

Strathmore
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THE EFFECT OF BUSINESS INCUBATORS ON START-UPS IN NAIROBI

MWENDWA ANDREW MUNYWOKI

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DECLARATION

I declare that this work has not previously been submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the research proposal contains no material previously published or written by another person except where due reference is made in the research project itself.

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MWENDWA ANDREW MUNYWOKI

A.M.M

26/08/2020

Approval

The research proposal/project of Mwendwa Andrew Munywoki was reviewed and approved by the following:

Name of Supervisor:

School/Institute/Faculty:

Signature:

Date:

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The Effect of Business Incubators on Start-ups in Nairobi

CHAPTER 1: INTRODUCTION

1.1 Background of Study

1.1.1 Start-ups

Start-ups are the root of all organisational success and failure. This is to mean that at one point in time every single organisation was in its start-up phase, as their respective founders identified a gap in a specific market and took the opportunity to fill that gap by incorporating their ideas. It has been argued that it is in this stage that the business is either set for success or imminent failure. Successful, well-thought out start-ups act as a primary source of rejuvenation for industries as the sector goes through its life cycle. This is through the new ideas that they bring onboard, giving rise to radical or gradual innovation for the industry; both ways increase the competition as businesses battle to win over their consumers and gain advantage over all others. Those who keep up and employ adaptive measures to keep ahead, stay afloat. However, those unable or too rigid to adapt with the change brought about by these start-ups decline in relevance and eventually die out under changing consumer needs.

However, it is not all smooth sailing because majority of start-ups do not actually achieve this desired fruit of success. In fact, according to an article posted on Forbes.com in early 2015, a massive 90% of all start-ups fail. In a study by Everett and Watson (1998), they sought to find more on the macro-economic determinants of business failure in a shopping sector. They found the primary factors to be unsystematic and systematic risk associated with undertaking the respective businesses. Risk is however a factor that any entrepreneur hoping for success must overcome. The difference between the successful and not so successful entrepreneurs comes with how they choose to deal with the risk.

Africa and more specifically, Kenya, has in the past few years become a huge source of innovation and major technological advancements. This is primarily due to the emerging entrepreneurs who are willing to take a chance with their daring ideas. This leap of faith is the decision which spurs many Africans to success. Many great new ideas have been brought to life; from mobile money transfer and mobile banking services to ethical sports betting platforms, Kenya has become a point of focus for investors as the innovations keep coming and more and more innovators gain the confidence to take on the risk associated with implementing their unique ideas.

Before one can even start the implementation one of the biggest factors to consider is **access**. Be it access to capital, market, networks, or business services a business owner cannot expect their idea to take off without access. This is because even before a business can be registered the entrepreneur must have first researched enough about it to ensure it does not end up being more of a liability than an asset both short-term and long-term; meaning access to information. As it is, effort must be put in to access such basic services.

1.1.2 Business Incubators

This is where the concept of business incubators comes in. These are institutions, whether government sponsored or privately-owned, that create environments suitable for the entrepreneurs to access these basic business services they need to take off. Aernoudt (2004) described business incubators as entities that nurture new businesses in their start-up period and help them achieve success. They place emphasis on small but promising small businesses/start-ups. This brings us to the reality that incubators do not accept just any start-up because it would be a waste of resources to have even host ideas that are not realistic(relative). Therefore, business incubators must adopt a selection criterion to filter through the ideas and remain with only those they consider having great potential.

According to an article posted by Business Today Kenya, only 1 in 5 businesses make it to 5 years of operation and a further 1 in 3 businesses make it past 10 years. The high failure rate can be attributed to several variables. Among the main issues is the lack of resources. Using the Resource-Based Theory as reference we place emphasis on the need for resources for businesses to achieve success. The lack thereof of these resources necessary for success (which business incubators seek to provide) can be justifiably be seen as the reason for failure when using this approach.

This study therefore seeks to investigate why start-ups should consider taking up business incubator programs, what effect this will have on my business and the overall contribution of the incubators to the start-ups in Nairobi.

1.2 Problem Statement

The presence of incubators within Nairobi may be partly due to the rise in the number of small businesses as people turn towards entrepreneurship to make a living, partly due to the high levels of unemployment.

It is therefore important to know how exactly these business incubators work and the benefits they offer. From a broader perspective we also see how the programs contribute towards the ecosystem in its entirety and better describe the selection criteria they use to achieve this. This is presented in the study by Wachira, Ngugi and Otieno (2017), where they presented the lack of literature addressing criteria of non-university-based incubators.

With this knowledge the following groups can achieve certain objectives: Aspiring entrepreneurs can use such information to decide whether it would be worthwhile for them to join or not to join business incubators in their businesses' early stages.

Business analysts can use such information to forecast the general trend and growth of the business ecosystem associated with start-ups joining business incubator programs.

Business Incubators can use this info to modify their programs to meet entrepreneurs needs and make them more attractive to potential clients.

The study seeks to find data through observing the general activities for start-ups within business incubators and finding out what start-ups are considered promising enough to be inducted into these programs.

1.3 Research Objectives

1. To establish the effect of Networking on Start-ups in Nairobi County.
2. To analyse the effect of Mentorship on Start-ups in Nairobi County.
3. To discover the effects of Incubator Resources and Services on Start-ups in Nairobi County.

1.4 Research Questions

1. What is the effect of Networking on Start-ups in Nairobi County?
2. What is the effect of Mentorship on Start-ups in Nairobi County?
3. What is the effect of Incubator Resources and Services on Start-ups in Nairobi County?

1.5 Significance of the Study

It provides information for entrepreneurs in the region looking to join business incubators. It seeks to cover the different dimensions of facilitation that the entrepreneurs may experience during the programs. It also gives the entrepreneurs an overview of how business incubators have contributed to the general population of businesses in the region. This could give insight into how their respective businesses will be affected.

For companies/firms looking to start their own business incubators in the region, the study can offer information on the relevance of the incubators and the attendees views on them. From this they can establish how to organise their programs to make the most out of them.

Existing business incubators could use data from the study to fine-tune their activities. This can be done through analysis general feedback from attendees and modifying their program structure to suit changing consumer needs.

1.6 Scope of the Study

For this study, the focus will be on the start-ups undertaking programs in business incubators within Nairobi and the business incubators themselves. This covers the start-ups' views on the programs which are essential to the data collection and interpretation.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This study is an evaluation of the effect of business incubators on the start-up environment and start-ups themselves. It focuses on the output of these business incubators to the sector within Nairobi.

2.2 Theoretical Foundation

Several theories have been brought forward that contribute towards the ideas of start-ups, incubators and their relationship with success in competitive environments. For this section we shall look at three most relevant to the topic and the objectives we seek to achieve.

2.2.1 A Real Options-Driven Theory of Business Incubation

Hackett and Dilts (2004) It seeks to establish the reasoning behind the emergence and subsequent development and growth of business incubators. They established that governments, organisations and local communities saw the need to help small businesses that had great potential but could not sustain themselves. This is what led to setting up of these incubators to offer resource-based support to the businesses until they could fend for themselves. Here we find the reasoning behind the surge in number of incubators globally and why they retain success and relevance in the ever-changing business environment.

2.2.2 The Resource-based View

The theory shows the firms reliance on resources and utilisation of these resources to achieve success. Generally, firms that have resources end up performing much better than those without, hence showing their importance. Wernerfelt (1984) explained that the resources or lack thereof can be considered being a firm's assets that either serve as a strength or weakness in a competitive context. It shows the value placed on resources for the firms and importance within the business ecosystem.

This theory supports the establishment of business incubators as they are an access-point to resources for the start-ups that otherwise do not have(enough) access. Reflecting that onto this study it would suggest that start-ups with a need for resources, that take up incubation would be more successful than those with the same needs that opt not to. Our study seeks to investigate if the same applies under real world conditions within Nairobi

2.2.3 Social Networks Theory

For purposes of this study we shall view this theory from the perspective that it seeks to explain that for a firm to achieve success and retain competitive advantage it needs to leverage on the opportunities realised through its own network and networking efforts.

Maurer and Ebers (2006) sought out to investigate how the effect of networking and social capital affected biotechnology firms. They further investigated the different configurations of networking which the different start-ups opted to use and how that translated into their respective performances. Their findings gave the general implication that the wider the social capital and networking net is cast the better the outcome for start-ups.

This ties in well with the networking opportunities presented to start-ups in business incubators, which may be through the professionals available to them in the program or through fellow entrepreneurs taking the program. Either way both offer a good avenue for the start-ups to build on and work with to come out successful.

2.3 Empirical Review

Several studies have been carried out that seek to discuss the effect that business incubators have on start-ups, the business environment and society. Here we seek to focus on the matter at the level in which Nairobi lies and observe how certain variables that may be different from those in other studies, due to location, time and other factors, affect the results. For this study we will start by finding the basic definitions relevant to the topic to come up with a suitable foundation to build our findings on.

2.4 Business Incubators

Hackett and Dilts (2004) described business incubators as shared office-spaces whose purpose is to provide help and value for business success. The incubators provide a physical platform for the entrepreneurs to work, access necessary material and network with fellow entrepreneurs.

Tynnhammar (2018, pp 435) further described incubators are established with the aim of empowering technologists, entrepreneurs and freelancers to innovate. This can be achieved through provision of the necessary space and facilities needed by these individuals and through hosting interactive sessions with members. These act as the driving force for innovation and the individuals thrive in these conditions.

Over the years numerous researchers have put forward definitions on what incubation; some which due to conflicting interests have caused confusion on the definition of the concept. However, a common opinion while discussing incubation has been the provision of capital as well as specialised services such as the networking concept mentioned above. This gives the general idea of the business incubator being a resource-enabler for entrepreneurs with promising concepts. Be it capital and networks or skills and guidance, incubators appear to be a great option for start-ups in need of an enhancement in their operations under knowledgeable professionals.

2.4.1 Development of Incubators

The concept of business incubation was first developed to as a result of communities, local firms and governments attempting to support small businesses with exceptionally high growth-potential but which lacked the resources to continue and were on the verge of collapse. This led to the emergence of the idea of incubation. Aernoudt (2004) in the study established the number of incubators had grown from 200 in the 80's to about 3000 at the time of conducting the research.

On the African continent the concept of business incubation has just began and is slowly gaining traction. (InfoDev, 2014;3), explains that given the stage were African countries economies are, business incubation on the continent is its infancy compared to other regions in the world. This may be attributed to the growing economy in Africa.

Wachira, Ngugi and Otieno (2017) conducted a study to determine the selection criteria and contribution of business incubators, based in universities, towards the entrepreneurship growth in Kenya. The study concluded that for incubators to thrive in the region, they need to have adequate selection criteria. This ensures that their resources go to only those businesses that have the highest growth potential and can hereby, contribute vastly to growing Kenya's economy through their operations during and after the incubation.

2.4.2 Types of Incubators

With the huge number of incubators around the world, some have diversified to suite certain niches in the environment. As a result of this not all incubators take on the same form and start-ups require to identify what kind of incubators their respective needs align with. Aernoudt (2004) categorised incubators based on incubator philosophy, incubator objectives and respective sectors. The categories developed in the study were: Mixed incubators which served to create start-ups, Economic-development incubators focused on regional development, Technology incubators focused on the technological sectors and Basic Research incubators associated with discovery focus.

A study by Wachira, Ngugi and Otieno (2017) brought a simpler categorization of incubators based on university-based incubators and non- university-based incubators. The main distinction ownership of incubators by universities in the region.

2.4.3 Importance of Incubators

Masutha and Rogerson (2014) carried out a research study aimed at observing the development of business incubators in South Africa and their contribution towards the economy. They observed that business incubation proved an effective strategy to prevent the high small business failure rate in the region. This in turn means that the businesses have the chance to contribute towards the nation's economy, proving that it is capable of bearing fruit on the continent with the right implementation.

Bergek and Norrman (2008) explained that the role of incubators depends on the measure which the researcher decides to use. This will be established by first understanding the goal of the respective incubators and further understanding the goals of the entrepreneurs taking

up the program. Then the researcher will need to ascertain whether the respective goals were achieved to know if the incubator was successful in conducting its role. Stokan, Thompson and Mahu (2015) discussed that business incubators provide a platform which local governments can use to increase their regional desirability hence increasing the likelihood of investment in the area.

For a regional perspective Africa due to its growing economy serves an ideal target for incubators to set up and start operations as they contribute towards the growth of small businesses and subsequent growth of the respective country's economy. West, Umukoro and Onuaha (2018) seek to identify the role business incubation plays in Sub-Saharan Africa. In their findings they reach the conclusion that in the region incubators do not provide the necessary support for start-ups in incubation and as a result fail to play their part. From this study they identified the role as mentorship, networking and service-production to the incubatees.

For this study we shall focus on the start-ups in Nairobi since it is a small enough area to get a more accurate result, and specifically viewing success as the achievement of the entrepreneurs' goals while taking up the program.

In a study by Stokan, Thompson and Mahu (2015) they identified that in addition to offering refined services to incubated businesses, the concept of incubation also offers these businesses huge networking advantage. This in turn enables the entrepreneurs to access the people and resources they need to be successful in the market; elements that may not be as readily available to other non-incubated businesses. This in turn gives the start-ups a competitive edge. Taking from this, the businesses start-ups that join incubation programs gain the advantage of a head-start and are more equipped to grow and survive in the hostile business environment than those that do not. It is therefore a reasonable outcome for incubation to increase business profits due to these accessible networks offered to the firms.

Given the relative newness of the whole concept of business incubation on the continent and Kenya, specifically, there is little documentation on the long-term effects of business incubation in the region. It is however a point of focus for analysts as they watch the trends and changes that it brings as time moves.

2.5. Start-ups

Start-ups can be described as a business that has been formed and is in its initial stages of growth. Such businesses have not yet developed proper footing in their respective industry and hence may be unable to fend for themselves adequately with inadequate resources.

2.5.1 Challenges facing Start-ups

According to data from JPMorgan Chase & Co. a third of these start-ups tend to close within the first two years and half leave within five years of their operations. This may be attributed greatly to the theories discussed above among others that affect businesses, given that the start-up stage is a period of business infancy. The entrepreneurs and business are just starting to navigate and set themselves up in the industry.

On the local scene a study by Chirchietti (2018) discovered that a number of start-ups in Nairobi lack the adequate funds, skills and information to adequately run their operations. However, in addition, to these deficits the start-ups lack the capital to pay for some of these incubation spaces. This presents a gap for incubators to offer affordable service bundles to reach these entrepreneurs. This offers a clear example illustrating then role that incubators in the country play when it comes to taking up start-ups.

2.5.2 Importance of Start-ups in Ecosystems

One fundamental importance of start-ups is that they are a source of new ideas/innovations and improvement of already existing ideas. This means that the competition in their respective sectors is in a constant cycle hence ensuring the growth and health of that specific industry. Perhaps one of the biggest contributions start-ups give to the business ecosystems is the creation of job opportunities. This may primarily be due to the stage of life start-ups are at; point zero. Meaning they employ more than they terminate. According to Kauffman (2010) start-ups create about 3 million new jobs for people annually, this was compared to the cumulative 1 million jobs destroyed by all other businesses in their later stages, annually. Hence from this deduction, we can conclude that start-ups serve as the largest source of jobs relative to all other stages in the business life cycle.

T. Kane (2010) brought forth an analysis showing a graph with job creation versus job destruction by a firm over the span of its life. The graph clearly illustrates that at point zero the firms have the highest job creation and lowest job destruction. These figures gradually reduce and increase respectively as the firms. This supports the notion that start-ups are among the largest job creators in the business ecosystem.

An article published on the website VenturesAfrica explains that start-ups, and tech start-ups in particular solve several issues that have faced countries in the region. Among these include agriculture which has been a huge focus for economic development of African countries.

2.6 Business Incubators and Start-ups

According to the **Start-up Ecosystem Report**, Biest and Wyss (2019), Nairobi is ranked 7th of 16 on the Start-up Friendliness Index for the cities region of Middle East and Africa. This suggests a very high potential for the city. In the chart presented in their report variables used for the measurement of this index were Human Capital, Finance, Market, Macro, Infrastructure, and Start-up Scene. Nairobi scored a 4712 of 10000, with low scores on Finance, Market and Start-up Scene. This presents the perfect opportunity for business incubators to come in as these variables are among the many aspects that they help entrepreneurs to access and focus on within the incubation space.

Overall, the business ecosystem becomes a dynamic and free-flowing stream of ideas and revenue due to links formed during and after incubation. On the other hand, one could argue that because of these networks and close working proximity idea-theft and conflict arise. This could have adverse effects on the business relations and may even lead to the death of promising start-ups. The realisation of the benefits of incubators must come from the

entrepreneur's personal will to utilise the resources available to them; thus, there may differ opinions from those who took up the opportunity but utilised them differently or if the program did not suit their preferences. As the researcher goes into their investigation of the effects of the incubators such factors need to be considered.

2.7 Factors Affecting Start-ups in Business Incubators

2.7.1 Networking

As explained in the Social Networks Theory above, business success is heavily pinned on networking within the industry as well as outside of it. A business's networks affect its capacity to make its way through the industry as well anticipate and adapt to the changes. As such business incubators serve as a platform for start-ups to network early in their lifespan. Markley and McNamara (1995) explained that the incubators seek to create and encourage participant cross-networking within their programs. In the evaluation of their sample 78% of their participants responded that it was very important to facilitate networking among the program attendees. From this a conclusion can be drawn on the emphasis on networking within incubators because even the participants seek this aspect of incubation.

2.7.2 Mentorship

Entrepreneurs taking up incubator programs are provided with mentoring services aimed at helping them better understand and navigate the business scene with respect to their start-ups. Gonsalves and Rogerson (2019) in their study, noted that business incubators in South Africa have started to take shape towards mentorship in particular sectors such as agribusiness and culture. This move has acted as a huge boost to the sectors as otherwise neglected start-ups in the respective sectors have been able to access the resources necessary for them to thrive.

2.7.3 Incubator Resources and Services

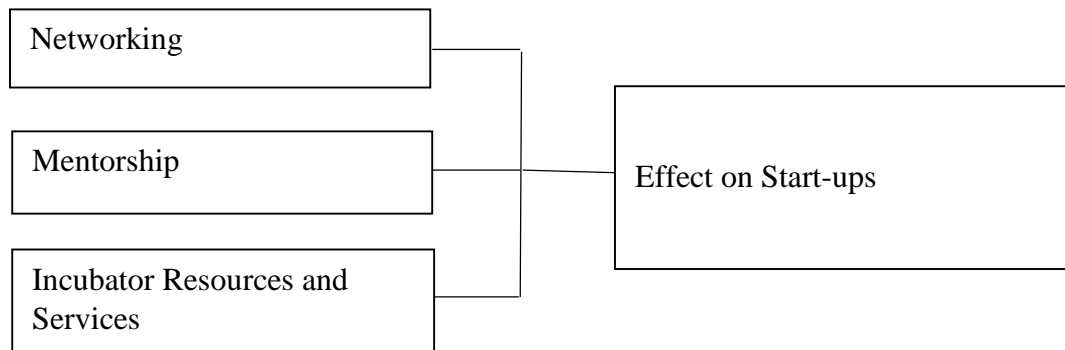
Incubators acquire resources and hire staff for the sole purpose of providing resources and services for entrepreneurs who take up their programs. Thillairajan and Jain (2013) in a study on incubation support in India, identified some of these key resources and services offered to be office space technology, capital and access to business support; these include financial, legal, human resource among others.

2.8 Knowledge Gap

A number of studies and articles provide information pertaining to the topic of this study; from the concepts of start-ups to the origin and contribution of business incubators to the ecosystem. They all give extensive information towards understanding the different aspects. What this study seeks to achieve is accurately judge whether the what the business incubators in Nairobi seek to contribute towards the business ecosystem and whether these

desired contributions and the realised ones align. It will also seek to better understand the selection criteria of business incubators(not limited to university-based incubators) It also serves to investigate the theories stated and their practical application in the incubation process and results in the city. This is especially necessary as the number of small businesses emerging in the region is increasing at a rapid rate. This study could offer a source of information for future entrepreneurs who may be considering taking part in incubation programs and their relevance in the start-up scene in Nairobi.

Conceptual Framework



2.8 Chapter Summary

The goal of this chapter was to (1) to understand what start-ups are and their contribution to the ecosystem, (2) to understand business incubators and what importance they are to the ecosystem, (5) to form a base upon which we can look into business incubator parameters that they use to achieve start-up success; Mentorship, Networking and Resources and Services. The studies covered have effectively provided a clearer perspective which will help with how to approach the data collection and know which data is relevant to the study being undertaken. It has also helped to identify some of the weaknesses in the study and some problems the researcher will run into while collecting data hence making them more prepared to deal with such issues.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

For this study we shall hand out questionnaires and conduct interviews (where possible) with the relevant parties; business incubator managers or equivalents, and the entrepreneurs who are/have undertaken incubation programs. These are the parties in the best position to give first-hand experience on the research question and hence data will be straight from the source.

3.2 Research Design

The study is descriptive in nature as it seeks to establish the relationship between start-ups adopting the incubator programs and the achievement of their goals. The study is being conducted to better understand the effects of adopting incubator programs in Nairobi, as a start-up. The research will be carried out at business incubators within Nairobi; an example of which is The Strathmore Enterprise Development Centre. The research will be conducted for the period allocated for data collection and analysis, which is from proposal defence date (5th September 2020) up until final submission (16th December 2020); an estimated 3 months. Owing to the nature of the study the data required will primarily be qualitative (i.e. goals of the start-ups), with room for some quantitative data as some of the goals and performance variables of the start-ups may be quantitative in nature. It will be primary data as it will come directly from the entrepreneurs and incubator staff involved.

3.3 Population of Study

For this study we shall involve business incubators within Nairobi. More specifically, we shall engage with managers at these incubators and those who assist the entrepreneurs. We shall also attempt to involve entrepreneurs who have start-ups currently enrolled in the programs, as well as those that have already been through the programs.

3.4 Sampling

The sample of 5 incubators in Nairobi will be used and data derived from these. The sample will be selected once. The sampling unit will be the entrepreneurs and employees at these incubators and convenience sampling will be the most suitable approach based on the willingness/interest of the respondents to give information on the topic. This is because they are the primary source of the data on the research topic and their views would be most accurate because they deal with the matter first-hand.

3.5 Data Collection Methods

The main data collection methods this study shall employ are questionnaires. The questionnaires will be anonymous to encourage wider participation while remaining confidential.

3.6 Data Collection Procedures

For this prior request for permission will be sought from the select business incubators. Validation from the university will be provided as proof of credibility to the relevant incubators and entrepreneurs. Terms will be agreed on with the organisations and access to the necessary data. Voluntary consent forms will be provided for those willing to partake in the study through providing data. However, the data itself on will be kept anonymous other than in the instance where the respondent is willing to disclose their details.

The questionnaires will be conducted and handed out on incubator premises where possible. In the instance of restraints, they can also be handled digitally.

3.7 Data Analysis and Presentation

Once questionnaires and interviews are conducted and submitted, the data will be run for spell-checks and grammatical errors. Format will then be aligned. From this an average of answers (either positive or negative) will be generated using the Microsoft Excel tool for each of the questions. It shall be presented using charts generated from the data and conclusions attached to these.

CHAPTER 4: PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

The chapter shall present the data as was collected from the respondents. This study used solely a questionnaire to collect data from the respondents. Respondents participated randomly from a pool of entrepreneurs who had businesses that have undergone or are still undergoing incubation in business incubators within Nairobi, Kenya.

4.2 Sample representation

The business incubators targeted were a total of 6 within Nairobi. Of these 4 responded while the other 2 did not. From these 4, 16 responses were drawn from the relevant start-ups over the period of 3 months of following up. The table below shows the raw representation according to number of incubators.

	Population	Percentages
Responses	4	67%
Non-respondents	2	33%
Total target population	6	100%

Table 4.1

4.3 Descriptive analysis

4.3.1 Demographic statistics

The first section of the questionnaire deals with building an idea of the profile of the entrepreneurs and their businesses. From this the following table is drawn:

Question	Choices	Percentage
Gender	Male	50%
	Female	50%
Nature of ownership of the business	Sole Proprietorship	50%
	Partnership	43.8%
	LLC	6.2%
How old is your company?	0 – 6 months	21.4%
	7 – 12 months	21.4%
	1year – 2 years	35.7%
	Above 2 years	21.4%
What sector is your business in?	Agriculture	31.3%

	Finance	0%
	Technology	31.3%
	Environment	0%
	Mining	0%
	Communications	6.3%
	Fashion	12.5%
	Travel	6.3%
	Healthcare	6.3%
	Retail Sector	6.3%
How long have you been in the incubator program?	0 – 6 months	50%
	6 – 12 months	43.8%
	1 – 2 years	0%
	Above 2 years	6.3%

Table 4.2

4.3.2 Effect of Networking on Start-ups

This section focuses on tying the entrepreneurs needs with respect to Networking and the actual provision for this need by the incubator. The scale is allocated values as follows: Strongly Disagree = 1, Disagree = 2, Neutral = 3, Agree = 4 and Strongly Agree = 5.

Question	Response s	S D (1)	D (2)	N (3)	A (4)	S A (5)	Mean	Standard Deviation	Mod e
Networking is important to you as an individual.	16	0	0	0	4	12	4.75	0.43301270 2	5
You have joined the program for networking opportunities.	16	0	0	2	6	8	4.375	0.69597054 5	5
You have taken part in networking activities prior to the program.	16	0	0	1	5	10	4.562 5	0.60917464 7	5
The program adequately facilitates networking within itself.	16	0	0	1	8	7	4.375	0.59947894	4

The program adequately facilitates networking with persons/companies outside of the program.	16	0	0	1	7	8	4.4375	0.609174647	5
Networking is an important part of the program for your business.	16	0	0	1	4	11	4.625	0.59947894	5

Table 4.3

In what way has networking benefitted your business?

Networking has helped my business get access to investors ,as well as acquire potential customers

Getting to know individuals who can further my product offering.

To know other entrepreneurs in the agricultural space

Provided opportunities for growth

Partnership opportunities to drive topline for our business

Gaining more customers and maximizing profits

In gaining new clients

Getting new customers

Getting suppliers

4.3.3 Effect of Mentorship on Start-ups

This section focuses on tying the entrepreneurs needs with respect to Mentorship and the actual provision for this need by the incubator. The scale is allocated values as follows: Strongly Disagree = 1, Disagree = 2, Neutral = 3, Agree = 4 and Strongly Agree = 5.

Question	Responses	SD (1)	D (2)	N (3)	A (4)	SA (5)	Mean	Standard Deviation	Mode
Mentorship is important to you as an individual.	16	0	0	1	4	11	4.625	0.59948	5
You have taken part in mentorship	16	1	1	1	4	9	4.1875	1.18421	5

activities prior to the program.									
The incubator program adequately facilitates mentorship within the program.	16	0	0	2	6	8	4.375	0.69597	5
The mentorship methods used in the program are in line with your business objectives.	16	0	0	2	5	9	4.4375	0.70434	5
Mentorship is an important part of the program for your business.	16	0	0	2	5	9	4.4375	0.70434	5

Table 4.4

In what way has Mentorship benefitted your business?

Through mentorship, we have been able to acquire partners with various organizations and also learnt about new products and services in our sector

Getting to know how to view my business from an experienced eye.

Learning how to establish management systems

Shared learnings from past experiences to address current and future roadblocks in our business

It has helped me in learning how to maximize my strengths and minimizing my weaknesses.

In managing my operations better.

Knowing how to approach the market

Improving my leadership skills

Leadership skills

4.3.4 Effect of Incubator Resources and Services on Start-ups

This section focuses on tying the entrepreneurs needs with respect to Incubator Resources and Services and the actual provision for this need by the incubator. The scale is allocated values as follows: Strongly Disagree = 1, Disagree = 2, Neutral = 3, Agree = 4 and Strongly Agree = 5.

Question	Responses	SD (1)	D (2)	N (3)	A (4)	SA (5)	Mean	Standard Deviation	Mode
Your business had sufficient resources prior to taking up the program.	16	2	3	5	3	3	3.125	1.26861	3
You joined the program for access to resources.	16	0	3	3	4	6	3.8125	1.1302	5
Resources provided by the incubator are adequate for your business.	16	0	0	5	8	3	3.875	0.69597	4
Services offered are relevant to your business and of benefit.	16	0	0	4	6	6	4.125	0.78062	4

Table 4.5

In what way have Incubator Resources and Services benefitted your business?

Incubator services and resources have given us a competitive edge in our business.

Obtaining experience, with regard to, approaching customer.

To know how to pitch to investors.

Access to both cash and in-kind resources to support business development.

Funding definitely helps to scale up the business.

Any comments on how the programs could better serve the entrepreneurs?

The programs can involve global funding activities to open entrepreneurs to a diverse environment

Expand the pool of mentors.

Make more capital accessible.

Make it more difficult to be chosen, but easier for businesses to be incubated (fewer reporting requirements and other formalities)

Fairly content with our program - nothing to add.

Include more agricultural opportunities

4.4 Chapter Summary

The chapter successfully categorises the data received from the respondents through the questionnaire and presents it in a form where accurate analysis is possible through analysing the numbers. The categories help classify needs of the Start-ups and their experience within the incubators facilitating for the three objectives of the study; Networking, Mentorship and Incubator Resources and Services. Further description of this analysed data (in the next chapter) determines the real effect of incubators on the start-ups.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter seeks to discuss and draw conclusions from the findings collected in the previous chapter. It, furthermore, presents recommendations for future studies to be conducted in similar research fields.

5.2 Summary of the findings

This section views the summary of findings from each of the research variables and establish relevant descriptions of the data drawn from the respondents.

5.2.1 Summary of the Effect of Networking

Drawing from the averages and mode values, there are generally high expectations of the incubators to provide networking opportunities for the start-ups. The perception of the networking opportunities offered by the incubators also match the general high tally.

5.2.2 Summary of the Effect of Mentorship

Drawing from the averages and mode values, there are relatively high expectations of the incubators to provide mentorship opportunities for the start-ups. However, the expectations here are slightly lower than those of Networking. The perception of the mentorship opportunities offered by the incubators also match the general high tally, though lower than those of networking.

5.2.3 Summary of the Effect of Incubator Resources and Services

Drawing from the averages and mode values, there are lower expectations of the incubators to provide services and resources for the start-ups. The perception of the resources and services offered by the incubators are general high hence implying the incubators are catering to this need relatively well.

5.3 Conclusions

Pettersen, Aarstad, Hovig and Tobiassen (2016) concluded that the networks provided by business incubators serve in a major way as complementary to the businesses' overall network. In line with this, this study showed that the general ideology of expectation of networking for incubators and the service received are high; which agrees with the results of the earlier study. Hence the same can be applied in the case of Nairobi start-ups.

Mentorship figures suggest that the start-ups are generally satisfied with the mentorship offered by the incubators. However, it leaves room for slight improvement as shown by the follow-up question, through the expansion of the pool of mentors accessible to the start-ups.

For incubator resources and services, the study has shown a relatively high perception for the ones offered to start-ups when compared directly to their initial expectations when

joining the programs. However, issues such as access to capital have come up hence may require slight adjustment by the incubators.

In conclusion, the incubators in Nairobi have offered good Mentorship, Networking and Resources and Services to the start-ups taking their programs, which have overall realised value from these that have gone towards benefitting the growth of their business and economy of the country.

5.4 Recommendations and Suggestions for further research

The same study conducted under suitable conditions(post-pandemic) could yield different results as some potential participants dropped out of incubator programs due to various factors related to the pandemic.

The same study conducted over a longer period, say one to two years could provide much better long-term incite to the Incubation scene in Nairobi.

5.5 Limitations of the research

The major hinderance during the period when this study was conducted was the prevalence of the worldwide COVID-19 pandemic, hence data collection methods were extremely limited due to reduced physical interaction. This limitation meant that the number of potential participants was reduced.

APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

15 September 2020

To whom it may concern

Mwendwa Andrew Munywoki (SBS/100280/17)

Strathmore University offers Bachelor of Commerce (BCom) degree program. In their fourth

year, each degree student is required to work on a Management Research Project. The project

involves reading literature that relates to the research topic, data collection and analysis and

finally preparing a written document of the research findings and recommendation.

Andrew is requesting to gather information to be used in his research. He is accountable for

all information extracted from you and ensure that it will be used for research purpose only

and will be kept confidential.

The topic of the research is “THE EFFECT OF BUSINESS INCUBATORS ON STARTUPS

IN NAIROBI.”

We look forward to your cooperation and assistance to the above named student.

Yours Faithfully,

Stella Mwangi

Manager, Undergraduate Programmes

Strathmore Business School

Email:smwangi@strathmore.edu

APPENDIX 2: QUESTIONNAIRE

This questionnaire is for a research to establish *The Effect on Business Incubators on Start-ups in Nairobi*. The research observes three main variables; Networking, Mentorship and Incubator Resources and Services.

Responses submitted from this questionnaire will be left anonymous. There are no right or wrong answers, therefore answer as honestly as possible and to the best of your ability. All responses will be greatly appreciated.

SECTION 1: GENERAL QUESTIONS

1. Gender
Male
Female
Other

2. What is the nature of ownership of your company?
Sole proprietorship
Partnership
Other

3. How old is your company?
0 – 6 months
6 – 12 months
1 year – 2 years
Above 2 years

4. What sector is your business in?
Agriculture
Finance
Technology
Environment
Mining
Communications
Other

5. How long have you been on the incubator program?
0 – 6 months
6 – 12 months
1 year – 2 years
Above 2 years

SECTION B: NETWORKING

Please check the most appropriate cell for your answers to this section. Answers have been ranked Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree. Answer based on your opinion on the statements and questions below.

Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Networking is important to you as a person.					
You have joined the program for networking opportunities.					
You have taken part in networking activities prior to the program.					
The incubator program facilitates networking within the program.					
The incubator program facilitates networking with persons/companies outside the program.					
Networking is an important part of the program for your business.					

In what way has Networking benefitted your business?

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SECTION C: MENTORSHIP

Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Mentorship is important to you as a person.					

You have joined the program for mentorship opportunities.					
You have taken part in mentorship activities prior to the program.					
The incubator program facilitates mentorship within the program.					
The mentorship methods used in the program are in line with your business objectives.					
Mentorship is an important part of the program for your business.					

In what way has Mentorship benefitted your business?

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SECTION D: INCUBATOR RESOURCES AND SERVICES

Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Your business had sufficient resources prior to taking up the program.					
You joined the program for access to resources.					
Resources provided by the incubator are adequate for your business.					
Services offered are relevant to your business and of benefit.					

In what way have Incubator Resources and Services benefitted your business?

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Any comments on how the programs could better serve the entrepreneurs? Any other comments?

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