

**VALUE-ADDED PROGRAMMES AND PERFORMANCE OF SMALL  
AND MEDIUM ENTERPRISES IN KENYA: A CASE STUDY OF  
INCUBATED SMALL AND MEDIUM ENTERPRISES IN KISUMU  
CITY**

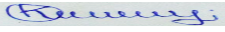
**DANIEL LEMAYIAN KITIYIA**

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF MANAGEMENT  
AND LEADERSHIP IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR  
THE AWARD OF THE DEGREE OF MASTER OF ARTS IN DEVELOPMENT  
STUDIES AT THE MANAGEMENT UNIVERSITY OF AFRICA**

**OCTOBER 2025**

## DECLARATION

The research project is my own work and has not been submitted for a degree at any other university.

Date..... Signature ...  .....

**Daniel Lemayian Kitiya**

**MDS/18/00105/1/23**

The study has been submitted for examination with my approval as the Supervisor at the university.

Date..... Signature .....

**Prof. Peter Kithae**

**The Management University of Africa**

## **DEDICATION**

I dedicate this work to my dear wife, Selly Narasha, in gratitude for her support, encouragement, and prayers throughout my studies.

## **ACKNOWLEDGEMENTS**

I extend my sincere gratitude to all the respondents from the Small and Medium Enterprises (SMEs) who participated in this study. Your time, openness, and willingness to share valuable insights made this research possible. I am deeply thankful to my supervisor, Professor Kithae, for his invaluable guidance, constructive feedback, and encouragement throughout the study. His expertise and commitment were instrumental in refining this work to meet academic excellence. I also appreciate the university for providing an enabling environment, supportive faculty, and necessary resources to pursue my degree. Lastly, I acknowledge all colleagues and friends whose support and encouragement contributed to the successful completion of this study.

## ABSTRACT

This study examined the effect of value-added programmes on performance of SMEs within Kisumu City 's incubation programme. Specifically, the research aimed to assess the effect of innovation on performance of small and medium enterprises under the incubation programme, to evaluate the effect of capacity building on performance of small and medium enterprises within the incubation programme; to assess the effect of marketing support programme on SME performance; to evaluate the effect of networking on SME performance. It was grounded in the Social Exchange Theory, the Dynamic Capabilities Theory, and Porter's Value Chain framework.

A descriptive survey approach was adopted, targeting owners of 2,844 participants this include (2800 business owners in Kisumu involved in the incubation programme, as well as 44 staff members from regional enterprise support organisations). A sample of 323 respondents including (SMEs and field officers) were selected using the Miller and Brewer (2021) sample size formula. Data collection primarily involved a structured questionnaire, and a pilot study was conducted to assess the accuracy and validity of the instruments. Data analysis was performed using the Statistical Package for the Social Sciences (SPSS), version 26, and Microsoft Excel. Measures of dispersion such as percentages, frequencies, means, and standard deviations were employed. Inferential statistical techniques, including regression analysis, analysis of variance (ANOVA), and Pearson's correlation, were used to determine the relationships between variables. The results indicated that most participants regarded innovation as a key driver of value addition, which subsequently affected SME performance. Capacity building was also identified as a means of supporting SMEs by equipping them with essential knowledge and skills. Additionally, marketing support and networking were recognised as significant contributors to the success of SMEs within the incubation programme. Further analysis demonstrated a statistically significant relationship between value-added programme and SME performance ( $r = 0.745$ ,  $p < 0.05$ ). It was also observed that a one-unit change in the independent variables resulted in a 55% change in SME performance, with 55.5% ( $R^2 = 0.555$ ) of the variance explained. Regarding the model's predictive capacity, the ANOVA test yielded an F-statistic ( $F = 65.634$ ;  $p < 0.05$ ), confirming that the model strongly indicated a correlation between value addition and SME performance. The study concluded that incubation programmes aimed at enhancing value addition among SMEs were crucial for improving their performance.

## TABLE OF CONTENTS

|                                              |             |
|----------------------------------------------|-------------|
| <b>DECLARATION .....</b>                     | <b>ii</b>   |
| <b>DEDICATION .....</b>                      | <b>iii</b>  |
| <b>ACKNOWLEDGEMENTS .....</b>                | <b>iv</b>   |
| <b>ABSTRACT .....</b>                        | <b>v</b>    |
| <b>TABLE OF CONTENTS.....</b>                | <b>vi</b>   |
| <b>LIST OF TABLES.....</b>                   | <b>ix</b>   |
| <b>LIST OF FIGURES .....</b>                 | <b>x</b>    |
| <b>ACRONYMS AND ABBREVIATIONS .....</b>      | <b>xi</b>   |
| <b>OPERATIONAL DEFINITION OF TERMS .....</b> | <b>xiii</b> |
| <b>CHAPTER ONE.....</b>                      | <b>1</b>    |
| <b>INTRODUCTION.....</b>                     | <b>1</b>    |
| 1.0 Introduction .....                       | 1           |
| 1.1 Background of the study .....            | 1           |
| 1.2 Statement of the Problem .....           | 11          |
| 1.3 Objective.....                           | 12          |
| 1.4 Research Questions .....                 | 13          |
| 1.5 Significance of Study .....              | 13          |
| 1.6 Scope of the study .....                 | 14          |
| <b>CHAPTER TWO.....</b>                      | <b>16</b>   |
| <b>LITERATURE REVIEW .....</b>               | <b>16</b>   |
| 2.0 Introduction .....                       | 16          |
| 2.1 Theoretical Literature Review .....      | 16          |
| 2.2 Empirical Literature Review .....        | 19          |

|                                                       |           |
|-------------------------------------------------------|-----------|
| 2.3 Summary and Research Gaps.....                    | 28        |
| 2.4 Conceptual framework.....                         | 35        |
| 2.5 Operationalization of Variables.....              | 36        |
| 2.6 Chapter Summary .....                             | 38        |
| <b>CHAPTER THREE .....</b>                            | <b>39</b> |
| <b>RESEARCH DESIGN AND METHODOLOGY.....</b>           | <b>39</b> |
| 3.1 Research Design.....                              | 39        |
| 3.2 Target Population .....                           | 39        |
| 3.3 Sample and Sampling Techniques .....              | 41        |
| 3.4 Instruments.....                                  | 43        |
| 3.5 Pilot Study .....                                 | 44        |
| 3.6 Data Collection Procedure.....                    | 46        |
| 3.7 Data Analysis and Presentation.....               | 46        |
| 3.8 Ethical Considerations .....                      | 47        |
| 3.9 Chapter Summary .....                             | 48        |
| <b>CHAPTER FOUR.....</b>                              | <b>49</b> |
| <b>RESEARCH FINDINGS AND DISCUSSION .....</b>         | <b>49</b> |
| 4.0 Introduction .....                                | 49        |
| 4.1 Presentation of Research Findings.....            | 49        |
| 4.2 Limitations of the Study .....                    | 79        |
| 4.3 Chapter Summary .....                             | 79        |
| <b>CHAPTER FIVE.....</b>                              | <b>80</b> |
| <b>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....</b> | <b>80</b> |
| 5.0 Introduction .....                                | 80        |
| 5.1 Summary of Findings .....                         | 80        |

|                                                                           |           |
|---------------------------------------------------------------------------|-----------|
| 5.2 Conclusions .....                                                     | 81        |
| 5.3 Recommendations.....                                                  | 82        |
| 5.4 Focus areas for further study .....                                   | 83        |
| <b>REFERENCES .....</b>                                                   | <b>84</b> |
| <b>APPENDICES .....</b>                                                   | <b>89</b> |
| <b>APPENDIX I: LETTER OF INTRODUCTION</b>                                 |           |
| <b>APPENDIX II: RESEARCH QUESTIONNAIRE</b>                                |           |
| <b>APPENDIX III: FIELD OFFICERS (ENTERPRISE-SUPPORTING ORGANIZATIONS)</b> |           |
| <b>APPENDIX IV: LETTER OF INTRODUCTION FROM THE SCHOOL</b>                |           |
| <b>APPENDIX V: RESEARCH LICENSE</b>                                       |           |

## LIST OF TABLES

|                                                                                                                                                                |    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| <b>Table 1:</b> Summary and Research gaps.....                                                                                                                 | 28 |
| <b>Table 2:</b> Operationalization of Variables .....                                                                                                          | 37 |
| <b>Table 3:</b> Target population.....                                                                                                                         | 40 |
| <b>Table 4:</b> Sample size Distribution.....                                                                                                                  | 43 |
| <b>Table 5:</b> Reliability and Validity .....                                                                                                                 | 50 |
| <b>Table 6:</b> Innovation programmesmesmemes and performance of SMEs under the<br>incubation programmesmesmeme.....                                           | 60 |
| <b>Table 7:</b> Effect of capacity building programmesmesmememe on SME Performance ....                                                                        | 63 |
| <b>Table 8:</b> marketing support programmesmesmeme on SME performance under<br>incubation programmesmesmeme.....                                              | 66 |
| <b>Table 9 :</b> Performance of SMEs.....                                                                                                                      | 71 |
| <b>Table 10:</b> Correlation analysis .....                                                                                                                    | 73 |
| <b>Table 11:</b> Model Summary of Innovation (X1), Capacity Building (X2), Marketing<br>Support (X3), and Networking (X4) (Y) on SME Performance .....         | 75 |
| <b>Table 12:</b> analysis of variance for Innovation (X1); marketing support (X2); capacity<br>building (X3); Networking (X4) on SME (Y) Performance .....     | 76 |
| <b>Table 13</b> Coefficients of regression on Innovation (X1), Capacity Building (X2),<br>Marketing Support (X3), Networking (X4), and SME Performance - ..... | 77 |

## LIST OF FIGURES

|                                                                             |    |
|-----------------------------------------------------------------------------|----|
| <b>Figure1:</b> Conceptual Framework.....                                   | 36 |
| <b>Figure 2:</b> Gender distribution.....                                   | 51 |
| <b>Figure 3:</b> Age distribution .....                                     | 52 |
| <b>Figure 4:</b> Level of education.....                                    | 53 |
| <b>Figure 5:</b> Years of Business Operations .....                         | 53 |
| <b>Figure 6:</b> Years working at organization .....                        | 54 |
| <b>Figure 7:</b> Current position of the respondents .....                  | 55 |
| <b>Figure 8:</b> Current Position of the Training Staff.....                | 56 |
| <b>Figure 9:</b> Types of support provided by the organization to SMEs..... | 57 |
| <b>Figure 10:</b> Frequency of Engagement .....                             | 58 |
| <b>Figure 11:</b> Challenges facing SMEs.....                               | 59 |

## **ACRONYMS AND ABBREVIATIONS**

|              |   |                                                     |
|--------------|---|-----------------------------------------------------|
| <b>ESO</b>   | : | Enterprise Support Organisations                    |
| <b>GOK</b>   | : | Government of Kenya                                 |
| <b>KAM</b>   | : | Kenya Association of Manufacturers                  |
| <b>KEBS</b>  | : | Kenya Bureau of Standards                           |
| <b>KIE</b>   | : | Kenya Industrial Estates                            |
| <b>KIPI</b>  | : | Kenya Industrial Property Institute                 |
| <b>KIRDI</b> | : | Kenya Industrial Research and Development Institute |
| <b>KITI</b>  | : | Kenya Industrial Training Institute                 |
| <b>KNBS</b>  | : | Kenya National Bureau of Statistics                 |
| <b>MESPT</b> | : | Micro Enterprise Support Programme Trust            |
| <b>MSEA</b>  | : | Micro Small Enterprise Authority                    |
| <b>MSME</b>  | : | Micro Small and Medium Enterprises                  |
| <b>NGOs</b>  | : | Non-Governmental Organisations                      |
| <b>ROI</b>   | : | Return on Investment                                |
| <b>SCT</b>   | : | Social Capital Theory                               |

**SPSS** : Statistical Package for Social Science

**UON** : University of Nairobi

**UN** : United Nations

**USAID:** United States Agency for International Development

**WB** : World Bank

## OPERATIONAL DEFINITION OF TERMS

|                                     |                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Business incubation</b>          | : is the process by which a programme helps start-ups or early-stage businesses develop and succeed. This support may include funding, workspaces, mentoring, and other resources that foster growth.                                                                                                                                                                        |
| <b>Capacity Building</b>            | : Capacity building for small and medium enterprises covers marketing strategies, ICT skills, product development, leadership, communication skills, production, quality management, and financial management.                                                                                                                                                               |
| <b>Innovation</b>                   | : involves applying new technology, management, or processes to achieve desired improvements in organisational operations. The change can relate to enhancing a product or service. From an entrepreneur's perspective, being innovative means introducing unique services or goods to the market that meet consumer needs in a way that is both competitive and profitable. |
| <b>Networking</b>                   | : Involves both strong and weak links that enhance interaction, with varying levels of trust among parties such as SMEs and other stakeholders.                                                                                                                                                                                                                              |
| <b>Small and Medium Enterprises</b> | : This category encompasses businesses with staffing levels of micro (1-10 employees), small (11-49 employees), and medium (50-99 employees) units, with annual incomes ranging from Kshs 500,000 to Kshs 50,000,000. When grouped as MSMEs, they have a staff capacity of 1-99 and a turnover of Kshs 1-50 million.                                                         |

**Value addition**

: involves increasing the economic value of a service or product by modifying its location, process, or form to better align with consumer preferences and needs.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 INTRODUCTION**

The chapter provides a clear overview of the investigation, including the background, problem statement, scope of the study, research questions, summary, and significance of the study.

#### **1.1 Background of the study**

Governments and global organisations have increasingly focused not only on providing financial support to small and medium-sized enterprises (SMEs) but also on implementing business development and value-added programme. This shift stems from the recognition that financial assistance alone is insufficient to achieve sustainable growth and improved performance (Saha & Basak, 2019). Programme designed to support SME growth typically encompass several dimensions, including capacity building, which involves equipping entrepreneurs and their employees with essential skills through mentorship, workshops, and group learning to foster innovation and problem-solving abilities. Capacity building strengthens the broader SME workforce by enhancing productivity, efficiency, and overall operational performance (Gherghina et al., 2020).

Marketing support from another vital component of value-added initiatives for SMEs. Such programmes help businesses enhance brand visibility, reach targeted markets, and expand their customer base and sales volumes. Since SMEs often lack sufficient resources for market research, they rely on external support to acquire data on consumer behaviour, market trends, and competitor analysis. Agencies such as the Kenya Export Promotion and Branding Agency (KEPROBA) provide SMEs with crucial insights into local and international market dynamics and offer platforms for showcasing products both regionally and globally. These opportunities enable SMEs to access new markets and leverage digital tools, such as social media platforms like Facebook, Instagram, and X

(formerly Twitter), for cost-effective marketing and product promotion (World Bank, 2020).

Innovation and marketing support programme in Kenya have also assisted SMEs in adopting modern, data-driven marketing approaches. Digital transformation initiatives have promoted the development of e-commerce platforms that help SMEs reach a wider customer base. Many Kenyan SMEs prioritise product innovation to satisfy evolving local demands, often introducing enhanced products with superior quality or functionality (Oyewole & Eforuoku, 2019). Institutions such as the Kenya Industrial Research and Development Institute (KIRDI) play a critical role by supporting SMEs in product design, packaging, labelling, and manufacturing processes encouraging innovation and competitiveness.

Networking remains another essential pillar of SME value addition. Collaborating with government agencies, private sector actors, development partners, and non-governmental organisations enables SMEs to access funding, training, trade exhibitions, and policy guidance. Government-sponsored business forums and trade delegations create vital platforms for collaboration and market linkages. Business incubators and accelerators, such as KIRDI, Strathmore University, and iHub, have strengthened Kenya's entrepreneurial ecosystem by connecting SMEs with investors, mentors, and experts. These programmes provide mentorship, coaching, workspace, and funding opportunities, allowing entrepreneurs to gain strategic insights from experienced professionals. Collectively, such interventions have helped SMEs overcome key challenges such as limited market access, outdated technology, and low competitiveness (Gherghina et al., 2020).

The concept of value addition has attracted growing academic interest as researchers seek to identify ways for SMEs to maximise their benefits. Value addition refers to the transformation of a product or service into a more valuable and improved version enhancing its worth from both the customer's and producer's perspectives (Oyewole & Eforuoku, 2019). While the form of value addition varies by product and industry, its implementation through structured programmes has been shown to enhance SME performance (Saha & Basak, 2019). Importantly, value addition extends beyond profit-making to encompass community well-being, environmental sustainability, customer

engagement, and innovation. As Laporsek et al. (2021) emphasised, sustained value addition requires continuous innovation, adaptability to market dynamics, and operational refinement.

According to Nene and Pillay (2019), although value-added programmes differ across industries, producers and service providers demonstrate innovation by introducing new processes and creating markets for improved offerings. Collaboration across the value chain is crucial, as effective value addition relies on collective efforts among suppliers, producers, and distributors. Adem (2019) described value addition as a “chameleon concept” that shifts based on the nature of the valued activity, underscoring its multifaceted role in enhancing SME performance. Similarly, Kotler and Keller (2017) observed that value addition benefits both enterprises and consumers. Nonetheless, SMEs often face challenges such as limited storage facilities, inadequate knowledge, insufficient financial resources, and weak government support (Adem, 2019). Musyoka et al. (2020) further identified poor infrastructure, unskilled labour, and outdated technology as barriers to implementing effective value-added programmes.

Gupta et al. (2019) noted that the success of value addition depends on both internal factors such as; technology, resource availability, and managerial capability and external factors, including; economic stability, political environment, and climate conditions (Kotler et al., 2019). Gashaw et al. (2018) found that innovation and collaboration are affected by the availability of business support services, processing equipment, and institutional backing. Similarly, the UNCTAD (2019) report indicated that frequent market fluctuations and limited resources hinder value addition efforts among SMEs. Mwinyihija (2019) and Melembe et al. (2021) also highlighted the significance of aligning value-added programme with the economic and institutional realities of developing countries.

Globally, a robust SME sector is a cornerstone of economic resilience. However, SMEs across regions face persistent constraints that inhibit growth and competitiveness (Yitzhaki, 2006). In the United States, these challenges include cyber threats, rapid technological changes, regulatory complexities, and poor financial management (Chan et al., 2017; Prasanna et al., 2019). In India, SME development is guided by the 2006 Micro, Small and Medium Enterprises Act, which sets investment thresholds ranging from ₹1 crore to ₹10 crore (approximately Ksh 1–12 million). In Nigeria, SMEs are defined by

asset values between ₦5 million and ₦500 million and a workforce of 11–300 employees (Central Bank of Nigeria, 2019).

Kenya's Ministry of Trade (2012) classifies microenterprises as those with 1–9 employees and annual sales of less than Ksh 500,000, while small enterprises have between 10 and 50 employees and sales between Ksh 500,000 and Ksh 1 million. SMEs contribute significantly to national economies—accounting for 65% of GDP in the USA, 60% in China and Japan, and 52% in the UAE (Kawira et al., 2019). In Africa, they play an equally vital role: in Ghana, SMEs contribute about 70% of industrial employment (Kaberia & Muathe, 2021), while in Kenya, they represent approximately 80% of all businesses, employing 14.9 million people and contributing one-third of the GDP (Krishnan et al., 2019; KNBS, 2019).

Despite their contributions, African SMEs face numerous structural and operational challenges. In Nigeria, about 1,000 SMEs shut down annually due to unfavourable business conditions (Terkper, 2020). In South Africa, inefficiency, policy uncertainty, and poor record-keeping remain major issues (Farouk et al., 2019). North African SMEs struggle with high operational costs and excessive taxation (World Bank, 2020). Similarly, SMEs in East Africa including; Rwanda, Uganda, Tanzania, and Kenya face obstacles such as limited access to credit, political instability, and inadequate infrastructure (Johnson & Palmer, 2020; Osano, 2019).

In Kenya, SMEs employ 83% of the national labour force and contribute 28–35% of annual revenue (KNBS, 2019). The sector is dynamic, covering trade, services, agriculture, and manufacturing, and is characterised by flexibility and entrepreneurial innovation (Mwaura et al., 2019). However, challenges such as inadequate financing, market competition, and limited managerial capacity persist (Mbogo et al., 2020). Kisumu City, as a major economic hub within the Lake Region Economic Bloc, provides SMEs with access to support services, including financial institutions, training, market linkages, and skilled labour (Kobia & Munyoki, 2021). The performance of SMEs in this region is therefore vital for both regional and national economic development.

### **1.1.1 Performance of SMEs**

Agarwal, Goyal, and Singh (2021) described performance as a company's ability to generate earnings, maintain a competitive advantage, and deliver value to stakeholders and customers. Non-monetary factors, such as employee morale, market share, and customer satisfaction, are recognised as crucial alongside financial metrics when assessing an organisation's performance. Laporsek et al. (2021) argue that four interconnected elements effect an employee's performance at work. These client-focused success measures emphasise customer satisfaction and product effectiveness. Examples of market and financial indicators include profit, sales, cash-to-cash cycle, market share, earnings per share, and sales revenue. Employee satisfaction and human resource efficiency are regarded as the third most important factors. Elements of organisational performance encompass marketing, innovation, adaptability to supply chains, and manufacturing processes. The performance management process involves stages such as performance review, performance improvement, and quality planning.

Most people recognise the structured scorecard approach as a method for assessing performance. This includes measures of organisational effectiveness that are both financial and non-financial. It acts as a reliable indicator of a firm's success both internally and externally. Setting and achieving core strategic objectives is a daily application of this approach. According to Ali, Ullah, and Ullah (2022), organisational performance is a multifaceted concept encompassing several key factors, including innovation, marketing, and financial results. They noted that, for small enterprises to gain a competitive edge and maintain growth, a focus on various performance metrics must be considered and addressed.

According to the literature, performance in this research is defined as achieving organisational goals related to competition, market share, sales, profitability, and other strategic objectives (Hult et al., 2021). Researchers describe performance as reaching desired results from the realisation of marketing goals (Chittithaworn et al., 2021). According to Yıldız et al. (2014), performance is defined as effectiveness in executing an enterprise's activities, leading to the achievement of its stated objectives. Achieving a high-performance level is a key indicator of enterprise success (Mahmudova & Kovács, 2018). Quantifying an enterprise's performance helps enhance positive aspects of operations and

provides an opportunity to take corrective measures to address gaps (Mahmudova & Kovács, 2018).

### **1.1.2 Innovation programme**

According to UNESCO (2012), the Lake Region Economic Bloc (LREB) is one of six economic blocs established in Kenya. It includes 14 county governments: Bomet, Bungoma, Busia, Homa Bay, Kakamega, Kericho, Kisii, Kisumu, Migori, Nandi, Nyamira, Siaya, Trans Nzoia, and Vihiga. Like other economic blocs within the country, LREB was formed based on the realisation that the promises of the devolved system of government aim to address political gaps related to inclusivity, as county governments are too small to benefit from increasing returns to scale fully. The Kenyan Constitution introduced a devolved governance structure designed to simplify decision-making at local levels and promote opportunities for national growth, thereby encouraging greater public participation in decision-making, planning, and development implementation. These blocs operate through well-defined strategic networks among countries with shared interests, effectively creating significant development opportunities.

Innovation refers to a firm's tendency to generate unique ideas that enhance its products and services, thereby increasing revenue. Gudda et al. (2013) define innovativeness as a firm's inclination towards product and process innovation to meet customer needs and preferences. It involves a firm's behaviour of being creative and promoting experimentation, which may lead to the development of new products, services, or processes (Sok & O'Cass, 2015). Laban (2019) investigated the effect of strategic innovations on organisational performance by information and communication technology by enterprises in Nairobi County, Kenya. His findings reveal a positive effect of innovation on SME performance. Among various types of innovativeness, marketing innovativeness was the most significant indicator of a firm's performance, followed by process innovativeness and product innovativeness. Several studies have explored the relationship between innovative practices and SME performance. Many of these studies conclude that innovation is essential in today's competitive business environment (Colombo, Pivo, & Rosi-Lamastra, 2021).

Considering the specific challenges faced by SMEs, Ahmed, Azeem, Haider & Sajjad (2021) recommended that SMEs should adopt innovation as a strategy to adapt to changes in the marketplace, aligning with consumer tastes and service preferences, which can lead

to improved financial performance (Azeem, Ahmed, Haider & Sajjad, 2021). According to Dharmadasa (2019), innovation involves implementing new concepts to create tangible and distinctive changes in a relevant field. In contrast, Ahmed, Azeem, Haider & Sajjad (2021) described process innovativeness adoption as a unique production process. Amran & Mwasiagi (2019) identified various forms of process innovation, including service innovation, which involves making substantial modifications that visibly effect client demand and engagement.

According to Kim, Kumar, and Kumar (2012), process innovativeness involves multiple stages of change, whether adjustments are sector-related or suggest successful innovation in enterprises owned by women. It requires critical approaches to understand and effect future decision-making principles. This may include adopting new technology, management processes, products, and services that help enterprises sustain growth. In the recent assessment, innovation best practices were used to develop and implement improved services, processes, products, and business strategies, as well as to evaluate their effect on SME performance within the value-addition programme in Kisumu City.

### **1.1.3 Capacity Building Programmes**

The Bloc aims to use production efficiencies and resource sharing to promote economic growth and enhance people's livelihoods. This involves establishing regulations and programmes designed to broaden partnerships among county members across the financial, manufacturing, social, technological, and research sectors for mutual benefit. The values guiding this effort include principles outlined in the Kenyan Constitution: trust, political goodwill, fair distribution of the costs and benefits of collaborations, adherence to the principles of devolved government units as established in Article 175 of the Kenyan Constitution, peaceful coexistence, good neighborliness, and effective dispute resolution mechanisms. Currently, there is no academic research documenting the effect of value-added programme carried out by these organisations on SME performance; therefore, this study is necessary.

Capacity refers to an enterprise's ability to mobilize resources to achieve and sustain its objectives. According to Enjel, Land, and Keijzer (2020), capacity refers to an institution's ability to sustain itself and perform effectively. This includes the combination of ability and competency skills. Competency pertains to individual abilities and talents; capabilities

encompass the broader collective skills of an organisation, which may consist of technical analysis, policy process management, and financial resources, among others. An organisation's capacity refers to its ability to operate effectively, while capacity building involves enhancing and strengthening this ability. As Brown, Lafond, and Macintyre (2021) suggest, capacity building is a multidimensional and dynamic process that improves an enterprise's ability to achieve its goals or perform more effectively in a competitive environment. According to Hubbard, Patrizi, Sheerwood, and Spector (2020), capacity-building activities aim to improve organisational performance. In this study, capacity building is regarded as a programme undertaken to develop the skills and knowledge necessary for an enterprise to enhance its performance effectively, primarily through improved planning efforts. Meanwhile, to remain competitive, SMEs, especially in the manufacturing sector, must be efficient in pricing and technical aspects.

A study by Prakash (2021) noted that SMEs in manufacturing can effectively achieve their goals. There is a need for capacity building, and many successful SMEs have prospered, carving a visible business niche worldwide. The research, however, aims to analyse the effect of capacity building on enhancing value-added programme in manufacturing performance. Capacity building is a crucial aspect of improving SMEs' performance. However, no systematic study has been conducted on this as a value-added element in the manufacturing sector of developing countries when examining the effect of capacity building on SME performance.

#### **1.1.4 Marketing Support Programme**

Innovativeness refers to a firm's tendency to generate unique ideas that enhance its products and services. Gudda et al. (2013) regard innovativeness as a firm's inclination towards innovation in both product and process to meet customer needs and preferences. It reflects the enterprise's behaviour of being creative and fostering experimentation, which may lead to new products, services, or processes (Sok & O'Cass, 2015).

(OECD and Eurostat, 2019). Marketing innovation is closely related to the marketing mix and market selection, aiming to meet consumers' expectations (Mohd and Syamsuriana, 2023). Marketing support programme are vital tools for enterprises to effectively manage and plan their marketing activities and resources, ultimately ensuring the success of a specific product in each market. These programmes involve developing improved methods

to meet customer needs, enter new markets, or strategically position an enterprise's product to increase sales (Gunday et al., 2021). To craft a successful advertising strategy, enterprises must identify their target customers and understand their offerings. They should also aim to differentiate themselves from competitors and employ various marketing strategies to achieve optimal results.

Joyce (2022) suggests that by choosing the appropriate go-to-market strategies, companies can create a clear roadmap to achieve their desired future objectives. Kotler and Armstrong (2014) noted that selecting target groups effects marketing investment through the marketing mix. The marketing team, aiming to boost sales and increase revenue, must employ a strategic combination of product, price, promotion, and distribution channels.

To achieve its objectives, a company needs a long-term marketing plan that outlines the necessary steps. Regarding value creation, marketing programme are advantageous because when management is well-informed about the correct marketing strategies, it simplifies their work and enhances their performance (Sandvik, 2023). To succeed in marketing its strategy, an enterprise must consistently present a unified image of its products. This involves setting a competitive price, designing attractive packaging, and effectively promoting the brand to achieve its goals.

By focusing on these elements (price, packaging, and brand awareness), companies can enhance customer loyalty. Studies have shown that marketing programme positively affect firms' sales growth by increasing demand for products, which then leads to higher profits for innovative businesses (Johne and Davies, 2020). According to a study by Otero-Neira et al. (2019), firms participating in marketing support programme tend to see improved performance. This data mainly comes from developed markets and large-scale enterprises. There is limited information on how marketing programme for SMEs in the manufacturing sector improve their performance.

#### **1.1.5 Networking Programme**

Researchers typically view a network as a specific combination of connections and relationships among various groups (Thrikawala, 2019). When examining enterprise networks in particular, networking theory suggests that a firm's competitive advantage lies in fostering collaborative business relationships. Enterprises can access specific resources outside their control through networking activities, thus enhancing their business

performance (Boateng et al., 2021). By forming business networks, companies can reduce their risks and production costs while also enhancing knowledge, flexibility, and efficiency, ultimately leading to improved performance. On strategic networks, firms can anticipate, avoid, and adapt to market changes that might affect their management.

In Ghana, for example, the social interaction links and business networks of SMEs play a crucial role in accessing foreign business opportunities and institutional knowledge, which, in turn, enhances export performance (Abubakari et al., 2021). Moreover, SME owners and managers have better chances of accessing debt finance, improving their reputation, reducing transaction costs, and creating new market opportunities (Lin & Lin, 2020). Consequently, these networks, through these benefits, enable SMEs to effectively implement their entrepreneurial orientation strategies and improve their performance. SMEs can also enhance their performance by adopting effective management systems that utilise both internal and external mechanisms. Knowledge sharing, waste reduction, increased innovation, and growth prospects can result from network capabilities (Lin & Lin, 2022).

#### **1.1.6 SME in the Manufacturing sector**

There is limited data on how marketing programme for SMEs in the manufacturing sector improve their performance. Despite the promising potential of Kenya's manufacturing sector, its growth has remained sluggish over the years. This is evident in the declining contribution of the industry to the country's overall economic output, measured by its GDP. Data from the KNBS (2021) show a decrease in the manufacturing industry's share of Gross Domestic Product, from 11.8% in 2011 to 9.2% in 2016. This decline is further reflected in the sector's growth rate, which fell significantly from 7.2% in 2011 to just 3.5% in 2016. This disappointing performance fell short of the ambitious target of 10% annual growth projected for the sector. It is also unfavourable when compared to the 10% yearly growth envisaged in Vision 2030 (GOK, 2017). Furthermore, it compares poorly with regional economies such as Ethiopia and Tanzania, which recorded industry growth rates of above 10% and 6%, respectively, between 2011 and 2014 (World Bank, 2019). SMEs primarily drive Kenya's manufacturing industry. These businesses, which constitute approximately 85% of the sector, generate about 20% of its total economic output. In contrast, medium and large firms account for around 15%, yet their contribution to the

sector's GDP exceeds 60% (Kippra, 2017). Manufacturing SMEs are vital to Kenya's development strategies, which aim to transform the nation into a globally competitive and prosperous country by 2030 (GOK, 2007). The growth of SMEs in manufacturing lays the groundwork for industry expansion (KAM, 2017). Manufacturing SMEs have the potential to significantly advance socio-economic progress; however, they encounter numerous challenges that hinder their full potential. These include fierce competition from large and multinational corporations, limited access to resources and markets, saturated markets, restricted technological capabilities, and complex legal regulations, among others (GOK, 2005). Moreover, these challenges are intensified by globalization, shorter product life cycles, rapid technological progress, higher standards, and evolving consumer needs and preferences (KAM, 2012).

### **1.2 Statement of the Problem**

In Kenya, small and medium enterprises (SMEs) continue to face numerous challenges, including limited access to financial resources, inadequate infrastructure, an unfavourable marketing environment, rapidly changing technologies, and stringent government regulations that negatively affect their performance (KNBS, 2016; Osano, 2019). To remain competitive, SMEs must adopt effective survival and growth strategies. Despite these efforts, the sector still experiences high failure rates. According to the Kenya National Bureau of Statistics (KNBS, 2019), approximately 400,000 micro, small, and medium enterprises (MSMEs) close annually, with 46% shutting down within the first year and 75% failing before their third year of operation. This alarming trend underscores persistent weaknesses in sustainability and the limited effect of current support services. Several programmes such as incubation hubs, capacity-building, and marketing support services have been introduced to enhance SME performance and value addition. However, their effectiveness remains uncertain, especially among SMEs in Kisumu City, which serves as a key economic hub within the Lake Region Economic Bloc. Despite being home to numerous government and non-government enterprise support organisations, Kisumu's SMEs continue to exhibit low survival and growth rates. For instance, regional surveys indicate that only 32% of start-ups in Kisumu City progress to maturity stages, compared to 47% in Nairobi and 41% in Central Kenya (KIPPRA, 2021). This regional disparity

reveals a geographical research gap, suggesting that current interventions may not be adequately tailored to the socio-economic realities of SMEs in Kisumu.

Furthermore, existing studies highlight recurring structural challenges, including limited access to capital (72%), infrastructural constraints (64%), and managerial skills gaps (58%), all of which significantly hinder enterprise performance (KNBS, 2019; Mwaura et al., 2019). Amankwah-Amoah et al. (2019) observed that many SMEs were severely affected by the COVID-19 pandemic because they could not quickly adapt their business models to digital and remote work environments, demonstrating the sector's vulnerability to disruption. Similarly, Sawaeana and Alib (2020) emphasised that enterprises lacking innovation and capacity-building mechanisms were less likely to recover from such shocks. These findings point to the urgent need for value-added programmes that foster adaptability, innovation, and competitiveness among SMEs.

Despite the proliferation of SME support services in Kenya such as; those provided by KIRDI, KEPROBA, and various county-based incubation centers there remains limited empirical evidence on the specific effects of value-added programmes (including innovation training, capacity building, and marketing support) on SME performance. Most existing studies have focused on financial access, entrepreneurial orientation, or technological adoption, leaving a theoretical gap concerning how value-added interventions effect performance through frameworks such as the Dynamic Capabilities Theory and Social Exchange Theory. Therefore, this study addresses both a contextual and theoretical gap by examining how value-added programmes specifically innovation, capacity building, marketing support, and networking affect the performance of SMEs in Kisumu City. The findings are expected to contribute to policy formulation, theoretical development, and practical strategies for enhancing SME competitiveness within Kenya's incubation space and enterprise development ecosystem.

### **1.3 Objective**

The primary goal of this study was to investigate the value-added programmes and performance of small and medium enterprises in Kenya. A case study of incubated small and medium enterprises in Kisumu city.

### **1.3.1 Specific Objectives**

Particularly, research aimed to:

- i. To establish the effect of innovation on performance of small and medium enterprises under the incubation programme.
- ii. To evaluate the effect of capacity building on performance of small and medium enterprises within the incubation programme.
- iii. To determine the effect of marketing support programme on SME performance.
- iv. To investigate the effect of networking programme on performance of SMEs.

### **1.4 Research Questions**

Assessment designed to explore questions related to this research:

- i. What is the effect of innovation on performance of small and medium enterprises (SMEs) within the incubation programme in Kisumu City?
- ii. How does capacity-building affect the performance of SMEs participating in the incubation programme?
- iii. To what extent do marketing support activities affect the performance of SMEs under the incubation programme?
- iv. What is the effect of networking initiatives on performance of SMEs within the incubation programme?

### **1.5 Significance of Study**

The investigation is crucial for similar organisations in the Lake region, particularly in Kisumu County and across the country, as it seeks to offer insights into how value-added programme affect SMEs' performance in manufacturing.

The assessment is likely to be highly valuable for managers and employees of SMEs facing numerous challenges that affect their performance. The evaluation emphasises the importance of promoting value-added programme to support SMEs' growth and improve their performance in real time.

The investigation aimed to provide policymakers with an understanding of the challenges faced by SMEs and the actions planned to promote their success. The findings of this assessment are expected to inform the policymaking process by refining strategies to ensure SMEs perform effectively across all value chains.

The study will be crucial for the research as it highlights current gaps and promotes further investigations that could help decrease the number of failed enterprises caused by a lack of knowledge in value addition. Therefore, these issues were analysed from multiple viewpoints to enhance the efficiency of these businesses.

## **1.6 Scope of the study**

The assessment aimed to examine the effect of value-added programme on the performance of SMEs in Kisumu City, as well as to review other initiatives supporting the SME ecosystem. These include product development, training, capacity building, marketing support, networking, common user facilities, reverse engineering (machine fabrication), linkage opportunities, business compliance, factory setup, machine installation, mentorship and coaching, financial linkages, advisory services, and consultancy programme. This investigation sought to assess the effect of value-added programmes on SMEs performance under incubation. It focused on enterprises supported by organisations and their respective programmes. The geographical scope of the investigation was Kisumu City, representing counties within the Lake Victoria basin, which form an economic bloc. The main target population consisted of business owners and staff from enterprise support organisations, out of 2,844 a total sample of 323 SME owners support and staff of the enterprise support organisations were selected to participate in the assessment. The research aimed to

categorise enterprises operating in different value chains in Kisumu City, which are currently earmarked for support through value-added programme. This provided an opportunity for targeted research on value-added programme on SME performance across various value chains. The study was conducted between April 2024 and October 2025.

### **1.7 Chapter summary**

The chapter highlights the project's significance, provides background information, presents research questions, defines the problem, and outlines both broad and specific objectives, showing the scope of the study. It also reviews studies from global, regional, national, and local levels related to the concept being investigated.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter reviews the literature on both theoretical and empirical evidence concerning the of value-added programme on SME performance. It discusses the theoretical framework, offers an empirical review aligned with the study objectives, provides a summary and critical analysis, and presents the theoretical framework.

#### **2.1 Theoretical Literature Review**

The investigation is based on the theories and models outlined below.

##### **2.1.1 Social Capital Theory**

Social capital theory (SCT) was first introduced by Bourdieu (1985), who observed that it consists of actual or potential resources linked to a stable network of institutionalised relationships based on mutual acquaintance or recognition. The theory emphasises the total of the actual resources embedded within, accessible through, and derived from the network connections held by an individual or organisation (Nahapiet and Ghoshal, 1998). Think of strong connections with others as a toolbox. Social capital theory suggests that these connections serve as tools, providing resources and facilitating the achievement of your goals.

Applying social capital theory as a framework to examine the value-added effect on SMEs underscores the importance of relationships that build networks and resources, aiding SMEs through value-added programme from innovation to establishing suitable networks to enhance business performance. Additionally, this framework highlights the significance of understanding the effect of value addition among SMEs, which is viewed through the lens of social capital theory. Indeed, possessing the necessary social capital is vital for forming the right networks and relationships with specific individuals and organisations that hold accessible information.

In essence, Social Capital Theory provides the theoretical foundation explaining how social networks and interactions developed through incubation programme translate into improved SME performance. The framework assumes that higher levels of social capital,

generated through these value-adding initiatives, lead to enhanced innovation, competitiveness, and sustainability among incubated enterprises.

### **2.1.2 Dynamic Capabilities Theory (anchors theory)**

The Dynamic Capabilities Theory, developed by Teece, Pisano, and Shuen (1997), serves as the anchor theory for this study. The theory explains how firms integrate, build, and reconfigure internal and external competencies to respond to rapidly changing environments. Teece (2017) identified three dimensions of dynamic capabilities: sensing (identifying opportunities), seizing (mobilising resources), and transforming (renewing organisational capabilities).

This theory anchors the study because it provides a comprehensive framework linking all value-addition programme innovation, capacity building, marketing support, and networking to SME performance. Specifically:

Innovation programmes enable SMEs to sense and seize emerging technological and product opportunities, thereby enhancing their competitive advantage. Capacity-building programmes strengthen SMEs' ability to transform and reconfigure their skills and knowledge to adapt effectively to changing market dynamics. Marketing support programmes assist SMEs in identifying and responding to consumer needs while exploiting new market opportunities for growth. Additionally, networking programmes facilitate resource mobilisation and knowledge sharing, promoting continuous improvement and sustainable business performance.

The Dynamic Capabilities Theory offers an integrated explanation of how value-addition programme strengthen SMEs' internal capacities, allowing them to sustain superior performance in dynamic business environments.

### **2.1.3 Value Chain Porter 1985**

Michael Porter introduced the concept of a "value chain" in 1985. He described it as a breakdown of a company's activities that add value to its product or service. These activities are closely linked to the company's pricing strategy and related costs. To succeed in a competitive environment, a company must understand its strengths and what customers want. By analysing its value chain, a company can identify areas where it can reduce costs or differentiate itself from competitors.

Value chain analysis involves identifying each activity, evaluating its costs and the value it provides, and finding ways to enhance it in accordance with the company's primary strategy. Value added includes both generating and capturing value. Since every key activity requires resource investment, it follows that each link in the chain should contribute value (Chivaka, 2007). Value-creating activities take place at two levels: within the industry in which a company operates (the industry value chain) and within the company itself (the company's value chain) (Chivaka, 2007). The creation of value depends on the ability to deliver high performance on benefits that matter to the customer (Kothandaraman and Wilson, 2001). Any generic strategy aims to create value for customers that exceeds the cost of doing so (Porter, 1985).

Although all business forms part of the value-creating network, few firms have a significant effect compared to others. Efficiency in research and development, as assessed within the value chain concept, does not necessarily relate to operational or technological commercialisation effectiveness. Essentially, Porter's value chain model offers a limited understanding of how to create value within the supply chain. An industrial upgrade within the context of the international value chain emphasises the importance of global links. Porter's "closed-economy" concept has not considered internationalisation, which has led to increased trade mobility and cross-border knowledge sharing. While the model helps in understanding how value addition affects SME performance, it mainly explains the effects of programme such as innovation, capacity building, marketing, and networking on SME performance within the manufacturing sector. However, critics argue that the value chain process alone does not lead to collective action; many other factors are necessary for it to

occur. To understand collective action, Smelter argued that it is first essential to understand what motivates social behaviour.

## **2.2 Empirical Literature Review**

The empirical literature review examines published empirical studies that have investigated the effects of value-added programme such as innovation, capacity building, marketing support, and networking on performance and sustainability of small and medium enterprises (SMEs). This review aimed to synthesise evidence on what has been tested empirically, how the programme has been operationalised and measured, and what outcomes have been reported across different contexts, with particular attention to findings relevant to developing economies and incubation space.

### **2.2.1 Innovation programme and its effect on SME performance**

Budiarto and Pramudiati (2018) argued that innovation is vital for all contemporary businesses to remain competitive in today's environment. Ongoing technological advances and economic challenges characterise this environment. For small and medium-sized enterprises, innovation often involves developing new products or ways of working to better meet customers' needs and surpass existing options in terms of cost and profit.

Imran et al. (2022) explored how innovation mediates between a company's culture and its performance within Pakistan's automotive sector. They focused on manufacturing firms and surveyed senior managers from 113 companies. Their main hypothesis was that different types of innovation, including organisational, process, marketing, and product innovation, would positively affect a firm's performance. The statistical analysis showed that only product and process innovation significantly affected performance. The study found no link between enterprise performance and marketing innovation. This research not only aims to examine innovation and its elements but also seeks to broaden its scope by investigating other value-added aspects to generate new insights. Past studies have been limited in scope and geographical coverage, emphasising the need to fill these gaps.

Kijkasiwat and Phuensane (2020) conducted a study to examine the relationship between innovation and the performance of small and medium enterprises in 29 countries across Eastern Europe and Central Asia. Using a descriptive cross-sectional design, the study

focused on SME managers in these nations. Researchers employed a well-structured survey to gather information and analysed it using various methods. A specific statistical technique (PLS-SEM) helped them explore connections between different factors. Their results demonstrated a clear link between innovative practices and a company's financial performance across the three countries. This study aims to advance knowledge by investigating other ways businesses create value beyond just innovation and how these factors effect SME success. Researchers identified limitations in past research, both in terms of specific context and geographic scope, which is why this new study is necessary.

Huynh, Van Nguyen, Nguyen, and Dinh (2023) aimed to explore the link between innovation and the success of SMEs within Malaysia's manufacturing sector. Their research employed a descriptive approach, focusing on a sample of 284 SME owners from three specific sub-industries: food, textiles, and wood products. The study was guided by three key hypotheses, each proposing a significant relationship between innovation and enterprise performance. These hypotheses revealed notable effects related to product, process, and marketing innovation. The research team used hierarchical regression analysis to examine the collected data. The study confirmed the validity of the hypotheses related to product and process innovation, demonstrating a positive effect on enterprise performance. Results show that product innovation had a more substantial effect than process innovation. The current study considers innovation from four perspectives. Although the investigation focused on innovation and SMEs, the geographical scope varied so that the results may differ in other regions.

Forkuoh et al. (2020) examined the product innovation and performance of SMEs in Ghana's manufacturing sector. This study explored how SMEs in Ghana enhance their performance through product innovation. It considered three approaches to product innovation: developing entirely new products, introducing existing products into new markets, and improving current offerings. To measure a company's success, the researchers focused on two factors: employee numbers and sales revenue. They collected data by surveying 400 SME owner-managers in Ghana. The survey employed a structured questionnaire to gather information on product design and the overall performance of the company. Findings indicate a positive relationship between three aspects of product

innovation and company performance, with the introduction of entirely new products having the most significant positive effect. This suggests that prioritising the launch of new products is a practical strategy for SMEs in Ghana to expand their businesses. The current study aims to evaluate how innovation as a value-added indicator affects the performance of SMEs in incubation in Kisumu City. Previous studies reviewed have highlighted limitations in their contextual and geographical scope, which restricts the broader applicability of their findings. Therefore, this assessment seeks to provide additional data on the effect of innovation on SME performance.

Kenea (2020) aimed to assess the link between innovative practices and financial success at Heineken Beverage Companies in Kenya. The researcher examined the effect of creative practices on manufacturing enterprises through a one-time survey that included in-depth interviews with key industry players to gather valuable insights, as well as questionnaires completed by participants. In analysing the numerical data from questionnaires, the researcher used descriptive statistics, which involve summarising and organising information. For the qualitative data obtained from interviews, a descriptive analysis approach was employed, focusing on understanding and describing the collected information. The study's findings indicated a significant positive correlation between innovative practices and the success of manufacturing businesses. Based on these results, the research highlights the importance of companies adopting clear and effective innovation strategies to achieve their desired outcomes. The current study aims to explore innovation within business incubation among manufacturing SMEs in Kenya. The results will address existing gaps by considering additional aspects of value addition beyond innovation.

Jeje (2022) investigated the relationship between innovation and the performance of Tanzanian SME bakeries. This study examined the connection between innovation and bakery success in Tanzania. The researchers used a multi-step method to gather data, including interviews with 20 bakery owners and managers, as well as questionnaires completed by 161 participants. By analysing this data both descriptive and inferential—they found a strong positive correlation between innovation and bakery performance. The study emphasises that for small and medium enterprise bakeries to thrive, they should focus

on enhancing their capacity for innovation. Notably, this research was conducted in Tanzania, whereas the current study focuses on Kenya.

In Kenya, a study by Kiiru, Mukulu, and Ngatia (2023) aimed to identify the role of entrepreneurship in successful business operations. This research explored the effect of innovation on the success of SMEs in animal feed manufacturing. Data was collected through surveys distributed to business owners and directors. The assessment found a link between innovation and a firm's performance, concluding that innovative enterprises tend to be more successful. To enhance their prospects of success, the study recommends that these businesses focus on cultivating a culture of innovation.

### **2.2.2 Capacity building for SME performance**

In the 1990s, the concept of capacity building became increasingly important in international development, employing a flexible and concise innovation process that combined elements of stage-gated approaches to reach goals. Here, capacity refers to the ability of individuals and organisations to make informed decisions, implement them effectively, and maintain operations over the long term. This approach is viewed as a strategic way to empower women, leading to improved participation and efficiency when resources and skills are readily available and networks are established (2018).

Fadeyibi and Sajuyigbe (2019) indicate that capacity-building activities involve empowering women entrepreneurs in areas such as management, finance, cultural reorientation, risk-taking, and networking by acquiring managerial skills, knowledge, and attitudes to enhance their ability to achieve both immediate and long-term goals. Capacity building is assessed through training and education in human resource management, financial and social strategies, skills development, and gender equality. The study by Gul et al. (2012) estimates capacity building in terms of skills and information, network awareness, social structures, resources, participation, administration, and network mindfulness.

Moha and Akhbar (2020) also found that training is one of the potential tools for capacity building of SMEs. The study emphasised that training is essential for SME success and sustainability. In Malaysia, a survey of hundreds of SMEs revealed a significant need for training, with many owners lacking prior business experience. Interestingly, businesses that sought additional training generally already had some training in place. Overall, most

companies felt they needed training across all areas, both now and in the future, and there was a mismatch between the training they desired and what they received. This highlights the necessity for improved understanding and coordination between training providers and SMEs to ensure their success.

Aladejebi (2020) conducted a study in Nigeria to examine the effect of Human Capacity Building on Small and Medium Enterprises in Lagos. A quantitative survey was conducted among 139 business owners in Lagos. The analysis, performed using SPSS version 26, revealed that regulations, access to loans (credit), and inefficient marketing skills were the primary obstacles for these businesses. Managing finances, marketing, and employee issues were the main challenges faced by the owners. They addressed these problems through various training methods, including classroom learning (formal), on-the-job training, and specialised training. The study suggests that the government should provide affordable training programme and establish skill development centers to support these businesses.

Forkuoh, Li, Ampadu, and Osei (2021) conducted a study on institutional support in managerial capacity building and SME growth in Ghana. Studies have shown that strong leadership and management are essential for an enterprise to thrive. In today's competitive environment, where traditional advantages such as cutting-edge technology or large-scale production are becoming less significant, having a well-trained and motivated workforce is crucial for success. Unfortunately, many SMEs face obstacles in finding qualified employees. This lack of skilled staff can lead to lower productivity and hinder these companies' ability to compete. Recognising this challenge, governments and other organisations are increasingly offering training programme to help SMEs develop their managerial capabilities. This research explicitly investigates how such institutional support affects the growth of SMEs in Ghana. By analysing data from 500 companies across the country, the study finds that training programme focusing on areas such as procurement, finance, and business planning have a significant effect on the success of these enterprises.

Rosnani et al. (2021) found that the level of entrepreneurial skills among entrepreneurs in Malaysia remains moderate and requires additional entrepreneurship development training programme in areas such as creativity enhancement and innovation, financial management,

promotion and advertising, pricing strategies, and sales techniques. The study emphasises that training and learning about entrepreneurship equip business owners with the skills and expertise needed to run a robust and competitive business. The authors argue that the government has a role in providing relevant training programme to meet these needs. Although extensive research has been conducted on capacity building and business skills, further studies are necessary to understand precisely how these programmes effect the success of SMEs under incubation.

### **2.2.3 Marketing support programme on performance of SMEs**

Krishnasamy and Lisanu (2018) investigated how marketing strategies affect sales in small and medium enterprises in Merab Abaya, Ethiopia. They explored how product design, pricing, promotion, and distribution contribute to increased sales. The study involved surveying 144 out of the 224 registered MSEs in Merab town. The researchers used a questionnaire to gather data from enterprises in the manufacturing, trade, construction, and modern agricultural sectors. They discovered that product design and distribution had a clear and positive effect on sales, while pricing and promotion had a positive but less significant effect on sales.

Eniola and Olorunleke (2020) conducted a study on the effect of marketing strategy on business performance; this investigation focuses on how marketing strategies effect an organisation's performance, with particular emphasis on Small and Medium Enterprises (SMEs) in Kwara State, Nigeria. The assessment aimed to evaluate the effect of marketing activities on company performance. Researchers reviewed existing information on the topic and discovered that factors such as product design, promotion, packaging, and pricing all considerably affect business performance. The study recommends that companies should prioritise producing high-quality products and setting competitive prices.

Olise, Nosike, and Ofurum (2020) examined the effect of marketing strategies on the success of small and medium enterprises (SMEs) in Anambra State, Nigeria. They focused on the relationship between product design, promotion, and overall performance. Their study involved surveying businesses and employed statistical methods for data analysis. The findings revealed a correlation between product design, promotion, and the business's performance. The researchers recommend that enterprises concentrate on high-quality

products, attractive packaging, excellent customer service, and other features that offer a competitive advantage.

Raja et al. (2020) conducted a study to examine the effect of marketing strategy on the business performance of selected small and medium manufacturing enterprises in Southern Ethiopia. In this study, the researcher aimed to explore the cause-and-effect relationships between various factors that affect the success of small and medium-sized manufacturing enterprises. Distribution of survey questionnaires was carried out to 250 business owners or managers of SMEs. The researchers specifically targeted relevant businesses through a two-stage sampling process: first, identifying promising categories and then randomly selecting participants within those categories. After collecting the data, the researchers employed two statistical techniques: correlation analysis to identify relationships between variables, and linear regression to assess the effect of different factors. The study revealed that product design, promotion, and pricing had a positive effect on SMMEs, whereas location unexpectedly had an adverse effect. Overall, the factors examined explained approximately 30% of the variation in SMEs' performance. Based on these findings, the researcher recommends focusing on innovation, affordability, and targeted marketing strategies to enhance the effectiveness of the programme. They also suggest that future research should include a broader range of performance measures, including both financial and non-financial predictors. The unexpected negative effect of location is highlighted as an important area for further investigation in future studies.

Amin, Hindu Jibril (2021), reflects on marketing programme concerning the performance of the SMEs sector in Nigeria. The investigation examined the effect of marketing planning on SMEs in Nigeria (Abuja). It focused on four key elements of marketing: promotion, pricing, distribution, and product development. Researchers analysed data from hundreds of SMEs and identified a strong link between well-planned marketing strategies and business success. In other words, SMEs in Abuja that carefully organise their marketing are more likely to succeed. The study recommends that SMEs prioritise high-quality products, fair pricing, accessible locations, and effective outreach programme.

Ndumia, Ng'ang'a & Kabata (2020) investigated how marketing strategies effect sales in Nairobi's registered commercial printing firms. They analysed the companies' marketing

mix strategies and how these signals effect their competitiveness in sales. The study surveyed all marketing managers and supervisors within these firms to collect data. Questionnaires were used for data collection, which was analysed using both qualitative and quantitative methods. The findings suggest that offering high-quality products and understanding a product's inherent value are crucial for boosting sales. Additionally, the study shows that pricing strategies, such as value-based and penetration pricing, can enhance sales volume.

#### **2.2.4 Networking programme on performance of SMEs**

In a study conducted by Nyangarika (2016) on the effect of networking on performance of Small and Medium Enterprises in Tanzania, a significant relationship was found between SME owners with an entrepreneurial spirit. Networking, as a complex process, involves several key factors. These include: people and organisations involved as actors, the connections established between them, the value of resources exchanged within the network, and the established practices and guidelines that regulate how these actors interact. In simpler terms, networking enables SME owners to develop and nurture connections with others in their business environment, thereby creating a network that facilitates the benchmarking of resources and the sharing of knowledge through well-defined interaction methods.

Ojotu et al (2019) noted that networking with the right players is a crucial aspect of any network structure. They indicated that a firm's success can arise from professional relationships. There is a trade-off between quality and quantity in business networks, with the optimal balance found in a small number of people within the network cycle. Business associates must align with an entrepreneur's personality and values. Business relationships are centers of good mutual understanding.

According to Abu-Rumman et al. (2021), as SME managers or owners establish social ties with both internal and external stakeholders, enterprise trust increases, which in turn encourages knowledge sharing and enhances the potential for improved enterprise performance. Networking of SMEs with institutions and individuals through collaborations and social interactions facilitates knowledge exchange, redefines traditional practices, and enhances service delivery, thereby leading to better business performance.

Lin and Lin (2016) investigated how networking relationships effect the performance of small to medium-sized enterprises in Taiwan, where they rely on external institutions and collaborate with partners to enhance their performance. A literature review and analysis highlight that the motivations for creating a network include knowledge sharing, innovation acceleration, reduction of transaction costs, increased publicity, and the development of new market niches. This study uses multiple correspondence analyses to interpret data from 77 questionnaires completed by Taiwanese individuals in the manufacturing sector. The results classify the factors that differentiate network relationships into two categories: content and relationship networks. They reveal different types of networks with varying effects on performance. Research on networking in a developing country like Kenya is vital, mainly since studies on networking in developed countries have already been conducted. It remains uncertain whether the geographical and cultural differences between developed and developing nations will permit the seamless application of those studies in countries such as Kenya.

#### **2.2.5 Performance of SMEs**

SMEs' performance can be described as their ability to deliver satisfactory results and achieve their goals (Gharakhani & Mousakhani, 2021). Ho (2018) defines organisational performance as the achievement of set objectives. According to Schütz et al. (2020), performance relates to how an organisation accomplishes its aims through the quality and quantity of good work carried out by individuals and teams.

According to Gupta (2021), a company performs well if it meets or exceeds both its financial and non-financial goals. Various measures, including economic indicators such as revenue, profitability, and return on investment, as well as non-financial ones like customer satisfaction, staff motivation, and market share, are used to evaluate a company's success (Mahmudova & Kovács, 2018). Elements such as the value chain, marketing trends, competition, internal processes, and product quality or services can affect a company's operations. Progress can be assessed through daily, monthly, quarterly, and annual evaluations.

Jamilu and Dattijo (2020) recommend considering both financial and non-financial indicators when evaluating a company's success. Profitability and liquidity efficiency can

be determined from an organisation's economic data. However, non-monetary actions provide insight into how well a company's brand is perceived, customer loyalty, and employee motivation. Income growth, profit margins, return on investment, liquidity ratios, and debt-to-equity ratios are standard financial metrics used when assessing a firm's performance.

### 2.3 Summary and Research Gaps

It summarises literature by discussing various authors, the purpose of each study, the methodology used, the findings, and the gaps that the current research aims to address.

**Table 1: Summary and Research Gaps**

| <b>Author (s) /<br/>year</b> | <b>Topic of<br/>Study</b>                                                                                 | <b>Methodology</b>                                                                                                                                                                                  | <b>Findings</b>                                                                                                                                                      | <b>Gaps</b>                                                                                                                                                           | <b>Relevance to<br/>the current<br/>investigation</b>                                                                                              |
|------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Blais, C.<br>(2023)          | The study assessed the strategies used by SMEs in Canada for product innovation during periods of crisis. | The study employed an exploratory case study, focusing on SME owners, and collected data through questionnaires and interview guides. The data were then analysed using descriptive and inferential | The study established that they employed a flexible and concise innovation process, combining elements of the stage-gate system with Xpress and Agile methodologies. | Research examining the relationship between the two variables had both contextual and geographical gaps because of its focus on project management and its non-Kenyan | In a crisis, SMEs can implement an innovation process more efficiently if resources and skills are readily available and networks are established. |

---

|                                                |                                                     | statistics.                                                                                                                       | context.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audrey Paul Ndesaulwa and JarajiKikula. (2023) | Effect of Innovation on SME Performance in Tanzania | This study uses the desktop methodology to analyse existing quantitative research on the effect of innovation on SME performance. | The assessment indicates that innovation studies primarily focus on Western, Middle Eastern, and Far Eastern regions, with limited quantitative evidence in Africa. This study emphasises the need for quantitative research on how innovation affects the performance of SMEs in Africa, especially in Tanzania, based on the observed research outcomes. The review reveals inconsistent findings on the effect of innovations on SME performance, making it unviable and necessitating further exploration of the relationship between innovation and SME performance. |

---

---

| <b>Author (s) /<br/>year</b>                       | <b>Topic<br/>Study</b>                                                               | <b>of<br/>Approach</b>                                                                                                                                                                                                               | <b>Outcome</b>                                                                                                                                                                                                         | <b>Gaps</b>                                                                                                                                                                     | <b>Relevance to<br/>the current<br/>assessment</b>                                                                                                                                                                                                                            |
|----------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kiama K.,<br>Elegwa M.,<br>and Ngatia<br>P. (2023) | Innovativeness<br>on<br>Performance:<br>Evidence<br>from Kenyan<br>SMEs-<br>Nairobi, | The<br>assessment<br>used a cross-<br>sectional<br>research<br>approach to<br>examine the<br>dynamics of<br>animal feed<br>manufacturing<br>SMEs in<br>Kenya,<br>particularly<br>those in<br>Kiambu and<br>Nairobi City<br>Counties. | Assessment<br>involved 116<br>owners and<br>employees<br>selected<br>through a<br>survey,<br>collecting data<br>via open and<br>closed<br>questionnaires<br>and analysing it<br>using Partial<br>Least Squares<br>SEM. | The<br>investigation,<br>conducted in<br>Nairobi,<br>focused on<br>manufacturing<br>firms and<br>aimed to<br>expand<br>existing<br>literature on<br>innovation to<br>fill gaps. | The study<br>reveals that<br>Kenyan animal<br>feed<br>manufacturing<br>SMEs promote<br>innovative<br>behaviour,<br>introducing new<br>products,<br>processes, and<br>markets, which<br>positively<br>affects SMEs'<br>performance,<br>profit margins,<br>and market<br>share. |
| Wah-Peng<br>Lee1, Tien-<br>Choon<br>Toh1*,         | This study<br>aims to assist<br>SMEs in<br>identifying                               | A closed-<br>ended<br>questionnaire<br>survey was                                                                                                                                                                                    | Training on<br>entrepreneurship<br>is essential<br>for women-                                                                                                                                                          | Geographical<br>and<br>contextual<br>factors might                                                                                                                              | The research<br>explores the<br>constraints<br>influencing the                                                                                                                                                                                                                |

---

|                                              |                                                                                                                                                                  |                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                     |                                                                                                                                                           |                                                                                                                                                   |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Yoke-Lian<br>Lew (2020)                      | their needs<br>and aiding<br>government<br>and<br>policymakers<br>in determining<br>effective<br>strategies and<br>resource<br>allocation for<br>critical areas. | carried out to<br>collect<br>responses<br>from<br>construction<br>participants in<br>CIDB-<br>registered<br>grade 1 to 6<br>contracting<br>enterprises in<br>the Klang<br>Valley area. | owned SMEs'<br>financial<br>performance<br>and growth, but<br>most lack the<br>necessary<br>expertise. A<br>networking<br>skills<br>development<br>strategy<br>notably effects<br>their<br>performance<br>and expansion,<br>allowing for<br>better<br>management<br>and increased<br>profitability. | have affected<br>the study's<br>results, as it<br>was not<br>conducted in<br>Kenya and<br>mainly<br>focused on<br>policy and<br>resource<br>mobilisation. | growth of small<br>and medium-<br>sized<br>contracting<br>businesses,<br>focusing on<br>their support<br>needs and<br>requirements.               |
| Zainuddin,<br>M. &<br>Sudarmiatin<br>(2023). | The study<br>examines the<br>marketing<br>performance<br>of small and<br>medium<br>enterprises<br>using a<br>literature<br>review                                | The research<br>method uses a<br>Literature<br>Review with a<br>Bibliometric<br>approach,<br>offering a<br>thorough<br>summary of<br>relevant                                          | The study<br>emphasises the<br>importance of<br>SMEs'<br>marketing<br>performance<br>within a<br>competitive<br>environment,<br>highlighting                                                                                                                                                        | The current<br>research aims<br>to explore the<br>contextual<br>issues related<br>to how<br>marketing<br>programme<br>support<br>SMEs under               | The study<br>explores the<br>need to focus on<br>marketing<br>supporting<br>programme for<br>SMEs, targeting<br>success within<br>the competitive |

|                                                   |                                                                                                                                                                                                                      |                                                                                                                                           |                                                                                                                                                   |                                                                                                                                                                                                                 |                                                                                                                                                                                                                                        |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   | method that employs bibliometrics.                                                                                                                                                                                   | articles on a specific topic. It aims to critically examine the existing literature and guide further research, as stated.                | the potential for growth, higher sales, and improved brand awareness through the development of effective marketing strategies.                   | incubation in market. improving their performance.                                                                                                                                                              |                                                                                                                                                                                                                                        |
| Kwabena Abrokwah-Larbi and Yaw Awuku-Larbi (2023) | The purpose of this assessment is to investigate the effect of marketing strategies on the performance of SMEs in the food processing value chain in Ghana, utilizing marketing capabilities theory to enhance their | The investigation utilized a survey approach to collect information from 225 food processing SMEs from the Ghana Enterprise Agency (GEA). | The effect of marketing programme on the performance of SMEs in the food processing value chain was analyzed using structural equation modelling, | The current investigation aims to address the contextual gaps in other aspects of marketing programme that support SME performance in Kenya. The study also seeks to understand how SMEs in Kenya can apply the | Studies indicate that marketing strategies are significant in improving on; revenue generation, customer service, business processes, and growth regarding performance of Ghanaian food processing SMEs, pointing at the importance of |

|                |                                                                                                                                                                                          |                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                   |                                                                                                                  |                                                                                                                                                                                                                                                                                                            |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | performance.                                                                                                                                                                             |                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                   | programme under marketing.                                                                                       | deploying marketing resources for strategy implementation                                                                                                                                                                                                                                                  |
| Muthoni (2023) | The objective of this study was to investigate the effect of capacity-building on the financial performance and growth of women-owned enterprises in the Gikomba market, Nairobi County. | The investigation focused on women in Gikomba Market, Nairobi County, owning SMEs. It used a descriptive survey research design, identifying 357 respondents using proportionate, simple random sampling. Data was collected | A study revealed that most women-owned enterprises in Gikomba Market are operating under a trial-and-error approach, due to a lack of entrepreneurial training and skills. Thus, affects their performance for growth. The assessment suggests that training on skills development can positively | The assessment presented contextual as well as methodological gaps, which the current research seeks to address. | The study revealed that most women-owned enterprises in Gikomba Market operate under a trial-and-error approach, lacking entrepreneurship training and expertise. This lack of training affects their financial performance and growth. The study suggests that training skills development strategies can |

|                                                 |                                                                                                                                                             |                                                                                                                                                                                                   |                                                                                                                                                                                                                 |                                                                                                                                      |                                                                                                                                                                                                                               |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                 |                                                                                                                                                             | through observation and interviews, analyzed by use of qualitative as well as quantitative approaches.                                                                                            | improve on SME performance.                                                                                                                                                                                     |                                                                                                                                      | significantly improve the performance and growth of these SMEs.                                                                                                                                                               |
| Zakiyah Z., Ikhsan, Ira Nuriya and Farid (2023) | This study aimed to assess the effect of entrepreneurial marketing, leveraging digital marketing capabilities, on marketing performance in Palu, Indonesia. | A study involving 21,696 SMEs found that entrepreneurial marketing has a positive effect on digital marketing capabilities and performance, utilizing Yamane and Isaac's formula, as well as Area | Digital marketing has a significant effect on marketing performance, but it does not always establish a direct correlation between the two. SMEs should strengthen their capabilities and adopt entrepreneurial | The current study aims to address the contextual gaps in other aspects of marketing programme that support SME performance in Kenya. | Digital marketing enhances marketing performance, but entrepreneurial marketing does not. SMEs should improve their capabilities and implement entrepreneurial strategies to create value and ensure sustainable performance. |

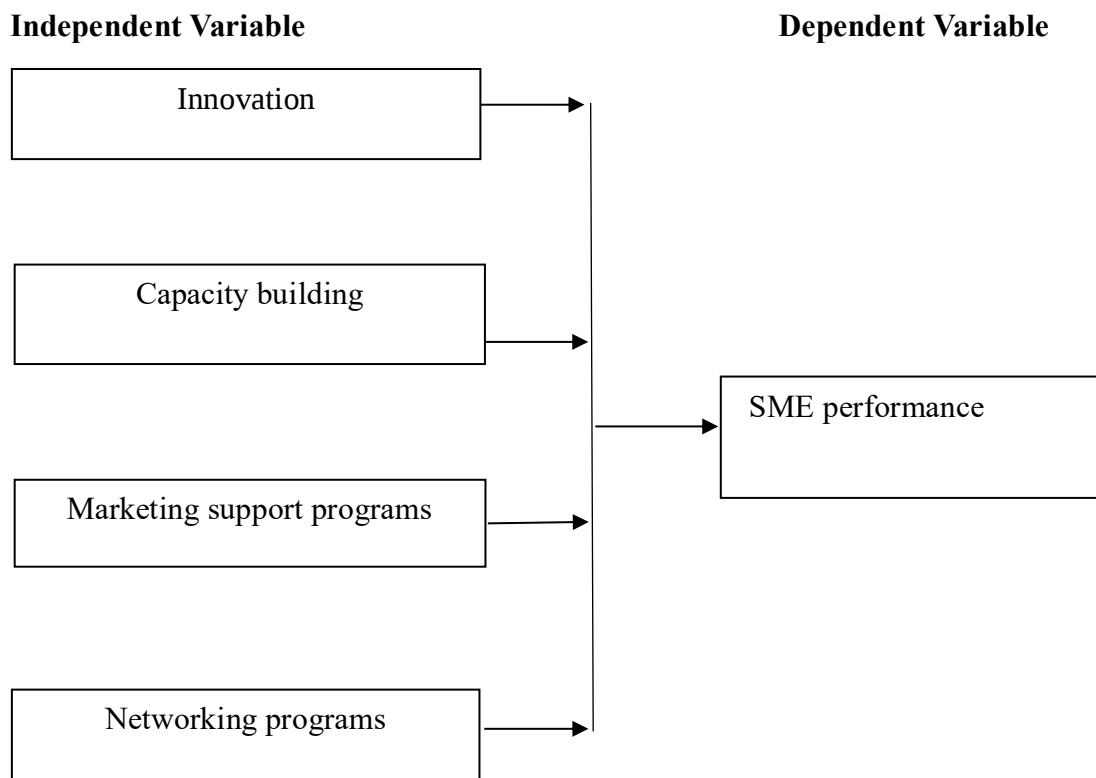
---

Sampling and marketing  
Stratified strategies to  
Random identify  
Sampling opportunities  
techniques. and generate  
. value.

---

## 2.4 Conceptual framework

A conceptual framework is a diagram that illustrates the relationship between two or more variables under investigation (Stone & Archibald, 2019). The independent variable, also known as the explanatory variable, is the factor that causes changes in the dependent variable. The dependent variable is the phenomenon that the researcher aims to clarify. This study presents the following diagram, which illustrates the proposed relationship between the independent and dependent variables, specifically the performance of small and medium-sized enterprises.



## **Figure 1: Conceptual Framework**

### **2.5 Operationalization of Variables**

The concepts were operationalized through a selection of measurement scales and types. Hair et al. (2006) note that in survey research, operationalizing a construct involves a series of scale items in a standard format, such as a Likert scale or a semantic differential scale. The assessment will be guided by performance, measured by income increase, market visibility, job creation, and consumer satisfaction, improved productivity due to enhanced skills, and increased revenue, as well as independent variables (innovation, capacity-building, marketing support, and networking programmes).

**Table 2: Operationalization of Variables**

| <b>Objective</b>                                                                                            | <b>Variables</b>                                 | <b>Indicators</b>                                                                              | <b>Measurement scale</b>                              | <b>Data analysis</b>                                                                |
|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------|
| Determining the effect of innovation programme on performance of those under incubation.                    | -Innovation programme<br>-<br>Performance        | -Product innovation<br>-Process innovation<br>-Structural<br>-Technological<br>-Organizational | 5-point Likert Scale<br>- Interval scale<br>- Nominal | -Descriptive statistics<br>- Inferential statistics.<br>-Correlation<br>-Regression |
| To evaluate the effect of a capacity-building programme on SME performance under incubation in Kisumu City. | -Capacity building programme<br>-<br>Performance | - Workshops<br>- Seminars<br>- Mentorship<br>- Counseling<br>- Demonstrations                  | 5-point Likert Scale<br>-Interval scale<br>- Nominal  | -Descriptive statistics<br>- Inferential statistics.<br>-Correlation<br>-Regression |
| Examining the effect of marketing support programme on SME performance.                                     | -Marketing support programme<br>-<br>Performance | -Distribution<br>-Pricing<br>-Promotion<br>-Packaging<br>-Branding                             | 5-point Likert Scale<br>-Interval scale<br>- Nominal  | -Descriptive statistics<br>- Inferential statistics.<br>-Correlation<br>-Regression |
| Assessing the effect of Networking on SME performance.                                                      | -Networking programme<br>-<br>Performance        | - Communication<br>- Linkages<br>- Partnership<br>- Collaboration<br>-Social relations         | 5-point Likert Scale<br>-Interval scale<br>- Nominal  | -Descriptive statistics<br>- Inferential statistics.<br>-Correlation<br>-Regression |

|                                                           |             |                                                                                                                                                                                                       |                                                  |        |                                                                                                |
|-----------------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------|------------------------------------------------------------------------------------------------|
| Performance of SMEs<br>under incubation in<br>Kisumu City | Performance | -Growth in stock<br>-Increase in<br>customer base<br>-Increase in<br>volume of sales<br>-Increase in profit<br>-Increase in<br>market share<br>-Improved<br>efficiency<br>-Better customer<br>service | 5-point<br>Scale<br>-Interval scale<br>- Nominal | Likert | -Descriptive<br>statistics<br>- Inferential<br>statistics.<br>-Correlation<br>-Regression<br>- |
|-----------------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------|------------------------------------------------------------------------------------------------|

## 2.6 Chapter Summary

This chapter explored how various value-added programme, from a global to a local perspective, effect, and benefit SMEs. It discusses the ideas behind the performance and success of SMEs. The chapter also highlights gaps in previous research, particularly regarding value-added programme, contrasting its approach with earlier studies. Finally, it identifies a common trend in recent research: a connection appears to exist between these variables and the performance of SMEs under incubation programme.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.0 Introduction**

This chapter outlines the research plan, describing how the study was organised, who participated, the criteria for selecting participants, the methods used for data collection, and how the information was analysed to address the research questions.

#### **3.1 Research Design**

A study design functions by outlining a plan that specifies the steps to gather and analyse research data. The design aimed at ensuring that the data collected is relevant and helps answer the research questions meaningfully (Alexandrie, 2017). It seeks to define the questions of “why, how, when, and where” behind collecting, measuring, and analyzing data (Kapoor, 2016). For this study, the descriptive design was adopted. According to Kothari (2014), this design enables the collection of data from organisations to understand their current situation by asking them to describe it based on their views and opinions on the subject under study.

Bulmberg, Cooper, and Schindler (2014) explained that a descriptive study design focuses on answering questions about "what," "where," and "how" related to a specific phenomenon. This method is practical when the relationships between the elements being examined are already established and cannot be easily changed by the researcher (Kothari, 2014). In this type of study, researchers gather data from participants who describe their perspectives, opinions, and attitudes relevant to the research. The data collection methods include surveys, interviews, focus group discussions, and observations, depending on the specific requirements of the study.

#### **3.2 Target Population**

The study focused on 2,844 participants as target population which include; (2800 small and medium enterprises (SMEs) enrolled in the business incubation programme in Western

Kenya and 44 field officers from enterprise support organizations). These participants were chosen because of their direct involvement in programme implementation and their experience with value-added interventions such as product and process innovation, networking, capacity building, and marketing support.

In this study, the unit of analysis was the small and medium enterprise (SME) participating in the incubation programme. The SME represents the core entity whose performance outcomes such as sales growth, customer acquisition, and product innovation were analysed to determine the effect of value-added programme. Thus, data analysis and interpretation were centered on the SME as the main analytical focus.

The unit of observation, on the other hand, comprised the individual respondents specifically, SME owners, managers, and field officers who provided first-hand information about their experiences, perceptions, and the effect of value-added programme. These individuals served as the primary sources of data, responding to structured questionnaires that captured both enterprise-level and personal insights regarding programme effectiveness. Data were collected using a structured survey distributed to the identified respondents, while secondary metrics such as participation records in capacity-building sessions, innovation projects, and networking events provided additional quantitative evidence of engagement and performance. The distribution of the target population is summarised in Table 3.

**Table 3: Target population**

| Respondent                     |  |  | Population  | Percentage (%) |
|--------------------------------|--|--|-------------|----------------|
| Business owners and managers   |  |  | 2800        | 98.5           |
| Field Staff                    |  |  | 44          | 1.5            |
| <b>Total target population</b> |  |  | <b>2844</b> | <b>100</b>     |

**Source: KIRDI Business Incubation Plan 2024**

Kenya industrial research and development institute (KIRDI), provides a structured business incubation programme designed to promote growth and market readiness for

SMEs and startups. This support includes access to resources such as workspace, technical assistance, and specialized equipment, with a focus on sectors like agro-processing, engineering, digital technologies, textiles, and others. Through this programme, SMEs benefit from improved product development, quality control, and assistance in obtaining certification from KEBS, enabling them to compete in both local and regional markets. KIRDI, under the Ministry of Investment, Trade, and Industry, has partnered with several institutions, including the Kenya Industry and Entrepreneurship Project (KIEP), funded by the World Bank, to help SMEs acquire technical and managerial skills. The programme features both in-house physical and virtual incubation training across various counties in Kenya, such as Kisumu, Bungoma, Kakamega, Migori, Homabay, Kisii, Busia, Nandi, Uasin Gishu, Vihiga, among others within the Lake Region Economic Bloc. It is open to enterprises led by women, youth, and persons with disabilities, supporting Kenya's Bottom-Up Economic Transformation Agenda (BETA) to foster inclusivity in economic growth. Over the years, the business incubation programme has supported more than 7,000 SMEs across the country in different value chains.

### **3.3 Sample and Sampling Techniques**

Several researchers, such as Mugenda and Mugenda (2008), Kothari (2014), and Wambugu et al. (2015), define sampling as the process of selecting a small proportion (sample) from the entire population to study. Researchers need a clear understanding of sample size: it should be large enough to accurately represent the whole group they are learning (the population), but also small enough to be affordable and manageable.

The simple random technique was used to select an appropriate sample size from the target population (N= 2844). The sample size calculation formula from Charan et al. (2013) was applied. That is;

$$\text{Sample size} = Z^2pq / d^2$$

For this assessment, a stratified sampling method was employed because the target group comprised different categories, including managers, employees, and field officers who provide enterprise support services to SMEs.

The population was split into two tiers:

Stratum 1: Business owners of the 2,800 SMEs.

Stratum 2: The 44 field officers.

From each stratum, a random sample was chosen in proportion to ensure that both SMEs and field officers were adequately represented. This method helps guarantee that the perspectives of enterprise owners, employees, and field officers are captured, thereby enhancing the accuracy and representativeness of the study findings.

Previous research by Nassium indicated that a coefficient of variation (p) should be between 21% and 30%, and a standard error (d) should range from 2% to 5%. The study used a 21% coefficient and a standard error of 5%. These values aimed to ensure the sample was sufficiently broad to justify generalizing the results. A higher coefficient of variation helps determine an appropriate sample size. This approach was employed to ensure variability remains low and errors are minimized in the selected sample.

This formula is defined as follows.

$$n = \frac{Z^2 pq}{d^2} \dots \dots \dots I$$

Where:

n = Is the sample size

Z = normal value of the distribution (1.96 at 95% level of confidence)

p = proportion of the population (30%)

d - The standard error (5%)

Therefore, the sample size for this study

$$\begin{aligned} n &= \frac{1.96^2 * 0.3 * 0.7}{0.05^2} \\ &= 323 \text{ respondents} \end{aligned}$$

This is estimated to represent 11.4% of the target population of 2844.

This aligns with the recommended minimum sample size for a large population of at least 10%, as suggested by Kothari (2014).

The sample was selected from the target population using both purposive and simple random sampling methods. The sample for the field staff was proportionately chosen, as they oversee a specific number of SMEs in the incubation programme. The SMEs were selected using a random sampling method, with 279 SMEs included in the study. The sample distribution is shown in Table 3.

**Table 4: Sample Size Distribution**

| Respondent                   |  |  | Population   | Overall Percentage of sample (11.4%) | Sample size |
|------------------------------|--|--|--------------|--------------------------------------|-------------|
| Business owners and managers |  |  | 2800         | 98.1                                 | 279         |
| Fields Staff                 |  |  | 44           | 1.9                                  | 44          |
| <b>Total</b>                 |  |  | <b>2,844</b> | <b>11.4</b>                          | <b>323</b>  |

### 3.4 Instruments

The research employed a standardised survey to collect data. Questionnaires are a common initial step because they are consistent and allow the researcher to focus on the research objectives (Chaudhry, 2015). While questionnaires can provide detailed responses and encourage reflection, they are easier to analyse later. They include a mix of multiple-choice and open-ended questions, asking participants about their thoughts or experiences on a specific topic. Questionnaires are simple to design, distribute, and complete, causing minimal burden on participants. However, they also have limitations. They can only be used with individuals who can read, and the lack of personal interaction may lead to low response rates and unreliable data. Furthermore, issues such as handwriting difficulties,

incomplete entries, and even manipulated answers can occur. Open-ended questions may also be affected by personal bias, shared perceptions, or even wishful thinking.

To gather opinions, the researcher designed a questionnaire with five answer options for each question. De Corte et al (2019) noted that a Likert scale is a one-dimensional metric scale used by researchers to collect attitudes and opinions from respondents, which helps in understanding their views and perspectives. This approach is straightforward for both the researcher to design and the respondent to complete, and the answers can be converted into numbers for analyzing various responses. The five-point Likert scale is numbered from 1 to 5, as described below: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

A questionnaire was divided into three parts; the first gathered data about participants, such as their age, occupation, and other relevant background details, which are essential for this study. The second part asked participants to rate their opinions on statements related to the four study objectives using a Likert scale. Finally, the last part included a few statements about the dependent variable for participants to respond to. Two questionnaires were created one for the SMEs and another for the field staff.

### **3.5 Pilot Study**

A pilot assessment was conducted to evaluate both the validity and reliability of the tools used. Mugenda (2008) recommends that a pilot sample size of between 1% and 10% of the main study is appropriate. In this case, 26 respondents from the population were chosen to form the pilot sample. These participants, selected from both staff and SMEs, received pilot questionnaires to test the instrument's validity and reliability. The 26 respondents involved in the pilot were excluded from the primary assessment to maintain the integrity of the research findings.

According to George and Mallery (2003), Cronbach's Alpha is commonly used to evaluate the internal consistency of a scale or test.

≥ 0.9 – Excellent (highly dependable)

≥ 0.8 – Good (reliable)

≥ 0.7 – Acceptable (moderately reliable)

$\geq 0.6$  – Questionable

$\geq 0.5$  – Poor

$< 0.5$  – Unacceptable (not dependable)

The tool was validated by experts from enterprise-supporting organizations involved in value-adding programme for supporting SMEs before it was utilised in a pilot study.

### **3.5.1 Validity of the instrument**

Drost (2011) emphasizes that a good research tool should accurately measure what it aims to achieve. To ensure this, the study will employ both face and content validity checks. Face validity will assess the clarity and ease of understanding of the questionnaire for respondents. The researchers will ensure the language is simple, the questions are concise, and the layout is easy to follow. For content validity, the study will use the validity index formula proposed by Ahmad, Amin, & Mustafa (2022) to verify whether the questions comprehensively address the research objectives. The 26 completed questionnaires will be coded and entered using SPSS version 26, allowing the calculation of the validity coefficient index through factor analysis. According to Field (2009), the Kaiser-Meyer-Olkin (KMO) test measures the suitability of your data for factor analysis. This test checks if there is enough data (sampling adequacy) for both individual factors and the overall model. A higher proportion indicates that your data is suitable for factor analysis. KMO returns values between 0 and 1. A standard interpretation guideline suggests that KMO values between 0.6 and 1 indicate sufficient sampling, thus validating the tool. For this study, a value of 0.723 was obtained, indicating that the questionnaire was valid.

### **3.5.2 Reliability Test**

Consistency measures how well a specific process produces similar results across multiple trials (Orodho, 2015). The reliability of this study's tool will be assessed using Cronbach's alpha coefficient. A reliability coefficient of 0.7 or higher is recommended by scholars such as Kothari (2014) and Jooste & Fourie (2009) for a descriptive study. They classify the scale as follows: a Cronbach score of 0.0-0.2 indicates low reliability, 0.4-0.6 suggests some reliability, 0.6-0.8 indicates reliability, 0.8-1.0 is very reliable, and 1.0 is highly reliable. The analysis yielded a Cronbach's alpha coefficient of 0.84, indicating a reliable measure.

### 3.6 Data Collection Procedure

To gather information, the researcher first obtained approval from the Postgraduate Studies Office at The Management University of Africa. This approval letter was then used to secure a study permit from the Kisumu County Government Department of Industry and Trade and from the National Commission for Science, Technology, and Innovation (NACOSTI). Once the license was issued, data collection commenced, and questionnaires were distributed to the SMEs. Respondents were asked to return them within five working days for analysis.

### 3.7 Data Analysis and Presentation

Once collected, the questionnaires were categorised, summarised, and documented in a codebook for analysis. Data were entered using SPSS version 26, and Microsoft Excel was also utilised in preparing the figures and tables for results interpretation. The researcher employed descriptive statistics, such as means, frequencies, and percentages. Additionally, regression analysis was conducted to examine this relationship. The findings were presented through charts and tables, accompanied by interpretations to clarify the correlation between the variables. Finally, based on the analysed data, conclusions and recommendations were drawn.

The coefficient of determination  $R^2$  from the regression model was used to evaluate the relationship between the independent and dependent variables. The beta values reflected the effect of each independent factor on the dependent variable. The t-statistic, which should be greater than two or less than -2, helps to determine whether the effect of the relationship is statistically significant or due to chance.

The regression model below was used as follows:

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

Where:

Y represents the performance of SMEs within the incubation programme.

$\beta_0$  -  $\beta_4$  are the beta coefficients.

X1- represents innovation.

X2- represents capacity building.

X3- represents marketing support.

X4- represents networking.

$\varepsilon$  -représentés the error term

Data were displayed using frequency and percentage tables. Based on the findings, the researcher was able to draw deductions and conclusions from the study.

### **3.8 Ethical Considerations**

This framework outlines the core values that guide the research, ensuring it is conducted voluntarily and that all parties provide informed consent.

#### **3.8.1 Informed consent**

In conducting this research, participation by the individuals involved was entirely voluntary. It is essential, however, that the researcher thoroughly explains the study's objectives to all potential participants. The researcher outlined the study's benefits, risks, and the process of obtaining institutional approval. Participants were provided with relevant information about the study's purpose, the risks and benefits of participating, and the duration of the study. Participants' data were kept confidential, and they were free to withdraw from the survey at any point for any reason. Literacy levels were considered when seeking participants' consent to complete the questionnaires to ensure they understood the questions before agreeing to participate. These details are provided for transparency and clarity.

#### **3.8.2 Voluntary participation**

During the research, great care was taken to ensure that participants could express their opinions freely and honestly, without fear of censorship, coercion, or judgment. This was achieved by implementing measures that protected their right to freedom of expression and willingness to participate.

### **3.8.3 Confidentiality**

The participants were assured that the data they provided would be kept confidential and used solely for the purposes of the study. Collected data should be kept confidential and inaccessible to unauthorized individuals. The researcher should have a secure file to store the completed questionnaires, ensuring privacy and confidentiality.

### **3.8.4 Privacy**

Privacy is a concern for most respondents, as some may fear that revealing their identities could lead to punishment for participating in the study or disclosing sensitive information about the organisation. To protect respondent privacy, they were asked to drop off their completed questionnaires at a designated location to conceal their identities and ensure confidentiality. The data collected was secured, and access was restricted.

### **3.8.5 Anonymity**

The respondents were advised not to include any form of personal identifying information on the research instrument, such as names, phone numbers, email addresses, physical characteristics, photos, or videos. This helps to conceal their identity and ensure anonymity. It also helps to protect the respondents, especially if they are responding as third parties to the organisation.

## **3.9 Chapter Summary**

This chapter is essential for any researcher as it provides the roadmap. It reviews the research approach used, the target population, the number of participants involved (sample size), and the sampling techniques employed. It also describes the tools used to gather information (research instruments), the process of data collection, how the data will be analysed, and finally, the ethical considerations that must be addressed.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND DISCUSSION**

#### **4.0 Introduction**

The study's primary objective was to investigate the effect of value-added programme on performance of small and medium enterprises in Kisumu City, serving as a case study. The study primarily aimed to determine the effect of innovation, capacity building, marketing support programme, and networking on performance of SMEs involved in the incubation programme in Kisumu City. Consequently, the findings are presented in this chapter.

##### **4.0.1 pilot study results**

A pilot study was conducted among 20 SMEs and 6 field officers under the incubation programme to test the reliability and validity of the research instruments. Cronbach's alpha coefficients were computed for each construct to determine internal consistency. The results indicated acceptable reliability for all variables, with coefficients above the recommended 0.70 threshold (Kothari, 2014). Specifically, innovation scored 0.84, capacity building 0.88, marketing support 0.81, networking 0.79, and SME performance 0.86. These results confirmed that the instruments were reliable for the main study. Based on pilot feedback, minor wording revisions were made to improve clarity and comprehension before full-scale data collection.

#### **4.1 Presentation of Research Findings**

##### **4.1.1 Response Rate**

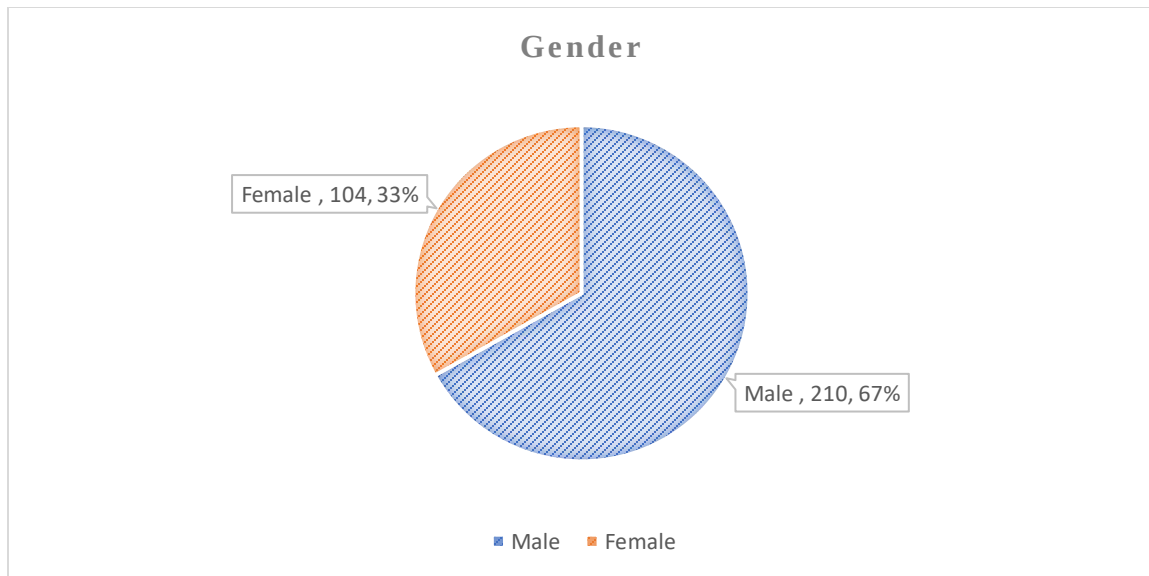
With the 323 survey questionnaires distributed, 314 were returned for analysis, representing an acceptable response rate of 78.5%. According to Babbie (2015), a response rate of 70% or higher is sufficient for further analysis in a descriptive study. The nine questionnaires were non-responses.

**Table 5: Reliability and Validity**

| <b>Variables</b>             | <b>Items</b> | <b>Cronbach Alpha</b> | <b>Remark</b> |
|------------------------------|--------------|-----------------------|---------------|
| Innovation Programme         | 5            | .974                  | Reliable      |
| Capacity-Building Programme  | 5            | .873                  | Reliable      |
| Marketing Support Programme, | 5            | .731                  | Reliable      |
| Networking Programme         | 5            | .977                  | Reliable      |
| SMEs Performance             | 5            | .858                  | Reliable      |

Before any data was gathered, the reliability was confirmed to evaluate and enhance the questionnaire's clarity and usability. As shown in Table 5, Cronbach's alpha was higher than 0.7, indicating that it was considered suitable and reliable enough for measurement. All the enquiries were accepted since they were thought to be trustworthy. Cooper and Schindler (2018) introduced methods for content validity.

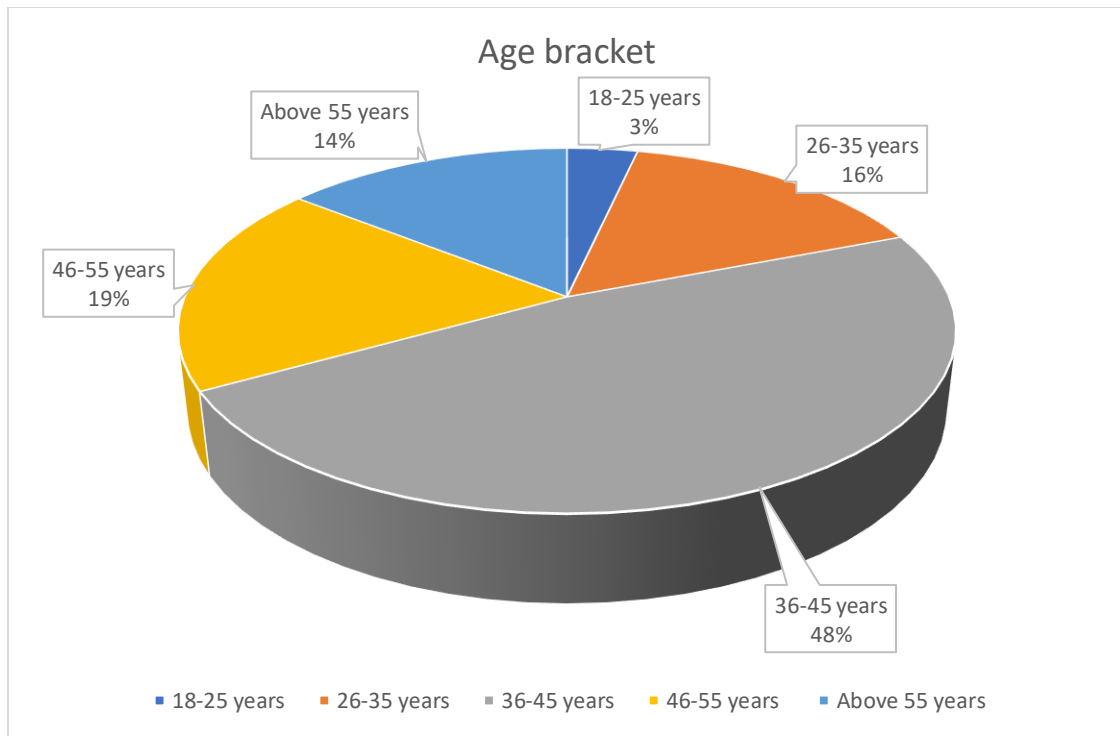
The demographic variables include gender, age group, educational qualifications, years in business, and organisational position. Concerning gender distribution, the study's results indicate that most entrepreneurs participating in business incubation programme are male (67%), while only 33% are female. This suggests that male entrepreneurs are more inclined to develop their businesses through innovation and are more likely to utilise the incubation programme available to them. This is illustrated in Figure 2.



**Figure 2: Gender distribution**

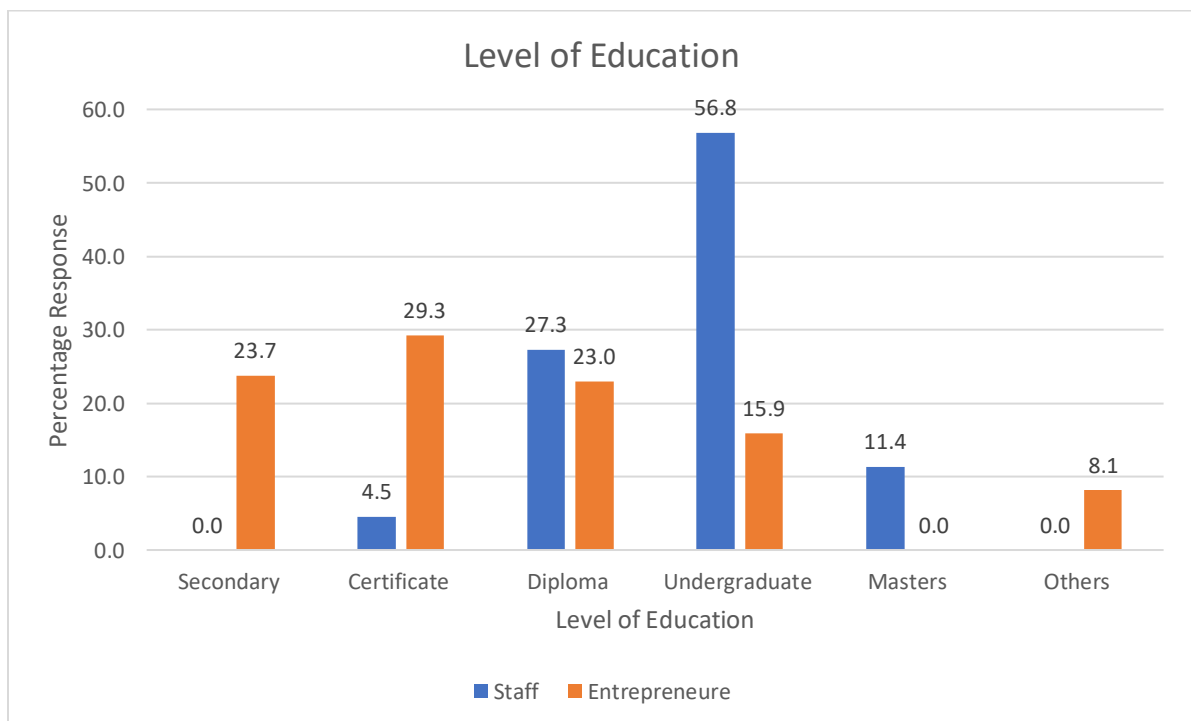
It was essential to identify the age range of the entrepreneurs. This was significant because it could affect their attitude and perceptions towards adopting business incubation practices.

The results show that most respondents who took part in the incubation programme were aged between 36 and 45 years, with 19% aged 46-55 years. Only 3% fell within the 18-25 years bracket. This suggests that the most active age group of entrepreneurs is eager to expand their markets and develop products to meet current market demands.



**Figure 3: Age distribution**

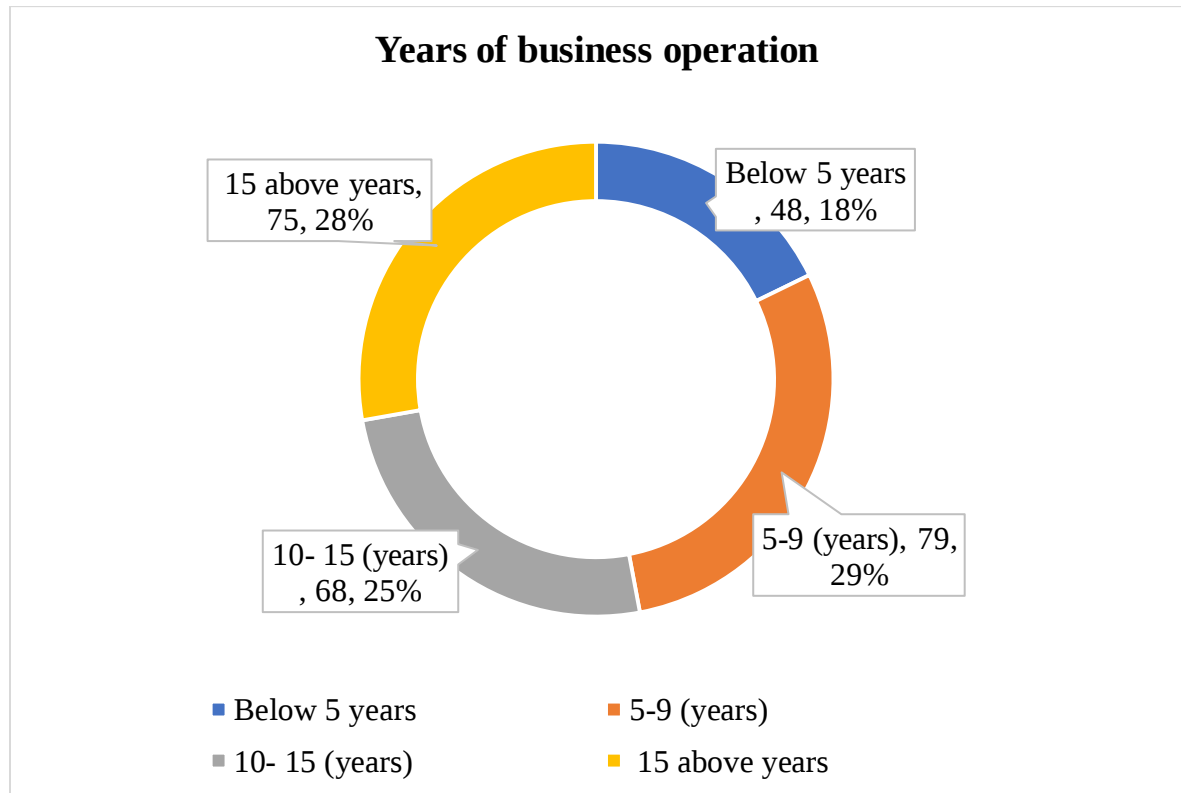
Regarding education level, the investigation aimed to assess how participants were distributed in terms of skills and knowledge levels. The participants were asked to specify their level of education, and the results are shown in Figure 3 below.



**Figure 4: Level of education**

The findings reveal that most participants, 56.8% within the staff category, hold undergraduate degrees, compared to only 15.9% who are entrepreneurs. This is followed by 27.3% of staff indicating that they possess a diploma, compared to only 23% of entrepreneurs. Many entrepreneurs, 29.3%, hold certificates, while 23.7% have completed secondary education. This clearly indicates that most artisans among SMEs have only a basic level of education. Through incubation programme, most of these entrepreneurs and their staff can acquire new skills that are highly beneficial to their business ventures.

Regarding the number of years, the entrepreneur has been in business, the assessment findings were analysed as shown in Figure 5.

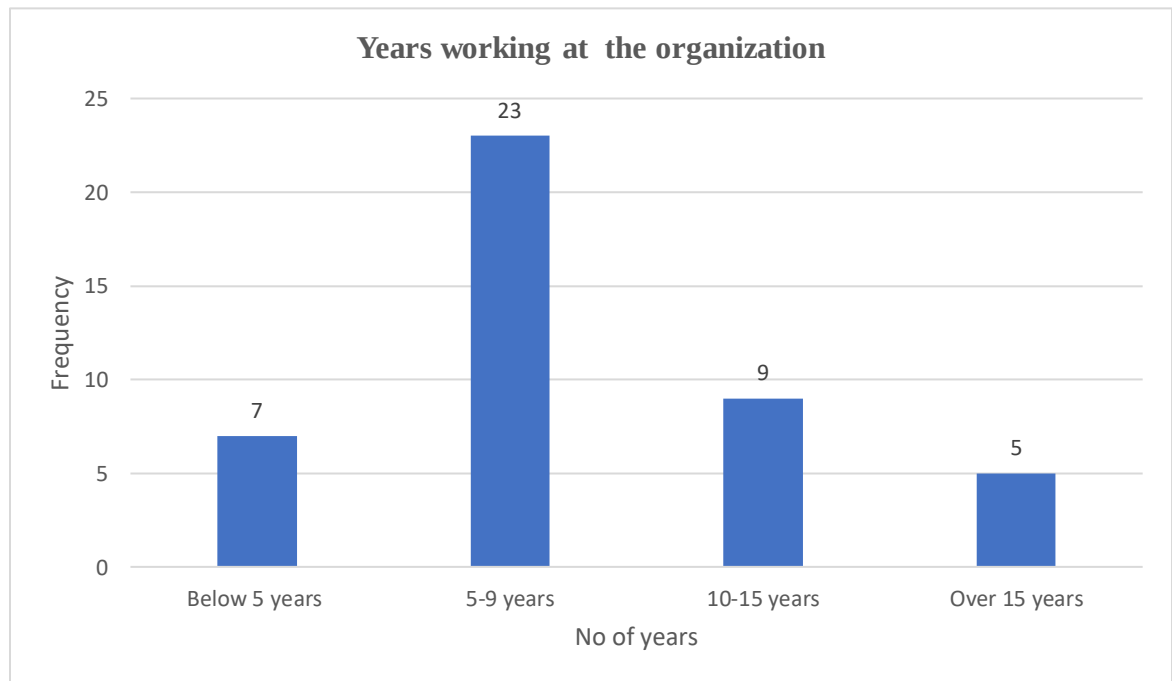


**Figure 5: Years of Business Operations**

The results show that most respondents, 79, representing 29%, have operated their business for between 5 and 9 years, followed by 75 (28%) who indicated they have been in operation for over 15 years. Additionally, 68, or 25%, have been operational for 10 to 15 years, and

only 48 (18%) have operated for less than 5 years. This demonstrates that the selected businesses cover all levels of years in operation and are therefore able to provide the necessary information on their adaptability to business incubation programmes.

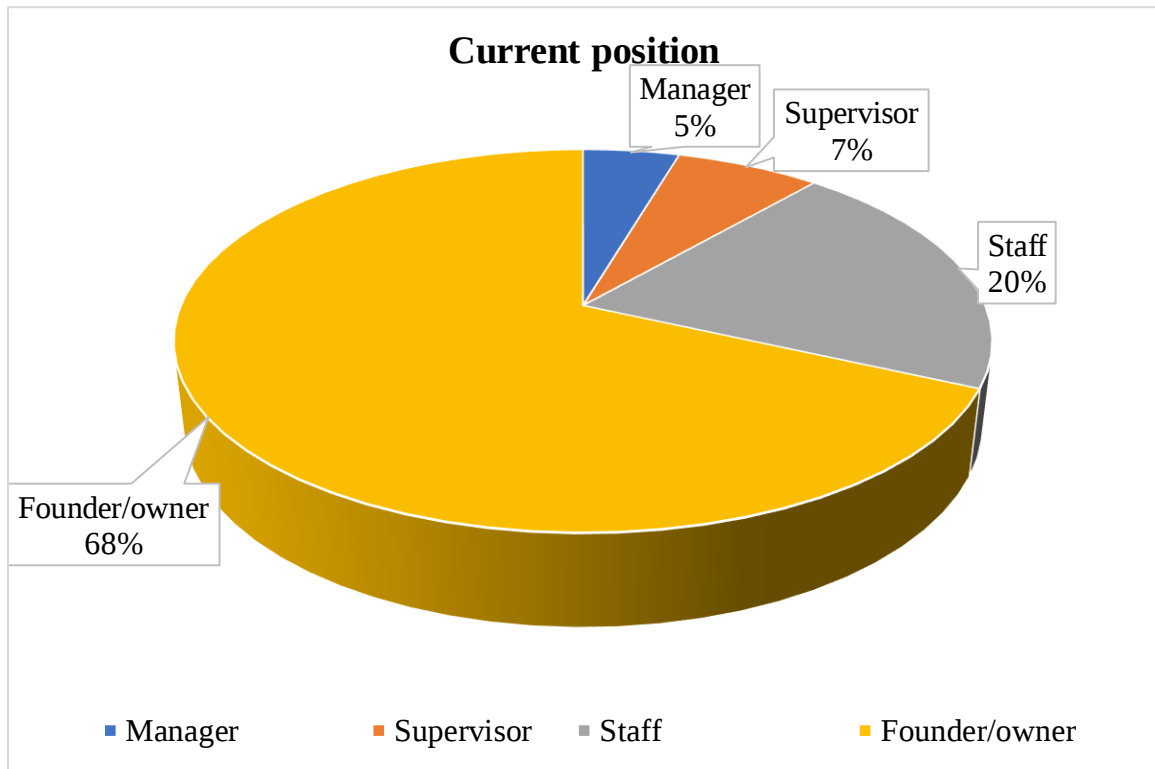
Regarding the years, the staff had worked with the organization in the incubation programme. The results were presented in Figure 6.



**Figure 6: Number of working years at the organization**

These results indicate that most of the staff, 23 (52%), who participated in the study, had worked with the organization for between 5 and 9 years, with 9 (21%) having worked between 10 and 15 years, 7 (16%) for less than 5 years, and only 5 (11%) exceeding 15 years of service. This suggests that most of the staff have been working with businesspeople under the incubation programme and have supported SMEs in automating services to improve client service delivery. The results showed that most respondents (43.6% and 29.8%) agreed or.

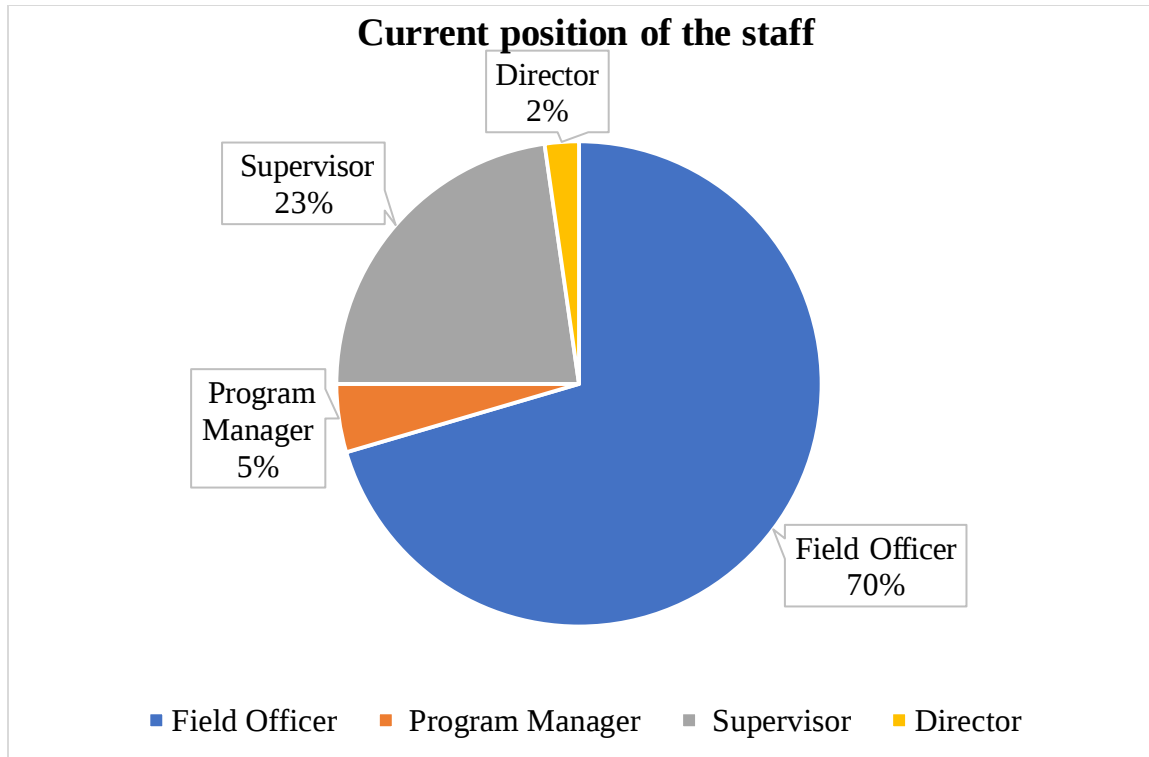
The study also aimed to evaluate the respondents' current roles within the business. This effects key business decisions, including whether to implement innovations and other strategic approaches. The results were shown in Figure 7.



**Figure 7: Current position of the participants**

The findings show that most participants, 68%, founded the enterprises, followed by 20% who were employees, 7% who were supervisors, and only 5% of those who participated were managers of the enterprises. This indicates that the data collected was obtained from enterprise owners who made decisions. This suggests that the decision to join the business incubation programme was made by the enterprise owners, who recognised the importance of the programme.

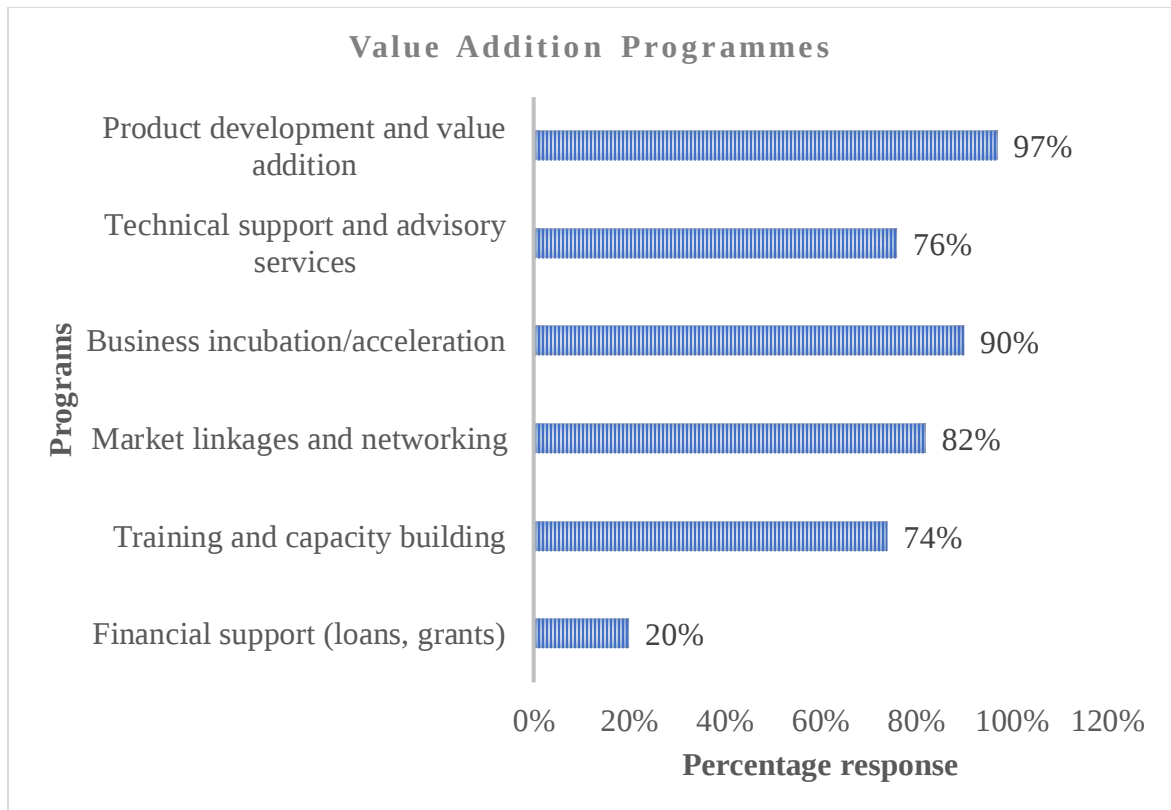
It was also crucial to define the roles of staff involved in the training activities for entrepreneurs in the field. The results are displayed in Figure 8.



**Figure 8: Current Position of the Training Staff**

The results show that most respondents, 70%, were field officers who interacted directly with business owners, enabling them to evaluate the effectiveness of the programme provided. The findings also reveal that 23% of respondents held supervisory roles, while only 5% and 2% held the positions of programme manager and director, respectively. This indicates that all levels of staff were represented, ensuring that the views gathered were inclusive of all leadership levels within the organisation hierarchy.

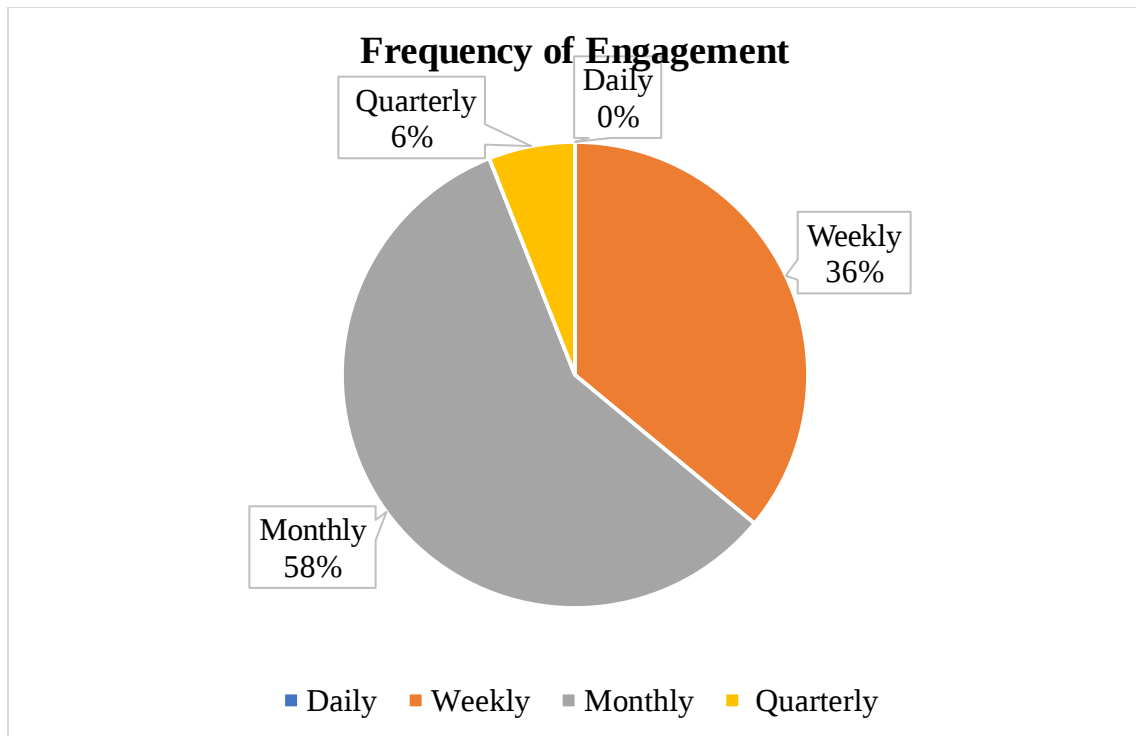
The investigation aimed to evaluate the support these organisations offer to SMEs. This was essential in assessing the value-added activities that enhanced their performance. The study findings are displayed in Figure 9.



**Figure 9: Types of support provided by the enterprise supporting organisations**

From the results, it is observed that most respondents, 97%, indicated that the organisations provide product development and value-added services, which have improved their business operations. 90% noted support in business incubation and acceleration; 82% reported receiving assistance with market linkages and networking; 76% received technical support and advisory services from the organisation; and 74% agreed that training and capacity building are beneficial. Only 20% of participants indicated they received financial support in the form of loans and grants from the organisation. This suggests that many SMEs received various forms of support from the organisations, which helped improve their business.

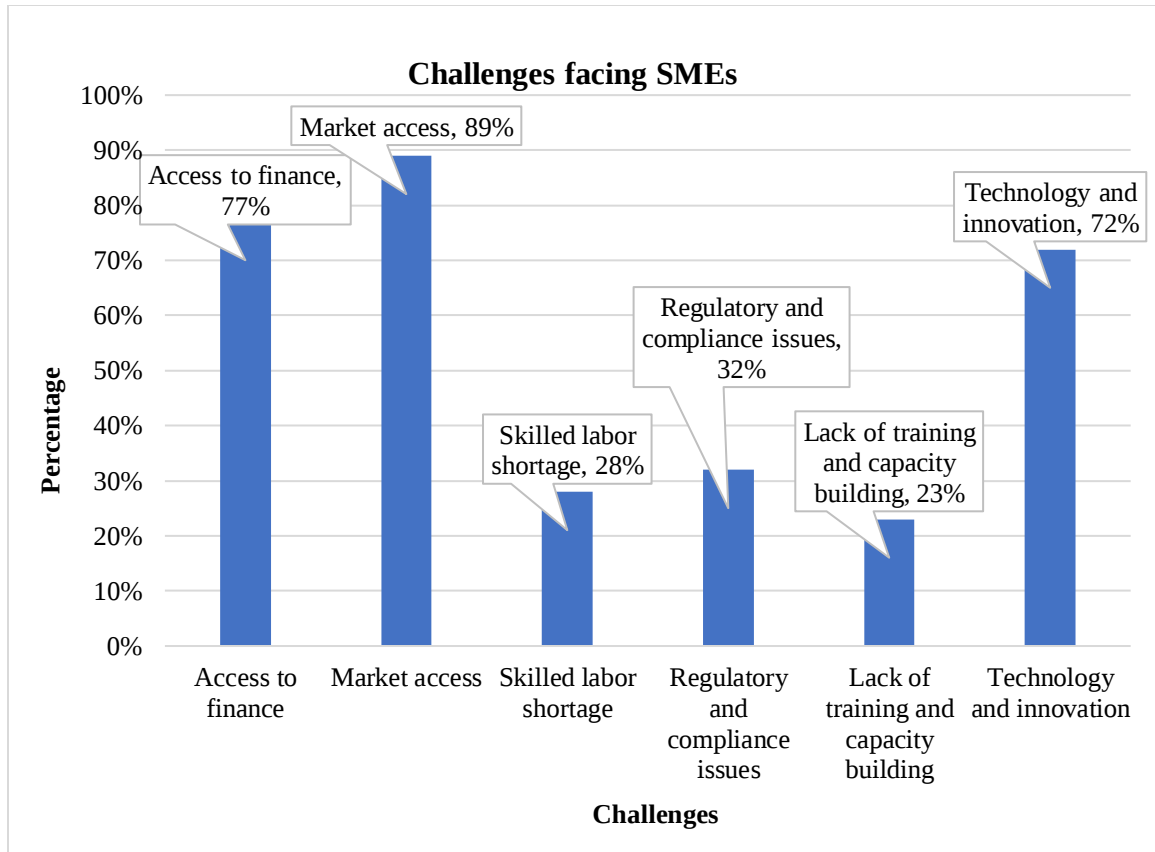
The organisational staff were asked to specify how often they engage with the SMEs in various programme. The results are shown in Figure 10.



**Figure 10: Frequency of Engagement**

The results on how often organisations sponsoring value-added programme engage with SMES indicate that most SMEs, 58%, are engaged every month, followed by 36% who are involved weekly, and only 6% engage quarterly. This indicates that SMEs are visited by organisational staff at least once a month. It demonstrates that the field team conducts post-incubation follow-ups on SME performance on a weekly or monthly basis. This could explain why the programme is successful among SMEs in the area under study.

The study aimed to identify significant challenges faced by SMEs within the area, providing a list where participants were asked to specify the challenges they encounter. The results are shown in Figure 11.



**Figure 11: Challenges facing SMEs**

The results indicate that most SMEs report their main challenges as follows: access to markets (89%); access to finance (77%); technology and innovation (72%); regulatory and compliance issues (32%); skilled labour (28%); and lack of training and capacity building (23%). This indicates that marketing is the most urgent problem for SMEs, and through value-added programme, they can be trained on how to overcome this challenge.

#### **4.1.2 Descriptive analysis**

This section presents the results analytically.

##### **4.1.2.1 Descriptive analysis of innovation programme on SME performance under the incubation in Kisumu City.**

The objective of these results is to assess the effect of innovation programme on SME performance. The findings are presented in Table 5 below.

**Table 5: Statements on Innovation Programme and SME Performance**

| <b>Statement</b>                                                                                                 | <b>SD<br/>(%)</b> | <b>D<br/>(%)</b> | <b>NS<br/>(%)</b> | <b>A<br/>(%)</b> | <b>SA<br/>(%)</b> | <b>Mean</b> | <b>Std.<br/>Dev.</b> | <b>Skewness</b> |
|------------------------------------------------------------------------------------------------------------------|-------------------|------------------|-------------------|------------------|-------------------|-------------|----------------------|-----------------|
| 1. The incubation programme has successfully encouraged SMEs to adopt innovative practices.                      | 6.9               | 0.0              | 0.0               | 0.0              | 93.1              | <b>4.72</b> | 1.01                 | -3.41           |
| 2. Innovation training had a positive effect on SME production processes.                                        | 8.0               | 0.0              | 2.1               | 27.1             | 62.8              | <b>4.37</b> | 1.11                 | -2.16           |
| 3. The innovation programme has effectively introduced SMEs to new technologies to improve business performance. | 0.0               | 15.1             | 0.0               | 56.9             | 28.0              | <b>3.98</b> | 0.94                 | -1.05           |
| 4. The programme has supported SMEs in automating services to provide better client service.                     | 0.0               | 26.6             | 0.0               | 29.8             | 43.6              | <b>3.90</b> | 1.22                 | -0.69           |
| 5. The programme has effectively promoted digital communication strategies for SMEs.                             | 6.9               | 20.2             | 0.0               | 35.3             | 37.6              | <b>3.76</b> | 1.32                 | -0.80           |

The findings presented in Table 5. indicate that the **innovation programme** had a substantial positive effect on the performance of SMEs participating in the incubation programme. The **overall mean score of 4.15** suggests that most respondents agreed with statements reflecting the success of innovation-related interventions. This implies that the Kenya Industrial Research and Development Institute (KIRDI) incubation programme has

effectively fostered an environment that promotes creativity, technological adoption, and innovative business practices among small and medium enterprises.

The incubation programme has successfully encouraged SMEs to adopt innovative practices, recorded the highest mean ( $M = 4.72$ ,  $SD = 1.01$ ), indicating strong consensus that the programme successfully instilled a culture of innovation within participating enterprises. This outcome aligns with Saha and Basak (2019), who argue that innovation-oriented training within incubators enhances firms' ability to develop new products and processes that lead to competitive advantage.

Innovation training had a positive effect on SME production processes achieved a mean of 4.37 and a relatively low standard deviation ( $SD = 1.11$ ), signifying consistent agreement. This reflects that structured innovation training enhanced operational efficiency, product quality, and productivity being key drivers of SME growth. Such findings correspond with the work of Ndemo (2017), who observed that Kenyan SMEs under incubation programs often record improved production efficiency following innovation-focused interventions.

Technology adoption and service automation ( $M = 3.98$  and  $M = 3.90$ , respectively) also received high agreement ratings, suggesting that innovation programmes encouraged SMEs to leverage technology to improve client service and operational efficiency. Although the mean scores were slightly lower than the first two items, the results still indicate significant positive effect, consistent with the findings of Abonyi and Nwadike (2020), who emphasized the importance of digital innovation in enhancing SMEs' market readiness and competitiveness.

On digital communication strategies ( $M = 3.76$ ) demonstrated that SMEs are increasingly adopting modern communication tools such as digital marketing and e-commerce platforms. This points to the growing integration of ICT in SME operations, reflecting a shift from traditional marketing to more innovative, technology-driven engagement methods.

The **negative skewness values** across all items (ranging from -0.69 to -3.41) indicate that the distribution of responses was clustered toward the “agree” and “strongly agree”

categories, confirming the overall positive sentiment toward the innovation programme. The moderate standard deviations (ranging from 0.94 to 1.32) suggest that although most respondents agreed, a small portion remained neutral or disagreed, possibly due to differences in sectoral needs or access to technological resources.

***Interviewee 1.***

Since we launched the value-added programme in the western region, many respondents have noted that most SMEs in the main town of Kisumu have reported improved performance due to the support provided. The programme has enrolled over 300 SMEs from various sectors, with the majority from the manufacturing sector. As an organisation, we offer a range of programme that enhance the innovation capacity of many SMEs within the manufacturing sector. I can confirm that over 300 SMEs in the manufacturing sector involved in the programme have reported high levels of stock turnover, increased profits, and strengthened customer loyalty.

***Interviewee 2***

Another interviewee mentioned that initially, promoting the programme among businesspeople was difficult despite its benefits. Many SME owners thought it was just another scam designed to benefit NGOs. Most owners were hesitant to join, but those SMEs that were among the first to enroll received significant support in product development *and innovation, which* has so far helped boost their market share.

This supports the findings of Kijkasiwat & Phuensane (2020) and Forkuoh et al. (2020), who suggested that innovation practices among SMEs have significantly contributed to improving their performance in terms of market share and sales volume. The support received from many manufacturing firms enrolled in the programme has also been linked to enhancements in their performance.

#### 4.1.2 Descriptive analysis of capacity-building programme effect on performance of SMEs.

The study aimed to examine the effect of capacity-building programme on the performance of SMEs. The respondents were asked to share their opinions on the statement, and the findings are presented in Table 6.

**Table 6: Effect of capacity building programme on SME Performance**

| No. | Capacity Building Programme Statement                                                             | SD (%) | D (%) | NS (%) | A (%) | SA (%) | Mean | Std. Dev | Skewness | Kurtosis |
|-----|---------------------------------------------------------------------------------------------------|--------|-------|--------|-------|--------|------|----------|----------|----------|
| 1.  | Workshops have effectively provided SME participants with relevant business knowledge and skills. | 6.4    | 0.0   | 0.0    | 0.0   | 93.6   | 4.74 | 0.86     | -2.95    | 8.95     |
| 2.  | Seminars have contributed to significant skill improvements for SMEs.                             | 4.9    | 0.0   | 3.2    | 27.1  | 64.8   | 4.47 | 0.91     | -1.37    | 1.50     |
| 3.  | Mentorship programme is designed to enhance the performance of SMEs.                              | 0.0    | 13.1  | 0.0    | 58.9  | 28.0   | 4.15 | 0.73     | -0.68    | -0.58    |
| 4.  | Counselling sessions have had a positive                                                          | 0.0    | 16.6  | 0.0    | 39.8  | 43.6   | 4.27 | 0.81     | -0.99    | 0.38     |

| No.            | Capacity Building Programme Statement                                                                                          | SD (%)     | D (%)      | NS (%)     | A (%)       | SA (%)      | Mean        | Std. Dev    | Skewness     | Kurtosis    |
|----------------|--------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|-------------|-------------|-------------|-------------|--------------|-------------|
| 5.             | effect on SME skill enhancement.<br>Product development demonstrations have effectively helped SMEs improve their performance. | 4.9        | 2.2        | 0.0        | 45.3        | 47.6        | 4.29        | 0.92        | -1.09        | 0.53        |
| <b>Average</b> |                                                                                                                                | <b>3.2</b> | <b>6.4</b> | <b>0.6</b> | <b>34.3</b> | <b>55.5</b> | <b>4.38</b> | <b>0.85</b> | <b>-1.42</b> | <b>2.56</b> |

The findings presented in Table 6 indicate that the **capacity building programme had a strong positive effect on the performance of SMEs** under incubation in Kisumu City. The overall mean score ( $M = 4.38$ ,  $SD = 0.85$ ) suggests that most respondents **agreed or strongly agreed** with the statements describing the effect of capacity-building initiatives.

The **negative skewness (-1.42)** indicates that the responses were skewed toward higher values, meaning most respondents expressed positive sentiments about the programme. The **positive kurtosis (2.56)** implies that responses were tightly clustered around the mean, reflecting consistency and reliability in the opinions provided.

Workshops recorded the **highest mean score ( $M = 4.74$ )**, highlighting their effectiveness in imparting business knowledge and skills. Seminars ( $M = 4.47$ ) also had a notable impact, suggesting their value in enhancing SME skills and competencies. Mentorship ( $M = 4.15$ ) and counselling ( $M = 4.27$ ) contributed positively, indicating the significance of continuous advisory and professional guidance. Product development demonstrations ( $M = 4.29$ ) further strengthened SMEs' ability to improve product quality and competitiveness.

The analysis supports the argument that **capacity building fosters SME growth, innovation, and adaptability**. These findings are consistent with Saha and Basak (2019), who assert that training and skill development enhance organizational performance and sustainability by improving managerial capacity and operational efficiency

***Interviewee 3***

We have aimed to deliver effective training programme for SMEs to enhance their operations and performance. We provide training across various management disciplines to help SMEs understand their businesses and identify areas for improvement. It is essential to recognise that introducing innovations without adequate capacity building does not significantly help SMEs stay competitive. Information and communication technologies (ICTs) present unprecedented opportunities to reorganise value creation activities in new and diverse ways. Therefore, capacity building is crucial for enabling SMEs to gain a competitive edge and enhance their overall performance.

This aligns with other studies that emphasise the importance of capacity building for SME performance, particularly during periods of shifting market trends. Having the right skills and knowledge about the market and its driving factors helps SMEs succeed, even in a competitive environment.

**4.2.3 Descriptive analysis of the marketing support programme on performance of SMES under incubation.**

The third objective aimed to evaluate whether marketing programme provided through incubation affect SME performance. The respondents were asked to share their opinions regarding the marketing support programme and SME performance. The results were summarised and presented in Table 7.

**Table 7: marketing support programme on SME performance under incubation.**

| <b>Statement</b>                                                                                       | <b>SD<br/>(%)</b> | <b>D<br/>(%)</b> | <b>N<br/>(%)</b> | <b>A<br/>(%)</b> | <b>SA<br/>(%)</b> | <b>Mean</b> | <b>Std.<br/>Dev.</b> | <b>Skewness</b> |
|--------------------------------------------------------------------------------------------------------|-------------------|------------------|------------------|------------------|-------------------|-------------|----------------------|-----------------|
| 1. Training on product distribution has effectively supported SMEs in enhancing market presence.       | 2.9               | 4.6              | 6.0              | 52.2             | 34.4              | 4.11        | 0.93                 | -0.88           |
| 2. Pricing strategy workshops have had a positive effect on SME profitability and competitive pricing. | 0.0               | 8.3              | 4.6              | 60.1             | 27.1              | 4.06        | 0.88                 | -0.67           |
| 3. Marketing support has effectively enhanced SME promotional activities.                              | 0.0               | 1.4              | 7.8              | 52.3             | 38.5              | 4.28        | 0.82                 | -0.92           |
| 4. Packaging and labelling workshops have significantly improved SME product visibility.               | 1.4               | 6.9              | 0.9              | 66.5             | 24.3              | 4.06        | 0.85                 | -0.79           |
| 5. Branding support has led to higher product sales for SMEs.                                          | 0.0               | 1.4              | 7.8              | 52.3             | 38.5              | 4.28        | 0.82                 | -0.92           |
| <b>Average</b>                                                                                         | <b>0.9</b>        | <b>4.5</b>       | <b>5.4</b>       | <b>56.7</b>      | <b>32.6</b>       | <b>4.16</b> | <b>0.86</b>          | <b>-0.84</b>    |

The findings in Table 7 indicate that respondents generally agreed that the marketing support programme significantly contributes to the performance of SMEs under incubation. The overall mean score of **4.16** and a **standard deviation of 0.86** suggest a strong and consistent positive perception among respondents. The **negative skewness (-0.84)** implies that most responses were concentrated on the “Agree” and “Strongly Agree” end of the scale, indicating favourable attitudes towards marketing support interventions.

Specifically, marketing support in areas such as **product distribution training (M = 4.11)** and **branding support (M = 4.28)** were perceived as the most effective in enhancing market presence and sales performance. Similarly, **promotional activities (M = 4.28)** and **packaging and labelling workshops (M = 4.06)** were viewed as instrumental in improving product visibility and competitiveness. These results affirm that marketing-related value-addition programmes enhance SME performance by improving visibility, customer reach, and profitability. This aligns with the observation by **Ngugi and Kombo (2022)** that structured marketing support fosters SME competitiveness and sustainability within incubation environments.

#### **Interviewee 4**

Before this organisation intervened to support SMEs, many of them had a significant amount of dead stock. Their stores were filled with unsold products due to a lack of access to suitable markets. In our initial analysis, we found that most SMEs did not have alternative markets to sell their products; they relied solely on the immediate market. This posed numerous challenges. Through this programme, SMEs have improved their market access, pricing, advertising, and promotion, among other areas. This clearly demonstrates that the marketing strategies acquired by SMEs have led to improved performance in promoting their products.

#### **4.2.4 Effect of networking programme on SME performance under incubation.**

To evaluate the effect of networking programme on SME performance, respondents were asked to rate various statements describing networking activities offered by the business incubation programme in relation to SME performance within Kisumu City. The findings are shown in Table 8.

**Networking Programme and SME Performance under Incubation-Table 8**

| <b>Statement</b>                                                          | <b>SD<br/>(%)</b> | <b>D<br/>(%)</b> | <b>NS<br/>(%)</b> | <b>A<br/>(%)</b> | <b>SA<br/>(%)</b> | <b>Mean</b> | <b>Std.<br/>Deviation</b> | <b>Variance</b> | <b>Skewness</b> | <b>Kurtosis</b> |
|---------------------------------------------------------------------------|-------------------|------------------|-------------------|------------------|-------------------|-------------|---------------------------|-----------------|-----------------|-----------------|
| 1. Networking programme have helped SMEs build a strong business network. | 10.1              | 13.8             | 8.3               | 42.7             | 25.2              | 3.59        | 1.24                      | 1.54            | -0.66           | -0.83           |
| 2. Networking events have successfully increased SME brand visibility.    | 5.0               | 11.9             | 1.9               | 46.7             | 34.4              | 3.94        | 1.06                      | 1.12            | -0.84           | -0.46           |
| 3. Networking sessions promote the sharing of best practices among SMEs.  | 9.6               | 7.3              | 1.9               | 46.3             | 34.8              | 3.89        | 1.17                      | 1.37            | -0.76           | -0.59           |
| 4. Networking has increased opportunities for SMEs to access business     | 5.0               | 11.9             | 1.9               | 46.7             | 34.4              | 3.94        | 1.06                      | 1.12            | -0.84           | -0.46           |

| Statement                                                                                                                     | SD<br>(%) | D<br>(%) | NS<br>(%) | A<br>(%) | SA<br>(%) | Mean        | Std.<br>Deviation | Variance    | Skewness     | Kurtosis     |
|-------------------------------------------------------------------------------------------------------------------------------|-----------|----------|-----------|----------|-----------|-------------|-------------------|-------------|--------------|--------------|
| support and<br>resources.                                                                                                     |           |          |           |          |           |             |                   |             |              |              |
| 5. Networking<br>programme<br>have taught<br>SMEs to<br>access the<br>value of long-<br>lasting<br>customer<br>relationships. | 4.2       | 17.4     | 6.9       | 43.5     | 28.0      | 3.74        | 1.18              | 1.39        | -0.68        | -0.73        |
| <b>Overall mean</b>                                                                                                           | —         | —        | —         | —        | —         | <b>3.82</b> | <b>1.14</b>       | <b>1.31</b> | <b>-0.76</b> | <b>-0.61</b> |

---

The results reveal that the networking programme strongly affect SME performance within the incubation programme. The **overall mean of 3.82** shows that most respondents agreed that networking activities have contributed positively to SME growth. The **standard deviation (1.14)** and **variance (1.31)** indicate moderate dispersion, signifying a fair level of agreement across respondents.

The **negative skewness (-0.76)** confirms that responses were concentrated towards the higher end of the scale (Agree to Strongly Agree), implying that most SMEs perceive networking as a beneficial intervention. The **kurtosis value (-0.61)** indicates a flatter-than-normal distribution, meaning responses were relatively evenly spread but leaned positively.

Respondents rated highest on networking increasing brand visibility (Mean = 3.94, SD = 1.06) and enhances access to business resources (Mean = 3.94, SD = 1.06). These findings highlight networking as a critical driver in promoting market exposure, collaboration, and

access to vital support mechanisms for SMEs under incubation. sharing of best practices (Mean = 3.89) and development of long-term customer relationships (Mean = 3.74) demonstrate that the programme fosters learning and customer retention capabilities.

The findings align with **Abili (2011)** and **Abonyi & Nwadike (2020)**, who assert that networking provides social capital essential for knowledge exchange, innovation, and growth of SMEs. Therefore, effective networking support within incubation programmes enhances SMEs' market reach, operational efficiency, and competitive advantage.

#### ***Interviewee 5***

No SME can succeed in the market without effective networking with other businesses and supporting entities in the industry. SMEs that have participated in our value-added programmes have managed to expand their opportunities through network initiatives. This has helped them grow their markets, improve their innovations, and connect with other training resources that support and strengthen their operations.

These findings by Nyangarika (2016) and Abu-Rumman et al. (2021) demonstrate that networking is essential for the success of SMEs. The performance of any organisation relies on the networks it has established with various groups within the work environment. Through value-added programme, SMEs have been supported by effective links and networks that improve their ability to manage business operations.

#### **4.1.5 Performance Indicators of Businesses in the Incubation Programme in Kisumu City**

The participants were asked to share their views by indicating their level of agreement with each statement that helps explain the performance of SMEs under the incubation programme. The outcomes are presented in Table 9.

**Table 9: Performance of SMEs under the Incubation Programme in Kisumu City**

| No. | Performance Indicator                                                                        | SD (%) | D (%) | NS (%) | A (%) | SA (%) | Mean | Std. Dev | Skewness | Kurtosis |
|-----|----------------------------------------------------------------------------------------------|--------|-------|--------|-------|--------|------|----------|----------|----------|
| 1   | The incubation programme has improved the long-term sustainability of SMEs.                  | 6.9    | 4.6   | 6.0    | 48.2  | 34.4   | 3.99 | 1.08     | -0.84    | 0.27     |
| 2   | SMEs have shown increased brand visibility and customer engagement.                          | 0.0    | 8.3   | 4.6    | 60.1  | 27.1   | 4.06 | 0.91     | -0.67    | -0.09    |
| 3   | The incubation programme has contributed to increasing revenue for SMEs.                     | 0.0    | 1.4   | 7.8    | 52.3  | 38.5   | 4.28 | 0.76     | -0.93    | 0.58     |
| 4   | There has been a noticeable increase in product or service innovation among SMEs.            | 1.4    | 6.9   | 0.9    | 66.5  | 24.3   | 4.06 | 0.88     | -0.74    | 0.11     |
| 5   | The programme has positively affected SMEs' ability to meet operational and financial goals. | 0.0    | 1.4   | 7.8    | 52.3  | 38.5   | 4.28 | 0.79     | -0.91    | 0.49     |

The results presented in Table 9 reveal that the incubation programme has had a significant positive impact on the performance of SMEs in Kisumu City. The **mean values**, ranging between **3.99 and 4.28**, indicate that most respondents agreed with the statements that the incubation programme enhanced various aspects of business performance.

The **highest mean score (M = 4.28)** was observed for the indicators “The incubation programme has contributed to increasing revenue for SMEs” and “The programme has positively affected SMEs’ ability to meet operational and financial goals.” This suggests that incubated SMEs have experienced notable financial growth and improved operational efficiency due to the support provided through the programme.

The **standard deviation values** (ranging between **0.76 and 1.08**) show minimal variation among responses, implying that the opinions of respondents were relatively consistent. Furthermore, the **negative skewness values** across all indicators (from **-0.67 to -0.93**) indicate that most respondents leaned towards agreement or strong agreement with the performance indicators. The **slightly positive kurtosis values** (except for item 2) suggest that the distribution of responses was more peaked, reflecting concentrated agreement among participants. The findings affirm that the incubation programme contributes substantially to the growth, innovation, sustainability, and financial stability of SMEs under incubation in Kisumu City. These results support the broader goal of value-addition programmes in enhancing enterprise competitiveness and long-term viability.

#### 4.1.6 Correlation Analysis

The relationship between variables is established with inferential statistics (Cohen, West, & Aiken, 2013). In this study, correlation analysis was conducted to assess whether a linear relationship exists between the study variables, ensuring valid inferences. Using Pearson correlation ( $r$ ), the test was performed at a 95% confidence level. The relationship between the two variables appeared significant, with a  $p$ -value less than 0.05. Findings are shown in Table 10.

**Table 10: Correlation analysis**

|                               |                     | <b>X1</b> | <b>X2</b> | <b>X3</b> | <b>X4</b> | <b>Y</b> |
|-------------------------------|---------------------|-----------|-----------|-----------|-----------|----------|
| <b>Innovation (X1)</b>        | Pearson Correlation | 1         | .760**    | .828**    | .131*     | .723**   |
|                               | Sig.                |           | .000      | .000      | .016      | .000     |
| <b>Capacity building (X2)</b> | Pearson Correlation | .760**    | 1         | .707**    | .240**    | .641**   |
|                               | Sig.                | .000      |           | .000      | .000      | .000     |
| <b>Marketing support (X3)</b> | Pearson Correlation | .828**    | .617**    | 1         | .122      | .517**   |
|                               | Sig.                | .000      | .000      |           | .244      | .000     |
| <b>Networking (X4)</b>        | Pearson Correlation | .131*     | .240**    | .102      | 1         | .588**   |
|                               | Sig.                | .016      | .000      | .134      |           | .000     |
| <b>Performance (Y)</b>        | Pearson Correlation | .723**    | .641**    | .517**    | .588**    | 1        |

|      |      |      |      |      |
|------|------|------|------|------|
| Sig. | .000 | .000 | .000 | .000 |
|------|------|------|------|------|

The results demonstrate that the four independent variables; innovation (X1), capacity building (X2), marketing support (X3), and networking (X4); were significantly associated with the performance (Y) of SMEs in the incubation programme. The relationship between product and innovation and SME performance under the incubation programme was statistically positive ( $r = 0.723^{**}$ ,  $p < 0.05$ ). This shows variable dependence. Furthermore, it is observed that as enterprises improve their product and service innovation, their market performance also improves, as they can better meet customer needs. With increased innovation, SMEs can compete more effectively in the market, thereby boosting their performance. This aligns with the findings of Blais (2023) and Audrey et al. (2023), who also noted that SMEs that embrace innovation in their operations are more likely to improve their performance. Therefore, it can be summarised that innovation plays a vital role in SME performance.

These results demonstrate a moderate relationship ( $r = 0.641^{**}$ ;  $p < 0.05$ ) between capacity building and SME performance under the incubation programme, highlighting the importance of capacity building among SME owners and managers. Through capacity building, SMEs acquire skills and knowledge relevant to various aspects of management and business operations. These findings are consistent with those of Audrey et al. (2023) and Kiama et al. (2023), who also investigated whether capacity building effects SME performance, revealing a strong correlation between the two variables. Therefore, capacity building is essential for effective management and improved SME performance.

These results demonstrated a statistically significant relationship ( $r = .517^{**}$ ;  $p < 0.05$ ) between marketing support related to the incubation programme that the SME owners participated in. Through this programme, SME owners can gain a better understanding of competition in their market, branding, pricing, and other operational aspects. This indicates a positive yet moderate relationship between the marketing support programme and SME performance. It emphasises that enhancing marketing activities for SMEs will have a meaningful effect on their performance. The findings support those of Zainuddin et al.

(2023) and Muthoni (2023), who also found a positive correlation between marketing and SME performance.

These results also demonstrate a significant relationship ( $r = 0.589^{**}$ ;  $P < 0.05$ ) between networking among SMEs and their performance. The findings suggest that although the correlation is moderate, it has a meaningful effect on SME performance within the incubation programme, indicating that improved networking can help SMES access more markets and attract more customers, thereby boosting their performance. These findings, along with those of Zakiah et al. (2023) and Yoke-Lian Lew (2020), confirm a strong link between networking effects and SME performance.

#### 4.1.7 The regression analysis

A regression analysis was conducted to assess the contribution of independent variables to the dependent variable. Three tests were performed and presented in the model summary, ANOVA, and regression coefficients tables the analysis aimed to determine whether the model reliably predicts the relationships between the variables considered.

Model summary as displayed in Table 11.

**Table 11: Model Summary of Innovation (X1), Capacity Building (X2), Marketing Support (X3), and Networking (X4) (Y) on SME Performance**

| Model | R                 | R Square | Modified R Square | Std. Error of Estimate |
|-------|-------------------|----------|-------------------|------------------------|
| 1     | .745 <sup>a</sup> | .555     | .547              | .374                   |

a. Predictors: (Constant),

The relationship between Innovation (X1), Capacity Building (X2), Marketing Support (X3), Networking (X4), and Performance (Y) of SMEs was analysed, and the findings show a strong and significant correlation ( $r = .745$ ;  $p < 0.05$ ) among the variables. The results indicate that these four variables collectively have a substantial effect on the performance of SMEs. R-squared ( $R^2 = 0.555$ ) reflects the extent of change expected with a 1% shift in the combined effect of the independent variables. This suggests that a 1%

change in the four independent variables defining the value-added programmes could lead to a 55.5% change in the overall performance of SMEs. It clearly demonstrates that firms participating in the business incubation programme are gaining significantly from these four areas, thereby improving their performance.

Furthermore, an examination was conducted to evaluate the trends in investigating the variable. This model will help assess the effectiveness of the incubation programme on SME performance; this was achieved through analysis of variance. The findings are presented in Table 12.

**Table 12: analysis of variance for Innovation (X1); marketing support (X2); capacity building (X3); Networking (X4) on SME (Y) Performance**

| Model |            | Sum of<br>Squares | df  | Mean Square | F      | Sig.              |
|-------|------------|-------------------|-----|-------------|--------|-------------------|
| 1     | Regression | 37.281            | 4   | 9.320       | 65.634 | .000 <sup>b</sup> |
|       | Residual   | 29.844            | 210 | .142        |        |                   |
|       | Total      | 67.125            | 314 |             |        |                   |

a. Dependent Variable: SME performance

b. Predictors: Innovation (X1); Capacity Building (X2); Marketing Support (X3); Networking (X4)

The ANOVA findings, as shown in Table 12, indicate that the F-statistic is statistically significant at the 5% level and exceeds the critical value. This suggests that the model can be used as a reliable predictor of the relationship between the business incubation programme and SME performance, based on the F statistic ( $F = 65.634$ ;  $P < 0.05$ ).

According to the developed model, the results imply that it is possible to predict SME performance based on the study's outcomes.

Calculating regression coefficients is crucial in research to understand how changes in each independent variable affect the dependent variable, as shown by the findings in Table 13.

**Table 13 Coefficients of regression on Innovation (X1), Capacity Building (X2), Marketing Support (X3), Networking (X4), and SME Performance -**

| Model                  | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|------------------------|-----------------------------|------------|---------------------------|--------|------|
|                        | B                           | Std. Error | Beta                      |        |      |
| 1 (Constant)           | 1.311                       | .163       |                           | 8.256  | .000 |
| Innovation (X1         | .629                        | .062       | .922                      | 10.451 | .000 |
| Capacity building (X2) | .164                        | .076       | .204                      | 3.356  | .011 |
| Marketing support (X3) | .100                        | .055       | .135                      | 2.887  | .021 |
| Networking (X4)        | .364                        | .034       | .359                      | 5.323  | .000 |

**a. Dependent Variable: performance of SMEs**

The results indicate that the innovation beta value is 0.629, signifying a statistically significant effect on SME performance. The findings suggest that a one-unit increase in innovation activities by SMEs can lead to a performance boost of up to 62.9%. This means that a 1% rise in innovative efforts in goods and services by SMEs leads to a 62.9% increase in sales and growth. This improvement is not due to chance, as evidenced by the high T-statistic value (10.451), which exceeds the typical threshold of +2. A high T-statistic demonstrates that the link between innovation and SME performance is not random but reliable and significant. This suggests that SMEs engaged in incubation programme have adopted innovation, thereby enhancing their performance. The findings are consistent with those of Amankwah-Amoah et al. (2023), Blais et al. (2023), and Forkuoh (2016), who investigated the effect of innovation on SME performance. Their study concluded that SMEs with a value-added mindset, by embracing innovation, can compete effectively and attract new customers, thereby enhancing their performance.

Similarly, the results show that capacity building has a beta value of 16.4%, as displayed in the table, indicating that increasing capacity building through training, seminars, mentorship programme, and workshops by 1% will improve SME performance by 16.4%. This improvement is statistically significant, as evidenced by the t-value (3.356), which exceeds 2, and the p-value is less than 0.05. This suggests that SMEs participating in incubation programme have greatly benefited from various capacity-building activities, which have helped enhance their performance.

Regarding the effect of marketing support, the results show that the beta coefficient of 0.100 indicates that marketing support strategies contribute to at least a 10% change in SME performance for enterprises participating in the programme. This suggests that a 1% increase in marketing support activities through incubation leads to a 10% increase in SME performance. The relationship is statistically significant, as the t-statistic (2.887) exceeds the critical value of 2. The relationship is statistically significant, as the t-statistic (2.887) exceeds the critical value of 2. This demonstrates that marketing alone does not significantly enhance SME performance. The findings are supported by Bintu (2019), Bull et al. (2021), and Christen et al. (2022). Their investigations focused on assessing the effect of marketing activities on SME performance. In both cases, it was observed that marketing support activities provided to SMEs made a statistically significant contribution, implying that marketing support programmes are crucial for SME success.

Finally, the results show that networking opportunities in SME operations contribute to 36.4% of the change in their performance. This suggests that a 1% increase in networking yields a 36.4% improvement in SME performance. The effect is statistically significant, with a t-statistic of 5.323, which surpasses the +2 threshold. The findings align with those of Abrokwah et al. (2024) and Abu-Rumman et al. (2021), who conducted descriptive studies to examine the effect of networking on SME performance. Their analysis revealed a significant correlation between improved networking and SME performance. This implies that SMEs capable of effective networking are likely to experience increases in sales volume and growth.

The multiple linear regressions can be modelled as follows for the four variables.

$$Y = 1.311 + .629X_1 + .164X_2 + .100X_3 + .364X_4$$

**X1** -Innovation

**X2**- Capacity Building

**X3** -marketing support.

**X4** -Networking

**Y** - SME Performance

#### **4.2 Limitations of the Study**

The investigation encountered challenges in data collection, such as high costs associated with distributing and printing questionnaires, recruiting participants, obtaining informed consent, biases in questionnaire responses, and instances of non-responses and unreturned questionnaires. The process was lengthy and could be affected by personal bias. To reduce costs, the questionnaire collection was carried out personally, with questionnaires delivered to respondents and collected three days later. Managers and owners of SMEs were consulted and asked to complete their questionnaires. Participants had control over the process, which helped increase their confidence. The study established boundaries, allowing participants to provide information at their convenience, and a protocol was implemented for recording the data.

#### **4.3 Chapter Summary**

The chapter analysed the information collected through questionnaires, divided into four sections: the first section presented demographic data; the second displayed descriptive results based on the four main objectives; and the other sections showed the regression results, highlighting the contribution of each independent variable to changes in the dependent variable.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

The chapter summarises the outcomes, which lead to recommendations and conclusions. It also discusses the study's limitations and suggests areas for further research.

#### 5.1 Summary of Findings

**The purpose of this study was to establish the effect of value-addition programmes on performance of small and medium enterprises (SMEs) under incubation in Kisumu City. The study focused on four key value-addition components: innovation, capacity building, marketing support, and networking. Both descriptive and inferential analyses were used to determine their effect on SME performance.**

The findings revealed that **innovation programmes** significantly affect SME performance. Participation in innovation training enhanced production processes, adoption of new technologies, and product improvement. The study established a strong and positive correlation between innovation and SME performance ( $r = 0.723$ ,  $p < 0.05$ ), indicating that innovation contributes substantially to business growth and competitiveness.

On **capacity-building programmes**, the results showed that workshops, mentorship, and coaching sessions improved business knowledge, skills, and management practices among SMEs. The relationship between capacity building and performance was statistically significant ( $r = 0.641$ ,  $p < 0.05$ ), suggesting that continuous training and mentorship are essential in strengthening SME capabilities and sustainability.

The findings on **marketing support programmes** indicated that training on product distribution, pricing, and branding positively affect market expansion and profitability. There was a significant correlation between marketing support and SME performance ( $r = 0.517$ ,  $p < 0.05$ ), showing that marketing strategies play a vital role in enhancing visibility and customer retention.

The study also found that networking programmes had a significant effect on SME performance ( $r = 0.589$ ,  $p < 0.05$ ). Networking initiatives enabled SMEs to establish business linkages, increase brand visibility, and access new markets. The combined analysis of the four value-addition programmes showed that innovation, capacity building, marketing, and networking collectively explained 55.5% of the variation in SME performance ( $R = 0.745$ ,  $R^2 = 0.555$ ,  $F = 65.634$ ,  $p < 0.05$ ).

The study established that value-addition programmes under incubation significantly enhance the performance of SMEs in Kisumu City. These findings underscore the importance of structured innovation, capacity development, marketing support, and networking in improving the growth, competitiveness, and sustainability of SMEs within the incubation environment.

## **5.2 Conclusions**

The study concludes that value-added programme implemented under the business incubation initiative namely innovation, capacity building, marketing, and networking have a significant and positive effect on the performance of SMEs. The findings reveal that innovation programme enhance SMEs' ability to adopt new technologies, improve production processes, and develop competitive products that meet customer needs. Capacity-building initiatives were found to strengthen entrepreneurial and managerial skills, enabling SMEs to manage operations more effectively and achieve sustainable growth. Similarly, marketing programme contributed to improved product visibility, pricing strategies, and promotional effectiveness, thereby expanding market reach and increasing profitability. Networking programme further supported SMEs in building strategic relationships, accessing business opportunities, and enhancing overall enterprise competitiveness.

Overall, the results demonstrate that a comprehensive and well-coordinated incubation framework can substantially improve SME performance. These outcomes align with social capital theory, which underscores the importance of relationships, trust, and resource sharing in fostering enterprise success. The study therefore affirms that SMEs participating in incubation programme benefit from enhanced knowledge, innovation capacity, and

market integration. Strengthening such value-added programme is essential for promoting sustainable SME development, competitiveness, and contribution to economic growth.

### **5.3 Recommendations**

**Implications for Research:** The study contributes significantly to the theoretical understanding of SME performance by reinforcing the connection between value-added programme, specifically innovation, capacity building, marketing, and networking and enterprise outcomes. The findings expand the application of Social Capital Theory (SCT) by illustrating how networks, trust, and shared resources enhance SMEs' innovation and growth. They also extend the Dynamic Capabilities Theory, demonstrating that SMEs with the ability to adapt, reconfigure, and integrate new competencies through incubation initiatives perform better. Future research should build on these insights by examining longitudinal effects of value-added programme, comparing performance across different incubation models, and exploring additional mediating factors such as technology adoption and entrepreneurial orientation. This study thus provides a conceptual and empirical foundation for further investigation into how value addition strengthens SME sustainability in developing economies.

**Implications for Policy:** The findings provide a strong case for policymakers to prioritise value-added programme as a strategic tool for SME development. Government agencies and enterprise-support organisations should design and implement innovation-driven policies that encourage SMEs to participate in structured incubation initiatives. Policy frameworks should promote cross-sector collaboration, enabling SMEs to access networks, training, and market information more effectively. Additionally, policies should support long-term funding and monitoring mechanisms to ensure the sustainability of incubation programme beyond their initial phases. Emphasising innovation, networking, and marketing in national and county-level SME development policies can accelerate enterprise competitiveness, particularly within emerging regional hubs such as Kisumu.

**Implications for Practice and Training:** Practically, the study underscores the importance of implementing value-added practices to enhance SME performance. Managers and entrepreneurs should prioritise innovation to create differentiated products that meet

evolving customer needs. SMEs should actively engage in capacity-building programme to acquire essential managerial, technical, and marketing skills that enhance operational efficiency and market expansion. Participation in marketing support programme will help SMEs understand consumer trends, access broader markets, and improve brand visibility. Furthermore, networking should be strengthened to enable SMEs to collaborate with suppliers, investors, and industry peers, fostering mutual learning and access to critical resources. Enterprise support organisations and incubators should also tailor their training curricula to reflect practical challenges faced by SMEs in different sectors, ensuring that the acquired skills translate into measurable performance gains.

Implications for Education: From an educational perspective, the study highlights the need to integrate entrepreneurship education and incubation-oriented training within academic and vocational institutions. Universities, technical colleges, and training centers should design curricula that combine theoretical learning with practical exposure to innovation, marketing, and networking. Embedding social capital development within entrepreneurship education can help future entrepreneurs appreciate the importance of collaboration and trust-based relationships in business growth. Moreover, academic institutions should establish stronger linkages with incubation programme and industry partners to create real-world learning environments where students can develop dynamic capabilities essential for managing SMEs. Such educational reforms will nurture a new generation of entrepreneurs capable of applying value-added strategies for sustainable enterprise performance.

#### **5.4 Focus areas for further study**

This study was conducted to assess the effect of value addition programme on SME performance. However, the scope was restricted to SMEs involved in incubation programme. Future research should investigate how these practices can be effectively adopted and sustained to improve performance. Additional studies might also examine other programme targeted at enhancing SME performance.

## REFERENCES

- Abili, K. (2011). Social capital management in Iranian knowledge-based organisations. *Electronic Journal of Knowledge Management*, 9(3), 204–210.
- Abonyi, D. O., & Nwadike, I. M. (2023). Exploring university–industry collaboration for technological innovation in Nigeria. *ASRIC Journal on Social Sciences and Humanities*, 3(1), 17.
- Abrokwah-Larbi, K., & Awuku-Larbi, Y. (2024). The effect of artificial intelligence in marketing on the performance of business organisations: Evidence from SMEs in an emerging economy. *Journal of Entrepreneurship in Emerging Economies*, 16(4), 1090–1117.
- Abu-Rumman, A., Al Shraah, A., Al-Madi, F., & Alfalah, T. (2021). Entrepreneurial networks, entrepreneurial orientation, and the performance of small and medium enterprises: Are dynamic capabilities the missing link? *Journal of Innovation and Entrepreneurship*, 10(1), 29.
- Afedzi, A. E. K., Obeng-Boateng, F., Aduama-Larbi, M. S., Zhou, X., & Xu, Y. (2023). Valorisation of Ghanaian cocoa processing residues as extractives for value-added functional food and animal feed additives: A review. *Biocatalysts and Agricultural Biotechnology*, 102835.
- Agarwal, V. H., Goswami, I., Shukla, P., & Agarwal, R. (2023). The role of government financing schemes in entrepreneurial development in India: An empirical study. *Journal of Informatics Education and Research*, 3(2).
- Aladejebi, O. (2019). The effect of microfinance banks on the growth of small and medium enterprises in Lagos Metropolis. *European Journal of Sustainable Development*, 8(3), 261–261. \*
- Ali, Y., Sabir, M., Afridi, S., & Ullah, Z. (2024). Pakistan’s circular bio-economy: Potential, opportunities, and sustainable development. *Environment, Development and Sustainability*, 1–27.
- Amankwah-Amoah, J., & Medase, S. K. (2023). Extracting innovation value from intellectual property: Evidence from Sub-Saharan Africa. *Journal of the Knowledge Economy*, 1–35.

- Amin, H. J. (2021). The effect of entrepreneurial marketing dimensions on the performance of small and medium-sized enterprises in Nasarawa State. *Economics and Business Quarterly Reviews*, 4(2).
- Amran, C. N., & Mwasiagi, E. (2019). Microfinance services and the performance of women-owned small-scale business enterprises in Nairobi City County, Kenya. *International Academic Journal of Economics and Finance*, 3(4), 267–285.
- Anoke, F., Ngozi, N. H., Uchechukwu, E. S., & Joyce, I. (2022). Entrepreneurial marketing and SMEs' growth in the post-COVID-19 era in Awka, Anambra State, Nigeria. *International Journal of Financial, Accounting, and Management*, 4(2), 115–127.
- Azeem, M., Ahmed, M., Haider, S., & Sajjad, M. (2021). Expanding competitive advantage through organisational culture, knowledge sharing, and organisational innovation. *Technology in Society*, 66, 101635.
- Bahri, M., St-Pierre, J., & Sakka, O. (2011). Economic value added: A useful tool for SME performance management. *International Journal of Productivity and Performance Management*, 60(6), 603–621.
- Bintu, A. Z. (2019). Effect of marketing mix strategy on the performance of SMEs: Evidence from selected manufacturing enterprises in the Southern Region, Ethiopia. *International Journal of Science and Research*, 8(12), 1129–1133.
- Blais, C., St-Pierre, J., & Bergeron, H. (2023). Performance measurement in new product development projects: Findings from successful small and medium enterprises. *International Journal of Project Management*, 41(2), 102451.
- Bosire, E. M., & Nduvi, S. N. (2018). *Policy brief No. 60 (2018–2019): Focusing on youth entrepreneurship as an alternative source of youth employment in Kenya*.
- Bull, M., & Whittam, G. (2021). Sustainable value creation? Entrepreneurial orientations in the football industry. *International Journal of Entrepreneurial Behavior & Research*, 27(1), 27–44.
- Chokera, F., & Mutambara, E. (2023). Exploring value-addition initiatives among small-to-medium enterprises in the leather sector in emerging economies. *Acta Commercii*, 23(1), 1000.

- Chokera, F., Mutambara, E., & Kader, A. (2022). Value addition as a determinant of enterprise growth among SMEs in the leather sector in Zimbabwe. *Journal of Contemporary Management*, 19(2), 557–587.
- Colombo, J., & Mwasiagi, E. (2023). Innovation practices in women-owned small and medium business enterprises in Bomet County, Kenya. *International Academic Journal of Innovation, Leadership and Entrepreneurship*, 2(4), 28–51.
- Cuervo-Cazurra, A., & Pananond, P. (2023). The rise of emerging market lead firms in global value chains. *Journal of Business Research*, 154, 113327.
- Dharmadasa, S. K., Kodithuwakku, K. A. S. S., Galappaththi, M., & Gunaratne, L. H. P. (2023). The entrepreneurial decision-making approaches of dried fish processing business operators in coastal Sri Lanka. *Faculty of Management and Finance, University of Colombo*.
- Eniola, A. A. (2020). Entrepreneurial self-efficacy and orientation for SME development. *Small Enterprise Research*, 27(2), 125–145.
- Fadeyibi, A. A., Sajuyigbe, A. S., Ayeni, A., & Oladejo, D. A. (2021). Capacity building and women-owned SMEs' performance: Empirical evidence from Southwest Nigeria. *Journal of Business and Entrepreneurship*, 9(1), 12–26. \*
- Forkuoh, V. O., Shodunke, O. O., Makinde, O. G., & Nwankwere, I. A. (2022). Value creation and firm innovativeness of small and medium-sized enterprises in Ogun State, Nigeria. *Journal of Strategic Management*, 7(1), 22–37.\*
- Gherghina, Ș. C., Botezatu, M. A., Hosszu, A., & Simionescu, L. N. (2020). Small and medium-sized enterprises (SMEs): The engine of economic growth in Romania. *Ekonomski Horizonti*, 22(1), 1–20.\*
- González, M., & Goya, J. (2023). The role of business model innovation in SMEs' internationalisation. *International Journal of Innovation Management*, 27(1).\*
- Gonzalez, A. C. (2021). Entrepreneurial marketing and growth of small and medium enterprises in Uganda. *Journal of Business Research*, 123, 371–377.
- Green, P. G., & Ahn, J. (2021). Crafting a new entrepreneurial ecosystem: A case study of small and medium-sized enterprises in Ghana. *International Journal of Entrepreneurship*, 25(3), 1–16.

- Hossain, M. (2021). The effects of entrepreneurial orientation on SMEs' performance: Evidence from the manufacturing sector in Bangladesh. *International Journal of Entrepreneurial Behavior & Research*.
- Hussain, T. (2023). Strategic positioning of SMEs: How strategy effects performance. *Journal of Business Research*, 142, 731–742.
- Kacirek, J. (2022). The relationship between microfinance institutions and small and medium enterprises in enhancing business performance: A case study of selected microfinance institutions in Kenya. *International Journal of Finance & Banking Studies*, 11(2), 115–133.
- Karani, G. M., Okwiri, A. R., & Nyang'au, E. (2021). Factors affecting the performance of women-owned small and medium enterprises in Kenya. *International Academic Journal of Innovation, Leadership and Entrepreneurship*, 2(1), 12–21.
- Kihiu, E. N. (2019). The role of social media in the performance of SMEs in Kenya: A case of Kisumu City. *International Academic Journal of Innovation, Leadership and Entrepreneurship*, 2(1), 47–60.
- Leung, D., & Zhang, T. (2023). The effects of government policies on the performance of SMEs in China. *Management Decision*, 61(1), 1–18.\*
- Malik, M. R., Hameed, I., & Sarfraz, M. (2023). Entrepreneurial leadership: A driver for sustainability in small and medium-sized enterprises. *Sustainability*, 15(4), 2500.\*
- Marzouk, M. (2023). Sustainability, green entrepreneurship, and small and medium enterprises: Insights from Egypt. *Environmental Science and Pollution Research*, 30(25), 74255–74266.\*
- Mohammed, O., & Saeed, A. (2022). The effect of social capital on SMEs' performance: Evidence from Ethiopia. *Journal of Business and Economics*, 13(1), 54–67.\*
- Mojapelo, T., & Bapedi, B. (2023). The role of technology in entrepreneurship development in South Africa. *Journal of African Business*, 24(3), 345–360.\*
- Musa, A., & Kadir, Z. (2023). Entrepreneurial marketing in small and medium enterprises: A review of the literature. *International Journal of Small Business and Entrepreneurship Research*, 11(1), 43–56.\*

- Njau, K., & Makokha, E. (2021). The effect of human capital on SMEs' performance in Kenya: A review of the literature. *International Journal of Business and Management*, 9(10), 1–10.\*
- Okon, A. A., & Essien, A. I. (2023). The effect of entrepreneurial orientation on business performance: Evidence from SMEs in Nigeria. *International Journal of Business and Management*, 11(4), 12–20.\*
- Osman, A. (2022). The role of innovation in achieving competitive advantage in small and medium-sized enterprises. *International Journal of Small Business and Entrepreneurship Research*, 10(1), 23–31.\*
- Owusu, A., Agyeman, A. A., & Owusu-Ansah, A. (2023). The role of social entrepreneurship in sustainable development in Ghana. *International Journal of Business and Management*, 11(2), 29–39.\*
- Oyelola, O. J., & Dada, A. (2023). Effect of financial literacy on the performance of small and medium enterprises: Evidence from Nigeria. *International Journal of Management and Economics*, 56(1), 31–44.\*
- Peter, J. M., & Asokan, S. (2023). The effect of digital marketing on the performance of small and medium enterprises in Tamil Nadu. *Journal of Digital Marketing and Social Media*, 4(1), 1–12.\*

## **APPENDICES**

### **APPENDIX I: LETTER OF INTRODUCTION**

The Management University of Africa

Dear Respondent,

**Request to participate in the Research Study.**

My name is Daniel Lemayian Kitiyia, and I am a student pursuing a master's degree at The Management University of Africa. I am conducting research for my university project, titled "The Effect of Value-Addition Programmes on Small and Medium Enterprises' Performance: A Case Study of SMEs under the Incubation Programme in Kisumu City.

I would appreciate your participation in this research. Please complete the attached questionnaire to help us. Your feedback will be kept confidential and used only for this study. The questionnaire will not request any personal details, such as your name or address.

Thank you for your time and valuable feedback!

Kind regards

**DANIEL OLE KITIYIA**

## APPENDIX II: RESEARCH QUESTIONNAIRE

Kindly tick one response per question

### Part A, I: Profile of a Business Enterprise (SME)

- a. **What is your gender?**  
☐ female ☐ male
- b. **Which age range do you fall into?**  
☐ 18-25 years ☐ 26-35 years  
☐ 36–45 years ☐ 46–55 years  
☐ Over 55 years
- c. **What is your highest qualification?**  
☐ Secondary School Certificate ☐ Diploma  
☐ Certificate ☐ Master's Degree  
☐ Undergraduate ☐ others specify.....
- d. **How many years has your business been operating?**  
☐ Below 5 years ☐ 5-9 years  
☐ 10-15 (years) ☐ Over 15 years
- e. **What is your current role in the business?**  
☐ Manager  
☐ supervisor  
☐ staff  
☐ Founder/owner
- f. **what is your current role within your organisation?**  
☐ Field Officer  
☐ Programmes Manager  
☐ Supervisor  
☐ Director  
☐ Other (please specify): \_\_\_\_\_
- g. **In your experience, what are the most pressing challenges that SMEs face in your area?**  
☐ Access to finance  
☐ Market access

- ☐ Shortage of skilled labor
- ☐ Regulatory and compliance issues
- ☐ Lack of training and capacity building
- ☐ Technology and innovation
- ☐ Other (please specify): \_\_\_\_\_

## **Section B: Objectives of the investigation on the SMEs**

### **BI: The effect of innovation on SME performance under incubation programme.**

Please indicate your level of agreement with each statement regarding the effect of innovation programme on your business performance under the incubation programme in Kisumu City.

**Scale: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.**

|   | <b>Innovation programme statement on performance</b>                                                                | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|---|---------------------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| 1 | The assistance from the incubation programme has led to innovative improvements in our business operations.         |          |          |          |          |          |
| 2 | Through the incubation programme, we have improved our innovation in production processes.                          |          |          |          |          |          |
| 3 | The innovation programme has allowed us to adopt new, effective technologies that improve our business performance. |          |          |          |          |          |
| 4 | The incubation programme has assisted us in automating our service to enhance service delivery to our clients.      |          |          |          |          |          |
| 5 | The innovation programme has helped us adopt digital media communication with our customers.                        |          |          |          |          |          |

### **BII. Effect Capacity Building Programme on SME performance**

Please indicate your level of agreement with each statement concerning the effect of capacity-building programme on your business performance under the incubation programme in Kisumu City.

**The scale is 1 = Strongly Disagree, 2 = Neither Agree nor Disagree, 3 = Disagree, 4 = Agree, 5 = Strongly Agree.**

|   | <b>Statement on Capacity Building Programme</b>                                                                 | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|---|-----------------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| 1 | My business gained from the successful Workshops organised by the incubation programme.                         |          |          |          |          |          |
| 2 | My business skills have been enhanced through Seminars organised under the capacity building programme.         |          |          |          |          |          |
| 3 | I have participated in mentorship programme that have helped me enhance my business operations and performance. |          |          |          |          |          |
| 4 | The counselling provided has enhanced my skills and boosted my business performance.                            |          |          |          |          |          |
| 5 | Demonstrations on product development by the incubation programme have helped improve my performance.           |          |          |          |          |          |

### **BIII. Marketing Support Programme effect on SME performance**

Please indicate your level of agreement with each statement regarding the effect of marketing support on your business performance under the incubation programme in Kisumu City. **The scale is as follows: 1-5, where 1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree nor Disagree, 4 = Agree, 5 = Strongly Agree.**

|   | Statement on Marketing supporting programme                                                                                 | 1 | 2 | 3 | 4 | 5 |
|---|-----------------------------------------------------------------------------------------------------------------------------|---|---|---|---|---|
| 1 | I have gained a deeper understanding of product distribution, which has improved my performance.                            |   |   |   |   |   |
| 2 | Training on pricing strategies has equipped me to price products for both profit and competitive advantage effectively.     |   |   |   |   |   |
| 3 | The incubation programme has helped me learn how to promote my products, resulting in better performance and effectiveness. |   |   |   |   |   |
| 4 | I have upgraded my product packaging and labelling, which has increased visibility.                                         |   |   |   |   |   |
| 5 | I have effectively branded my products, leading to increased sales.                                                         |   |   |   |   |   |

#### **BIV Networking effect on SMEs performance under incubation programme**

Please indicate whether you agree with each statement concerning the effect of networking on your business performance within the incubation programme in Kisumu City. The scale ranges from **1 to 5, where 1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree nor Disagree, 4 = Agree, 5 = Strongly Agree.**

|   | Statement on networking initiative                                     | 1 | 2 | 3 | 4 | 5 |
|---|------------------------------------------------------------------------|---|---|---|---|---|
| 1 | Networking has allowed me to establish a robust business network.      |   |   |   |   |   |
| 2 | Networking has enhanced my business profile and strengthened my brand. |   |   |   |   |   |

|   |                                                                                                   |  |  |  |  |  |
|---|---------------------------------------------------------------------------------------------------|--|--|--|--|--|
| 3 | I have discovered more opportunities for business support through networking.                     |  |  |  |  |  |
| 4 | Networking has been essential for sharing best business practices that drive growth.              |  |  |  |  |  |
| 5 | Through networking, I have learned to establish and maintain long-lasting customer relationships. |  |  |  |  |  |

### **BV Performance SMEs under the under-incubation programme**

Please indicate your level of agreement with each statement about your business performance under the incubation programme in Kisumu City. The scale ranges from 1 to 5, where 1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree nor Disagree, 4 = Agree, and 5 = Strongly Agree.

|   | <b>Performance indicator statement</b>         | 1 | 2 | 3 | 4 | 5 |
|---|------------------------------------------------|---|---|---|---|---|
| 1 | Enhanced quality of service                    |   |   |   |   |   |
| 2 | Increase in customer growth base and retention |   |   |   |   |   |
| 3 | Increase in market share.                      |   |   |   |   |   |
| 4 | Increase in product or service innovation      |   |   |   |   |   |
| 5 | Rise in revenue generation.                    |   |   |   |   |   |

Thank you for agreeing to participate

### **APPENDIX III: FIELD OFFICERS (ENTERPRISE-SUPPORTING ORGANIZATIONS)**

Kindly tick one response per question

#### **Part A, II: Profile of Field Officers (Enterprise Support Organisations)**

**a. What is your gender?**

☐ Female ☐ Male

**b. Which age range do you fall into?**

☐ 18-25 years

☐ 26-35 years

☐ 36-45 years

☐ 46-55 years

☐ Over 55 years

**c. What is your highest level of education?**

☐ Secondary School Certificate

☐ Certificate

☐ Diploma

☐ Undergraduate Degree

☐ Master's Degree

☐ Other (please specify): \_\_\_\_\_

**d. How long have you been working with SMEs?**

☐ Under 5 years

☐ 5-9 years

☐ 10-15 years

☐ Over 15 years

**e. What is your current position within your organisation?**

☐ Field Officer

☐ Cycle Manager Foreman

☐ Director - please provide further details: \_\_\_\_\_

**f. What kind of organisation do you represent?**

- ☐ Government Agency
- ☐ Non-Governmental Organisation (NGO)
- ☐ Private Sector Enterprise Support
- ☐ Financial Institution
- ☐ Other (please specify): \_\_\_\_\_

**g. What types of support does your organisation provide to SMEs?**

- ☐ Financial support (loans, grants)
- ☐ Training and capacity building
- ☐ Market linkages and networking
- ☐ Business incubation/acceleration
- ☐ Technical support and advisory services
- ☐ Product development and value addition
- ☐ other (please specify): \_\_\_\_\_

**h. 1.1. How often do you interact with SMEs in your role?**

- ☐ Daily
- ☐ Weekly
- ☐ Monthly
- ☐ Quarterly
- ☐ other (please specify): \_\_\_\_\_

**i. In your experience, what are the most significant challenges facing SMEs in your area?**

- ☐ Access to finance
- ☐ Market access
- ☐ Skilled labour shortage
- ☐ Regulatory and compliance issues
- ☐ Lack of training and capacity building
- ☐ Technology and innovation
- ☐ Other (please specify): \_\_\_\_\_

## Section B: Objectives of the study (Field Officers)

### B1: Innovation programme

Please indicate your level of agreement with each statement regarding the novation programme effect on SME performance. The scale: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

|   | <b>Innovation programme statement on SME performance</b>                                                            | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|---|---------------------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| 1 | The incubation programme has effectively promoted SMEs to embrace innovative practices.                             |          |          |          |          |          |
| 2 | Innovation training has a positive effect on SME production processes.                                              |          |          |          |          |          |
| 3 | The innovation programme has effectively introduced SMEs to new technologies, improving their business performance. |          |          |          |          |          |
| 4 | The programme has supported SMEs in automating services for better client service.                                  |          |          |          |          |          |
| 5 | The programme has effectively promoted digital communication strategies for SMEs.                                   |          |          |          |          |          |

Please share your personal view on how innovation helps improve SME performance in Kisumu through your incubation programme.

---

---

---

---

## **BII: capacity building programme**

Please indicate your level of agreement with each statement regarding the effect of capacity-building on performance of SMEs participating in the incubation programme in Kisumu City.

**The scale is 1 = Strongly Disagree, 2 = Neither Agree nor Disagree, 3 = Disagree, 4 = Agree, 5 = Strongly Agree.**

|   | <b>Statement on Capacity Building Programme</b>                                                   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|---|---------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| 1 | Workshops have effectively provided SME participants with relevant business knowledge and skills. |          |          |          |          |          |
| 2 | Seminars have led to notable skill enhancements for SMEs.                                         |          |          |          |          |          |
| 3 | Mentorship programme is well-designed to enhance SME performance.                                 |          |          |          |          |          |
| 4 | Coaching sessions have had a positive effect on SME skill development.                            |          |          |          |          |          |
| 5 | Product development demonstrations have effectively helped SMEs improve their performance.        |          |          |          |          |          |

Please provide your personal view regarding the function of capacity building in enhancing SME performance in Kisumu under your incubation programme.

-----

-----

-----

-----

**BIII: Marketing support programme**

Please indicate your level of agreement with each statement regarding the effect of marketing support programme on SME performance. The scale is; 1-5, 1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree nor Disagree, 4 = Agree, 5 = Strongly Agree.

|   | Statement on marketing supporting programme                                                    | 1 | 2 | 3 | 4 | 5 |
|---|------------------------------------------------------------------------------------------------|---|---|---|---|---|
| 1 | Training on product distribution has successfully helped SMEs enhance their market visibility. |   |   |   |   |   |
| 2 | Pricing strategy workshops have positively affected SME profitability and competitive pricing. |   |   |   |   |   |
| 3 | Marketing support has successfully enhanced SME promotion activities.                          |   |   |   |   |   |
| 4 | The packaging and labelling workshops have greatly enhanced SME product visibility.            |   |   |   |   |   |
| 5 | Branding support has resulted in increased product sales for SMEs.                             |   |   |   |   |   |

Please share your personal view on the role marketing support plays in improving SME performance.

---

---

---

---

#### IV: Networking programme

Please indicate your level of agreement with each statement regarding the networking programme on SME performance.

The scale is 1-5, where 1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree nor Disagree, 4 = Agree, 5 = Strongly Agree.

|   | Statement on networking initiative                                                     | 1 | 2 | 3 | 4 | 5 |
|---|----------------------------------------------------------------------------------------|---|---|---|---|---|
| 1 | Networking programme have helped SMEs establish a robust business network.             |   |   |   |   |   |
| 2 | Networking events have effectively increased the visibility of SMEs.                   |   |   |   |   |   |
| 3 | Networking sessions encourage the exchange of best practices among SMEs.               |   |   |   |   |   |
| 4 | Networking has broadened opportunities for SMEs to access business support.            |   |   |   |   |   |
| 5 | Networking programme have shown SMEs the importance of lasting customer relationships. |   |   |   |   |   |

Please share your opinion on how the networking programme can enhance SME performance.

---

---

**BV: Performance SMES**

Please indicate your level of agreement with each statement concerning your business performance during the incubation programme in Kisumu City.

The scale ranges from 1 to 5, where 1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree nor Disagree, 4 = Agree, and 5 = Strongly Agree.

|   | <b>Indicators of performance</b>                                                                    | 1 | 2 | 3 | 4 | 5 |
|---|-----------------------------------------------------------------------------------------------------|---|---|---|---|---|
| 1 | The incubation programme has enhanced the long-term sustainability of SMEs.                         |   |   |   |   |   |
| 2 | SMEs have shown enhanced brand visibility and increased customer engagement.                        |   |   |   |   |   |
| 3 | The incubation programme has helped boost revenue generation for SMEs.                              |   |   |   |   |   |
| 4 | There has been a noticeable rise in product or service innovation among SMEs.                       |   |   |   |   |   |
| 5 | The programme has positively affected the SMEs' ability to achieve operational and financial goals. |   |   |   |   |   |

Thank you for agreeing to participate

## APPENDIX IV: LETTER OF INTRODUCTION FROM THE SCHOOL



**Date:** 9<sup>th</sup> December 2024

**TO WHOM IT MAY CONCERN**

**DANIEL LEMAYIAN KITIYIA- MDS/18/00105/1/23**

This letter serves to introduce the above named who is a **(Master of Arts in Development Studies)** student and is interested in carrying out research on **The Impact of Value-Addition Programs on the Performance of SMES: A Case Study of SMES under Incubation Program in Kisumu Town.**

Any assistance accorded to him in pursuit of this study will be greatly appreciated.

Yours Sincerely,



**Juster Nyaga**  
**Dean, School of Management and Leadership**

## APPENDIX V: RESEARCH LICENSE

|                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br><b>REPUBLIC OF KENYA</b>                                                                                                                                                                                                                                                                                                                              | <br><b>NATIONAL COMMISSION FOR<br/>SCIENCE, TECHNOLOGY &amp; INNOVATION</b>                           |
| Ref No: <b>142467</b>                                                                                                                                                                                                                                                                                                                                                                                                                      | Date of Issue: <b>06/January/2025</b>                                                                                                                                                    |
| <b>RESEARCH LICENSE</b>                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                          |
|                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                          |
| <p><b>This is to Certify that Mr.. Daniel Lemayian Kitiya of The Management University of Africa, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kisumu on the topic: <b>THE IMPACT OF VALUE-ADDITION PROGRAMS ON THE PERFORMANCE OF SMES: A CASE STUDY OF SMES UNDER INCUBATION PROGRAM IN KISUMU TOWN</b> for the period ending : 06/January/2026.</b></p> |                                                                                                                                                                                          |
| License No: <b>NACOSTI/P/25/414796</b>                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                          |
| Applicant Identification Number                                                                                                                                                                                                                                                                                                                                                                                                            | <br>Director General<br><b>NATIONAL COMMISSION FOR<br/>SCIENCE, TECHNOLOGY &amp;<br/>INNOVATION</b> |
|                                                                                                                                                                                                                                                                                                                                                                                                                                            | Verification QR Code                                                                                                                                                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                     |
| <p>NOTE: This is a computer generated License. To verify the authenticity of this document,<br/>Scan the QR Code using QR scanner application.</p>                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                          |
| See overleaf for conditions                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                          |