
| IMI2 | Teaching incubates how to prioritise their funding efforts.  
---|---
| IMI3 | Graduation support, co – investment and follow up on funding.  
---|---
| IMI4 | Fundraising and business strategy.  
---|---
| FOUNDATIONS |  
---|---
| F1 | Funding and knowledge of the sector.  
---|---
| F2 | Programme Development support  
---|---
### UNIVERSITIES

<table>
<thead>
<tr>
<th>UNI1</th>
<th>Curriculum and Research</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNI2</td>
<td>Access to volunteers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

### OTHER INCUBATORS

<table>
<thead>
<tr>
<th>OTI1</th>
<th>Collaborative Incubation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTI2</td>
<td>Sharing of incubation insights and learning.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

### SECTION E: FINANCIAL SUPPORT

Kindly indicate your opinion by ticking on the following statements regarding your business and yourself Where 1 = Not Important, 2 = Somewhat important, 3 = Neutral, 4 = Important, 5 = Very Important.

<table>
<thead>
<tr>
<th>FS1</th>
<th>Donors through Grant Funding</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>FS2</td>
<td>Individual Investors</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>FS3</td>
<td>Private Investors</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>FS4</td>
<td>Governments grants</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>FS5</td>
<td>Banking Institutions</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>FS6</td>
<td>Incubatees (Fee charged to join the incubator)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>FS7</td>
<td>Introducing and connecting incubates to investors and grant makers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>FS8</td>
<td>Preparing incubates for pitching to the founders.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>FS9</td>
<td>Organising a day to showcase incubates or pitch to a group of funders.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>FS10</td>
<td>Providing information about available funding opportunities.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Thank you for your response.