

International Journal of Management and Leadership Studies  
2025; 6(1): 774-790  
ISSN 2311-7575

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

**<sup>1</sup>Daniel Lemayian Kitiyia and <sup>2</sup>Prof. Peter Kithae**

<sup>1</sup>MDS Student, Management University of Africa,

<sup>2</sup>Professor of Entrepreneurship and Innovations, Management University of Africa

Corresponding Author's Email: [kimanizipporah54@gmail.com](mailto:kimanizipporah54@gmail.com)

**ABSTRACT**

This study investigated the effect of value-added programmes on performance of SMEs within Kisumu City's business incubation programme. It specifically examined the effect of innovation, and capacity building on SME performance. The study was anchored in the Social Exchange Theory and the Dynamic Capabilities Theory, which provided a strong theoretical foundation for understanding the mechanisms through which incubation support enterprise growth. A descriptive research design was employed, targeting 2,800 SME owners participating in the incubation programme and 44 field officers from enterprise support organisations (making a total of 2,844 target population). Using the Miller and Brewer (2021) formula, a sample of 323 respondents was selected through probability and random sampling methods. Data were collected using structured questionnaires and analysed with SPSS (version 26) and Microsoft Excel. Descriptive statistics (percentages, means, and standard deviations) and inferential techniques (regression, ANOVA, and Pearson's correlation) were applied. Findings revealed that innovation significantly enhanced value addition and SME performance, while capacity-building provided essential skills for growth. The model explained 55.5% ( $R^2 = 0.555$ ) of the variance in performance, and the ANOVA test confirmed the model's validity ( $F = 65.634$ ;  $p < 0.05$ ). The study concluded that value addition through incubation programmes plays a vital role in improving SME performance. It recommended that managers, policymakers, and stakeholders strengthen innovation, and capacity building to enhance SME growth and sustainability.

**Keywords:** *value-added programmes, performance of SMEs, business incubation, innovation, and capacity building*

**INTRODUCTION**

The concept of value addition has attracted growing academic interest as researchers seek to identify ways for SMEs to maximise their optimal 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 limited government support services (Adem, 2019). Musyoka et al. (2020) further identified poor infrastructure, unskilled labour, and outdated technology as barriers to implementing effective value-added programmes.

### **Innovation Programme**

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.

### **Capacity Building Programme**

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.

## STATEMENT OF THE PROBLEM

In Kenya, small and medium-sized enterprises (SMEs) face persistent challenges such as limited access to finance, inadequate infrastructure, an unfavourable business environment, and stringent regulations, all of which hinder their growth and sustainability (KNBS, 2016; Osano, 2019). Despite the implementation of various support services including incubation hubs, capacity-building programmes, and marketing support linkages, SME failure rates remain alarmingly high, with about 400,000 closing annually; 46% fail within the first year and 75% within three years (KNBS, 2019). In Kisumu City, a key economic hub within the Lake Region Economic Bloc, only 32% of start-ups reach maturity compared to higher rates in Nairobi and Central Kenya (KIPPRA, 2021), highlighting a regional gap in the effectiveness of current interventions.

## OBJECTIVES

- i. To investigate the effect of innovation on performance of small and medium enterprises under the incubation programme.
- ii. To establish the effect of capacity building on performance of small and medium enterprises under the incubation programme.

## LITERATURE REVIEW

### Theoretical Literature Review

This study is anchored on the Social Capital Theory (SCT) and the Dynamic Capabilities 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 programmes 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.

The theory of dynamic capabilities was developed by Teece, Pisano, and Shuen (1997), building on the work of Prahalad and Hamel (1990). Dynamic capabilities have gained significant attention in management research (Rashidirad & Salimian, 2020). Teece (2017) noted that ordinary capabilities mainly involve businesses doing the right thing. In contrast, the concept of dynamic capability focuses on developing unique products, fostering growth, employing innovative management approaches, promoting dynamism, adhering to organizational norms, and conducting a credible assessment of

the enterprise environment, while also adapting to technological changes over time. As a result, some companies can adapt and innovate effectively. This area of study (dynamic capabilities and management) helps companies thrive even amid unpredictability by going beyond simply maintaining a competitive edge. Ongoing differences in corporate commitments to sustainability have sparked increasing debate (Wu, 2017).

Fortunately, dynamic capabilities do not arise from nothing but instead indicate an organisation's experience and exposure (Kuuluvainen, 2012). With rapid innovation and unique business models, a company with high dynamic capabilities can indeed sustain a competitive advantage (Cuervo-Cazurra et al., 2020). As the global economy grows, innovation and manufacturing methods diversify across various locations and organizational structures, increasing the significance of dynamic capabilities. Studies show that companies actively employ these capabilities by building, expanding, and modifying their processes to develop essential skills.

### **Empirical Literature Review**

Several studies have examined the relationship between innovation and enterprise performance across diverse contexts. Imran et al. (2022) investigated how innovation mediates the relationship between organizational culture and firm performance in Pakistan's automotive sector. Surveying managers from 113 manufacturing firms, they found that product and process innovation significantly enhanced performance, while marketing innovation showed no effect. Similarly, Kijkasiwat and Phuensane (2020) analysed SMEs across 29 Eastern European and Central Asian countries using PLS-SEM and established a positive relationship between innovative practices and financial performance. These studies underscore innovation's critical role in business success but also highlight the need to explore other value-adding factors beyond innovation.

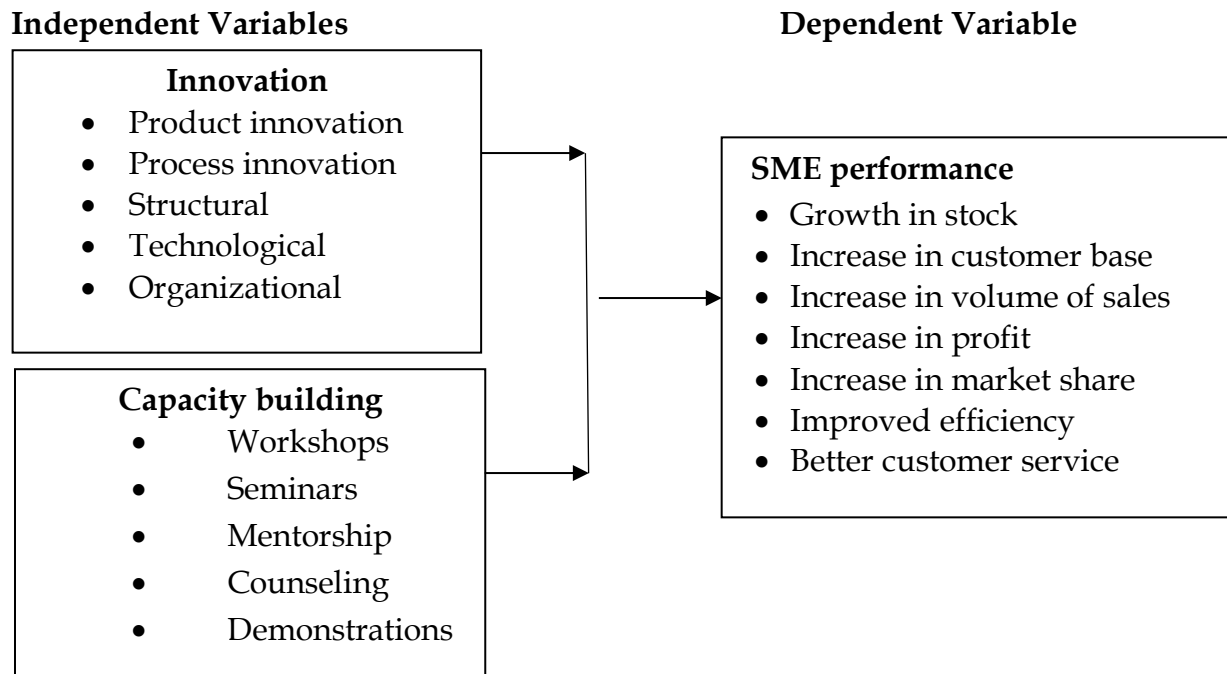
In Malaysia, Huynh et al. (2023) examined 284 manufacturing SMEs and confirmed that both product and process innovation positively affect performance, with product innovation having the greater effect. Forkuoh et al. (2020) reported comparable findings among Ghanaian manufacturing SMEs, where product innovation, particularly the introduction of entirely new products, significantly boosted sales and employment growth. These findings reinforce the importance of innovation but suggest that contextual and regional factors may affect outcomes.

In Kenya, Kenea (2020) assessed Heineken Beverage Companies and found that innovative practices positively correlate with financial performance, recommending structured innovation strategies for sustained success. Likewise, Kiiru, Mukulu, and Ngatia (2023) demonstrated that innovation enhances performance among animal feed manufacturers, emphasizing the value of an innovation-oriented culture. Jeje (2022), focusing on SME bakeries in Tanzania, also found that innovation strongly predicts performance, suggesting that enterprises must strengthen their innovation capacities to remain competitive.

On capacity building and entrepreneurship, it has been seen that capacity building programs plays a critical role in enhancing the performance and sustainability of small and medium-sized enterprises (SMEs). According to Fadeyibi and Sajuyigbe (2019), capacity-building initiatives empower entrepreneurs particularly women by equipping them with essential managerial, financial, and networking skills, as well as fostering risk-taking attitudes and cultural reorientation. These efforts enable entrepreneurs to achieve both short-term and long-term business goals. Similarly, Gul et al. (2012) conceptualized capacity building through dimensions such as skills and information, social structures, resource access, participation, and administrative competence, all of which strengthen enterprise resilience and performance. Overall, previous studies affirm that capacity building through structured training, managerial development, and institutional support positively effects SME growth and sustainability. However, most existing research has focused on general entrepreneurial training rather than examining the specific effects of capacity-building initiatives within SME incubation space. Consequently, the current study seeks to fill this contextual and empirical gap by exploring how capacity-building programmes affect the performance of incubated SMEs in Kisumu City, Kenya.

**CONCEPTUAL FRAMEWORK**

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

## METHODOLOGY

### Research Design

A research design serves as a framework that outlines the procedures for collecting and analysing data to answer specific research questions effectively. It ensures that the information gathered is relevant, valid, and capable of addressing the study objectives (Alexandrie, 2017). In this study, the descriptive design was appropriate because it enabled the researcher to obtain detailed information on how value-added programmes such as; innovation, capacity building, marketing support, and networking, affect the performance of small and medium enterprises (SMEs) under incubation programme. Data were collected from participants using structured questionnaires, supported by secondary information from organizational records, training reports, and programme participation data.

### Target Population

The target population comprised of 2,800 small and medium enterprises (SMEs) enrolled in business incubation programmes across Western Kenya, as well as 44 field officers from enterprise support organisations involved in implementing incubation programmes making a total target population of 2,844 respondents. These respondents were selected because of their direct participation in the programme implementation and their familiarity with value-added interventions such as product and process innovation, capacity building, marketing support, and networking. The unit of analysis for this study was the SME participating in the incubation programme. Each enterprise represented the primary entity whose performance outcomes such as sales growth, customer acquisition, and product innovation, were evaluated to determine the effect of value-added programmes. The unit of observation consisted of the individual respondents namely, SME owners, managers, and field officers who provided first-hand insights into their experiences and perceptions of the programmes' effectiveness. Data were gathered through a structured survey administered to these respondents, while secondary indicators, including records of participation in training sessions, innovation projects, and networking events, were used to supplement quantitative analysis. The summary of the target population is presented in Table 1.

**Table 1:** Target population

Respondent	Population	Percentage (%)
Business owners and managers	2800	98.5
Field Staff	44	1.5
<b>Total</b>	<b>2,844</b>	<b>100</b>

### Sample Size and Sampling Technique

Enterprise support organisations. Stratification allowed the inclusion of each subgroup based on its proportional representation within the total population, thereby improving precision and reducing sampling error. The population was divided into two strata as follows:

- i. **Stratum 1:** Managers and staff of 2,800 SMEs enrolled in the incubation programmes.
- ii. **Stratum 2:** 44 field officers from enterprise support organisations.

A random sample was drawn proportionally from each stratum to ensure that both SMEs and field officers were adequately represented. This approach helped capture a wide range of perspectives from enterprise owners, employees, and support officers, enhancing the accuracy and generalizability of the findings. According to Nassiuma (2000), the coefficient of variation (C.V.) should range between 21% and 30%, while the standard error (*d*) should fall between 2% and 5%. In this study, a C.V. of 21% and a *d* of 5% were adopted to achieve an adequate sample size that balanced reliability and representativeness. These parameters ensured minimal variability and reduced sampling error while maintaining a manageable and analytically valid sample

This formula is defined as follows.

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

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

$$n = \frac{1.96^2 * 0.3 * 0.7}{0.05^2}$$

$$= 323 \text{ respondents}$$

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.

### Research Instruments

A standardised questionnaire was used to collect data for this study. Questionnaires are efficient tools for gathering consistent information aligned with research objectives and allow for easy analysis (Chaudhry, 2015). Although they lack personal interaction and may result in incomplete or biased responses, careful design helps minimise these limitations.

The questionnaire contained three sections:

- i. Section A collected demographic data such as age, occupation, and education level.
- ii. Section B addressed the four independent variables innovation, capacity building, marketing support, and networking using Likert-scale statements.
- iii. Section C focused on the dependent variable, SME performance, measured through indicators like sales growth and product innovation.

Responses were rated on a five-point Likert scale (1 = *Strongly Disagree* to 5 = *Strongly Agree*), as recommended by De Corte et al. (2019), to quantify opinions and perceptions for statistical analysis. Two versions of the questionnaire were developed one for SME managers and employees and another for field officers to ensure relevance to each respondent group.

### 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. Cronbach's Alpha is commonly used to evaluate the internal consistency of a scale or test. Study adopted  $\geq 0.7$  - Acceptable The tool was validated by experts from enterprise-supporting organizations involved in value-adding programmes for supporting SMEs before it was utilised in a pilot study.

### Validity

According to Drost (2011), a research instrument must accurately measure what it intends to assess. To ensure this, both face and content validity were applied. Face validity focused on the clarity, simplicity, and logical layout of the questionnaire, ensuring respondents could easily understand and complete it. Content validity was assessed using the validity index formula proposed by Ahmad, Amin, and Mustafa (2022) to confirm comprehensive coverage of the research objectives. A pilot test involving 26 respondents was conducted, and the data were analysed using SPSS version 26. The Kaiser-Meyer-Olkin (KMO) test yielded a value of 0.723, which, according to Field (2009),

indicates sampling adequacy and confirms the instrument's validity since values above 0.6 are considered acceptable.

### **Reliability**

Reliability assesses the consistency of results across repeated applications of an instrument (Orodho, 2015). The study's reliability was tested using Cronbach's alpha coefficient, where a value of 0.7 or higher is considered acceptable (Kothari, 2014; Jooste & Fourie, 2009). The instrument achieved a Cronbach's alpha of 0.84, indicating high internal consistency and reliability.

### **Data Collection Procedure**

Data collection began after obtaining official authorization from the Postgraduate Studies Office at the Management University of Africa, followed by a research permit from the Kisumu County Government and the National Commission for Science, Technology, and Innovation (NACOSTI). Once approved, questionnaires were distributed to SME managers, employees, and field officers, with a five-day response window before collection for analysis.

### **FINDINGS**

Out of 323 questionnaires distributed, 314 were successfully returned and analysed, representing a satisfactory response rate of 78.5%. According to Babbie (2015), a response rate above 70% is considered adequate for descriptive research, making this study's response rate acceptable. The demographic analysis included variables such as gender, age, education level, years in business, work experience, and organizational position. The findings revealed that most entrepreneurs enrolled in the incubation programmes were male, indicating a gender imbalance in business participation. In terms of age, most respondents were between 36 and 45 years old, suggesting that middle-aged entrepreneurs are more actively engaged in business development and innovation activities.

Regarding education, most staff members held undergraduate degrees, while many entrepreneurs had only basic or technical education. This highlights the role of incubation programmes in bridging the skills gap through targeted training. In terms of business experience, most SMEs had operated between 5 and 9 years, followed by those with over 15 years of experience, indicating a mix of both established and growing enterprises. Most staff had worked in their organisations for between 5 and 9 years, suggesting they had sufficient experience supporting SMEs. Most respondents were business founders or owners, implying that decisions to join incubation programmes were largely made by enterprise leaders. Among support organisations, most respondents were field officers who directly interacted with SMEs, ensuring consistent programme monitoring and implementation.

The study also found that most organisations provided product development support, value addition, and business incubation programme, while fewer offered financial support. Engagement between SMEs and support organisations occurred mainly on a monthly or weekly basis, reflecting close follow-up and mentoring. Key challenges identified by SMEs included limited market access, inadequate financing, technological constraints, regulatory hurdles, and lack of skilled labour. These findings underline the need for enhanced capacity building, market linkages, and financial support mechanisms to strengthen SME performance.

### Descriptive analysis

**Table 2:** Innovation and performance of SMEs under the incubation programme

	SD	D	NS	A	SA
The incubation program has successfully encouraged SMEs to adopt innovative practices.	6.9%	0	0	0	93.1%
Innovation training had a positive effect on SME production processes.	8.0%	0	2.1%	27.1%	62.8%
The innovation program has effectively introduced SMEs to new technologies to improve business performance	0	15.1%	0	56.9%	28.0%
The program has supported SMEs in automating services to provide better client service.	0	26.6%	0	29.8%	43.6%
The program has effectively promoted digital communication strategies for SMEs.	6.9%	20.2%	0	35.3%	37.6%
Average	4.4%	12.4%	0.4%	29.8%	53.0%

The findings in Table 2 reveal that a vast majority of participants (93.1%) agreed that incubation programmes have successfully encouraged SMEs to adopt innovative practices, while only 6.9% disagreed. This suggests that the programmes have enhanced SMEs' understanding and application of technology in daily operations. Similarly, 62.8% strongly agreed and 27.1% agreed that innovation training positively effects SME production processes, with only 8% disagreeing. This indicates that training has helped SMEs appreciate the role of technology in improving efficiency and productivity.

Regarding the introduction of new technologies through innovation programmes, 56.9% agreed and 28% strongly agreed that these initiatives have improved enterprise performance, while 15.1% disagreed. This shows that most SMEs that participated in incubation programmes have successfully adopted new technologies that enhance competitiveness. Moreover, 43.6% agreed and 29.8% strongly agreed that incubation programmes have supported SMEs in automating services for better client service delivery, though 26.6% disagreed. This implies that digital automation is increasingly being embraced to improve customer experience.

When asked whether the incubation programmes have promoted digital communication strategies, 35.3% agreed and 37.6% strongly agreed, while a smaller proportion (27.1%) disagreed. This demonstrates that most SMEs have integrated innovative digital tools to enhance communication with clients. Overall, 79.8% of respondents agreed that participation in incubation programmes has improved innovation and overall performance, confirming the positive effect of such interventions.

The interview findings reinforced these quantitative results. One key informant noted that over 300 SMEs, particularly in the manufacturing sector, have reported improved stock turnover, profitability, and customer loyalty following their participation in value-added programmes in the western region. Another respondent explained that initial skepticism among entrepreneurs slowed enrolment, as some believed the programmes were not genuine. However, those who joined early benefited significantly through enhanced product development, innovation, and market expansion. These insights align with Kijkasiwat and Phuensane (2020) and Forkuoh et al. (2020), who found that innovation practices among SMEs significantly enhance market share, sales volume, and overall performance.

**Table 3:** Effect of capacity building programme on SME Performance

Capacity Building Program Statement	SD	D	NS	A	SA
Workshops have effectively provided SME participants with relevant business knowledge and skills.	6.4%	0	0	0	93.6%
Seminars have contributed to significant skill improvements for SMEs.	4.9%	0	3.2%	27.1%	64.8%
Mentorship programs are designed to enhance the performance of SMEs.	0	13.1%	0	58.9%	28.0%
Counselling sessions have had a positive effect on SME skill enhancement.	0	16.6%	0	39.8%	43.6%
Product development demonstrations have effectively helped SMEs improve their performance.	4.9%	2.2%	0	45.3%	47.6%
Average	3.2%	6.4%	0.6%	34.3%	55.5%

The results indicate that 93.6% of respondents strongly agreed that workshops effectively provided SMEs with relevant business knowledge, while only 6.4% disagreed. This finding reflects the positive effect of workshops organised by enterprise-supporting organisations under incubation programmes. Similarly, 64.8% strongly agreed and 27.1% agreed that seminars offered through these programmes have significantly enhanced SME skills, confirming their role in promoting capacity building and improved performance.

Interview findings supported these results. One respondent highlighted that the programme provides comprehensive training across various management areas to help SMEs understand their operations and identify areas for improvement. The interviewee further noted that innovation alone is insufficient without adequate capacity building, as information and communication technologies (ICTs) create new opportunities for efficiency and competitiveness. This underscores that capacity building is fundamental to SME success a conclusion supported by prior studies showing that equipping SMEs with the right skills and market knowledge enables them to thrive in dynamic business environments.

**Table 4:** Performance of SMEs

Performance indicator	SD	D	NS	A	SA
The incubation programme has improved the long-term sustainability of SMEs.	6.9%	4.6%	6.0%	48.2%	34.4%
SMEs have shown increased brand visibility and customer engagement.	0	8.3%	4.6%	60.1%	27.1%
The incubation programme has contributed to increasing revenue for SMEs.	0	1.4%	7.8%	52.3%	38.5%
There has been a noticeable increase in product or service innovation among SMEs	1.4%	6.9%	0.9%	66.5%	24.3%
The program has positively affected the SMEs' ability to meet operational and financial goals.	0	1.4%	7.8%	52.3%	38.5%

The results show that many respondents, 48.2% and 34.4%, agreed that the incubation programme has fostered long-term sustainability in SMEs, while only 6.9% and 4.6% disagreed. This indicates that SMEs participating in incubation programmes are more sustainable, as they outperform those not involved. The results also reveal that many respondents, 60.1% and 27.1%, agreed that SMEs that have embraced the incubation programme have demonstrated improved brand visibility and customer engagement, while only 8.3% and 4.6% disagreed. This suggests that, through incubation programmes, SMEs have enhanced their brand visibility and customer engagement in the market. Regarding whether the incubation programme has contributed to increased revenue for SMEs, many respondents, 52.3% and 38.5%, agreed with the statement, while 1.4% and 7.8% disagreed. This indicates that SMEs participating in the incubation programme have reported improved revenue performance. Concerning whether there has been a noticeable increase in product or service innovation among SMEs, most respondents, 66.5% and 24.3%, agreed with the statement, whereas 1.4% and 6.9% disagreed. This demonstrates that the incubation programme has provided significant opportunities for innovation in products and services among SMEs. Furthermore, it suggests that the incubation programme has positively affected SMEs' ability to achieve operational and financial objectives.

**Regression Analysis**

**Table 5:** Model Summary of Innovation (X1), Capacity Building (X2), 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), and Capacity Building (X2), 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 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 programs 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.

**Table 6:** Analysis of variance for Innovation (X1); capacity building (X2) on SME(Y) Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.281	2	9.320	65.634	.000 <sup>b</sup>
	Residual	29.844	212	.142		
	Total	67.125	314			

a. Dependent Variable: SME performance

b. Predictors: Innovation (X1); Capacity Building (X2);

The ANOVA findings, as shown in Table 6, 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.

**Table 7:** 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

**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 programmes 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 programmes, 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 programmes have greatly benefited from various capacity-building programmes, which have helped enhance their performance.

## CONCLUSION

The study concludes that value-added programmes implemented under the business incubation programme namely innovation, and capacity building, have a significant and positive effect on the performance of SMEs. The findings reveal that innovation programmes enhance SMEs' ability to adopt new technologies, improve production processes, and develop competitive products that meet customer needs. Capacity-building strengthen entrepreneurial and managerial skills, enabling SMEs to manage operations more effectively and achieve sustainable growth. 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 programmes benefit from enhanced knowledge, innovation, capacity building, and market integration. Strengthening value-added programmes is essential for promoting sustainable SME development, competitiveness, and contribution to economic growth.

## RECOMMENDATIONS

The study reinforces that value-added programmes such as innovation, capacity building, marketing, and networking significantly enhance SME performance and sustainability. Theoretically, it extends Social Capital and Dynamic Capabilities theories by showing how networks, trust, and adaptive competencies drive business growth. For policy, it urges governments and enterprise agencies to prioritise innovation-driven incubation programmes, promote cross-sector collaboration, and ensure sustainable funding and monitoring mechanisms to strengthen SME competitiveness. In practice, SMEs should embrace innovation, training, marketing, and networking programmes to improve efficiency, brand visibility, and market reach. Support organisations should offer sector-specific, practical training aligned with real business needs. For education, the study recommends integrating entrepreneurship and incubation training into academic and vocational curricula, fostering collaboration, innovation, and real-world business skills to nurture future entrepreneurs capable of sustaining enterprise growth.

## REFERENCES

- Abili, K. (2011). Social capital management in Iranian knowledge-based organisations. *Electronic Journal of Knowledge Management*, 9(3), 204–210.
- 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).
- 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.
- Amran, C. N., & Mwasiaji, 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.
- 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., & Mwasiaji, 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.
- 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.\*
- 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.
- Hossain, M. (2021). The effects of entrepreneurial orientation on SMEs' performance: Evidence from the manufacturing sector in Bangladesh. *International Journal of Entrepreneurial Behavior & Research*.
- 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.
- Malik, M. R., Hameed, I., & Sarfraz, M. (2023). Entrepreneurial leadership: A driver for sustainability in small and medium-sized enterprises. *Sustainability*, 15(4), 2500.