

**EFFECT OF BUSINESS INCUBATION ON PERFORMANCE OF SMES IN KENYA**

**A CASE OF SELECTED SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY**

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**CITATION:** Kasyoki, S., M., & Ombui, K. (2018) Effect of Business Incubation on Performance of Smes in Kenya; A Case of Selected Small and Medium Enterprises in Nairobi County. International Journal of Arts and Entrepreneurship. Vol. 7 (4) pp 56 – 74.

## ABSTRACT

Business incubators (BIs) nurture start-up businesses through the tough business stages and supports them by providing the environment and facilities for them to thrive. The goal of these incubators is to increase the chances of success and reduce the time and cost of establishing and growing a business. However, the failure rate among incubatees has increased in the recent past as statistics can attest. This study therefore sought to establish the effectiveness of business incubation on performance of SMEs in Kenya by focusing on incubatee selection criteria, infrastructural facilities, training/mentorship and managerial skills. The study hinged on the Multi-objective Incubatee Selection Model, Resource Based View (RBV) Theory, Kram's Mentor Role Theory and Katz Theory of Management. The study used descriptive survey research design where a sample of 131 incubatee businesses was selected from 189 of the various public and private business incubators in Nairobi, Kenya using systematic random sampling. The study findings showed that

Incubatee selection criteria, infrastructural facilities, mentorship and managerial Skills have a positive and significant influence on the Performance of SMEs in Kenya.

The study recommends that in order for the SMEs in Kenya to improve their performance, there is need for thorough screening process by the incubator to establish the relevance of the incubation program to the entrepreneur's business and needs, there is also need for provision of adequate physical space for the business by the incubator, a suitable workstation layout, up-to date and efficient ICT facilities and provision of adequate amenities such as power and water by the incubator. , provision of mentorship programmes in form of consultancy and advice and hiring of managers with good conceptual, interpersonal and problem-solving skills.

**Key Words:** *Incubatee Selection, Mentorship, Managerial Skills, Performance of SMEs*

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