

Unlocking Entrepreneurial Success Through Business Incubation: The Mediating Effect of Innovation Capability

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Abstract

Entrepreneurship plays a critical role in promoting innovation, employment creation, and economic growth. Despite increasing investments in business incubation programs, many small and medium-sized enterprises (SMEs) continue to experience low entrepreneurial performance, suggesting that the mechanisms through which incubation support enhances business success remain insufficiently understood. This study examined the effect of business incubator support on entrepreneurial success and investigated the mediating role of innovation capability among SMEs in Uasin Gishu County, Kenya. The study was anchored on the Resource-Based View, Knowledge-Based View, and Dynamic Capabilities Theory, which posit that competitive advantage is achieved through the acquisition, development, and effective deployment of strategic resources and capabilities. An explanatory cross-sectional survey design was adopted. Primary data was collected from SME owner managers using a structured questionnaire. Data were analyzed using Structural Equation Modeling (SEM), and mediation was assessed using bootstrapping procedures. The results revealed that business incubator support had a significant positive effect on innovation capability while innovation capability significantly enhanced entrepreneurial success. Business incubator support also exerted a significant direct effect on entrepreneurial success. Furthermore, innovation capability significantly mediated the relationship between business incubator support and entrepreneurial performance, indicating partial mediation. The findings demonstrate that the influence of business incubation on entrepreneurial performance is achieved largely through strengthening SMEs' innovation capability. The study concludes that innovation capability is a strategic mechanism through which business incubation creates entrepreneurial value. It recommends that county governments, universities, and development partners strengthen innovation-oriented incubation programs by emphasizing mentorship, technology transfer, digital skills, collaborative networking, and product development. The study contributes to entrepreneurship literature by providing empirical evidence on the capability-building process linking business incubation to entrepreneurial performance within the context of SMEs in an emerging economy.

Keywords: *Business incubator support; innovation capability; entrepreneurial performance.*

1. Introduction

Entrepreneurship has become a critical driver of economic growth, innovation, employment creation, and competitiveness across both developed and developing economies. Small and medium-sized enterprises (SMEs) contribute significantly to national development through job creation, innovation, and poverty reduction. However, many startups experience high failure rates due to limited managerial expertise, inadequate financing, weak market linkages, and insufficient technological capabilities. These challenges are particularly pronounced in emerging economies where entrepreneurial ecosystems are still evolving (Sohail et al., 2023).

Entrepreneurial performance has become a central concept in entrepreneurship research due to its significance in understanding how entrepreneurial ventures create value, achieve growth, and contribute to economic development. Traditionally, entrepreneurial success or performance was primarily assessed using financial indicators such as profitability, sales growth, return on investment, and market share. However, the contemporary entrepreneurship literature has broadened this perspective by recognizing that entrepreneurial success extends beyond financial outcomes to include innovation, market competitiveness, business growth, social impact, and sustainability. As a result, entrepreneurial performance is increasingly viewed as a multidimensional construct that reflects the ability of entrepreneurs and their ventures to achieve both economic and non economic objectives (Bekata & Kero, 2025).

Globally, entrepreneurial performance is considered a key indicator of venture success and economic dynamism. Entrepreneurship contributes significantly to innovation, employment creation, productivity enhancement, and competitiveness across economies. In an increasingly knowledge-driven and technology-oriented business environment, entrepreneurial performance is no longer determined solely by access to financial resources. Instead, firms' capabilities to innovate, adapt to environmental changes, exploit opportunities, and develop competitive advantages have become critical determinants of performance. Recent studies indicate that innovation capability, entrepreneurial orientation, knowledge management, and dynamic capabilities are among the most influential drivers of entrepreneurial performance in contemporary business environments (Qasim et al., 2025). Consequently, scholars argue that entrepreneurial performance should be evaluated through multiple dimensions including financial performance, growth performance, market performance, innovation performance, and sustainability outcomes.

The multidimensional nature of entrepreneurial performance is particularly evident in startup and SME research. New ventures often prioritize customer acquisition, innovation, market penetration, and business growth during their early stages before realizing substantial profits. Therefore, relying exclusively on financial measures may underestimate entrepreneurial success. Contemporary entrepreneurship scholars emphasize the importance of assessing performance using both objective and subjective indicators that capture the broader achievements of entrepreneurial ventures. Such indicators may include sales growth, customer

growth, employment creation, market share expansion, new product development, customer satisfaction, and long-term sustainability (Seitz et al., 2026).

In Africa, entrepreneurial performance assumes even greater significance because entrepreneurship serves as a critical mechanism for addressing unemployment, poverty, and economic inequality (Chakuzira et al., 2024). Entrepreneurship in Africa is characterized by a combination of opportunity-driven and necessity-driven ventures, reflecting the unique socioeconomic realities of the continent. Consequently, entrepreneurial performance is often evaluated not only in terms of financial returns but also through its contribution to household welfare, employment generation, poverty reduction, and community development. Many African governments view entrepreneurship as a strategic tool for promoting inclusive economic growth and sustainable developments (African Union Commission, 2023)

Despite the growing importance of entrepreneurship across Africa, entrepreneurial ventures continue to face numerous challenges that hinder their performance. These challenges include limited access to finance, inadequate infrastructure, weak entrepreneurial ecosystems, insufficient managerial competencies, and low levels of innovation. As a result, many startups struggle to survive beyond their early years of operation (World Bank, 2022; International Finance Corporation, 2023; Organization for Economic Co-operation and Development, 2023).

Recent studies have highlighted innovation capability as a critical factor that enables African entrepreneurs to overcome resource constraints and achieve superior performance outcomes. Innovation allows firms to develop unique products, improve operational efficiency, respond to changing customer needs, and create competitive advantages within increasingly dynamic markets (Teece, 2018; Saunila, 2020; Organization for Economic Co-operation and Development, 2023). Consequently, policymakers and development agencies have increasingly invested in entrepreneurship support programs, business incubators, innovation hubs, and accelerators aimed at enhancing entrepreneurial capabilities and performance across the continent (African Development Bank, 2022; United Nations Conference on Trade and Development, 2022).

In Kenya, entrepreneurship plays a fundamental role in economic development and employment creation. The micro, small, and medium enterprise (MSME) sector contributes significantly to job creation, income generation, and economic growth. Kenya has gained international recognition as one of Africa's leading entrepreneurial and innovation hubs, particularly due to the rapid growth of technology-based enterprises and digital innovations (Kenya National Bureau of Statistics, 2023; World Bank, 2023; United Nations Conference on Trade and Development, 2022). Initiatives such as innovation hubs, startup accelerators, and business incubation programs have strengthened the country's entrepreneurial ecosystem and created opportunities for business growth and innovation (Kenya National Innovation Agency, 2023; United Nations Development Programme, 2022; World Bank, 2023).

Theoretically, entrepreneurial performance can be explained through several complementary perspectives. The Resource-Based View argues that firms achieve greater performance when they possess valuable, rare, inimitable, and non-substitutable resources (Jay Barney, 1991). Dynamic Capabilities Theory extends this argument by emphasizing the firm's ability to integrate, build, and reconfigure resources in response to environmental changes (David J. Teece, Pisano, & Shuen, 1997; David J. Teece, 2018). Similarly, Human Capital Theory suggests that entrepreneurial knowledge, skills, experience, and competencies significantly influence venture performance (Gary S. Becker, 1964). Social Capital Theory highlights the importance of networks, partnerships, and relationships in facilitating access to resources and opportunities that enhance entrepreneurial success (James S. Coleman, 1988; Nan Lin, 2001; David J. Teece, 2018). Collectively, these theories suggest that entrepreneurial performance is largely driven by the capabilities that firms develop and deploy rather than merely the resources they possess.

Therefore, this study examined the effect of business incubator support on entrepreneurial performance and to determine the mediating role of innovation capability among SMEs in Uasin Gishu County, Kenya. Guided by the Resource-Based View, Knowledge-Based View, and Dynamic Capabilities Theory, the study proposes that incubator provided resources and support mechanisms enhance innovation capability, which in turn improves entrepreneurial performance. The findings are expected to contribute to entrepreneurship theory while providing practical insights for policymakers, incubator facilitators, and entrepreneurs seeking to improve startup success and sustainable enterprise growth. Incubators have attracted increasing research attention for their potential to improve startup performance in terms of survival rates, innovation capacity, and growth trajectories (Barbero et al. 2014).

2. Problem Statement

Entrepreneurship has become a fundamental driver of economic growth, innovation, employment creation, and poverty reduction across both developed and developing economies. Small and medium-sized enterprises (SMEs) account for approximately 90% of businesses worldwide and contribute more than 50% of global employment, making them critical engines of economic development, innovation, and income generation (World Bank, 2023; International Finance Corporation, 2023). Consequently, governments, development agencies, and private-sector organizations have increasingly invested in entrepreneurial support mechanisms such as business incubators, innovation hubs, accelerators, and entrepreneurship training programs to improve venture creation, business survival, and competitiveness (Hausberg & Korreck, 2020; Wurth et al., 2023). Despite these interventions, startup failure rates remain persistently high because many new ventures continue to experience inadequate managerial competencies, limited access to finance, weak market linkages, resource constraints, and low innovation capability, particularly during their early stages of development (Sohail et al., 2023; Bouncken & Kraus, 2022). This raises important

questions regarding the effectiveness of business incubation programs in translating entrepreneurial support into sustainable entrepreneurial performance.

Kenya has developed one of the most vibrant entrepreneurial ecosystems in Sub-Saharan Africa through investments in innovation hubs, business incubators, technology parks, and entrepreneurship development programs. The Micro and Small Enterprises Authority (MSEA), universities, county governments, and private-sector organizations continue to support SMEs through entrepreneurship training, business advisory services, innovation support, market linkages, and access to finance (Kenya National Bureau of Statistics, 2023). Despite these initiatives, the MSME sector continues to experience low productivity, high business mortality, limited innovation, and slow enterprise growth. The 2022 Kenya MSME Survey reported that many enterprises struggle to expand because of financial constraints, weak managerial capacity, inadequate technology adoption, and limited innovation, all of which undermine entrepreneurial performance (Kenya National Bureau of Statistics, 2023).

The situation is particularly evident in Uasin Gishu County, one of Kenya's leading agricultural, commercial, manufacturing, and educational counties. The county has experienced substantial growth in SMEs, supported by initiatives implemented by the county government, universities, financial institutions, and entrepreneurship support organizations. Nevertheless, many SMEs continue to encounter challenges related to business sustainability, limited product and process innovation, inadequate commercialization of innovative ideas, weak market competitiveness, and slow business growth. These constraints limit the contribution of SMEs to employment creation, industrial development, and local economic transformation. Although entrepreneurship support programs have expanded within the county, there is limited empirical evidence demonstrating whether business incubator support translates into improved entrepreneurial performance through the development of innovation capability (Kenya National Bureau of Statistics, 2023; Micro and Small Enterprises Authority, 2023; World Bank, 2023; Organisation for Economic Co-operation and Development, 2023). Accordingly, there is a need to investigate the effect of business incubator support on entrepreneurial performance and to determine whether innovation capability mediates this relationship among SMEs in Uasin Gishu County.

3. Objectives of the Study

The study was guided on the following objectives;

- i. Determine how business incubation has influenced entrepreneurial success
- ii. Evaluate the effect innovation capability on entrepreneurial success of SMEs in Uasin Gishu County, Kenya
- iii. Investigate the indirect effect of business incubation on entrepreneurial success through innovation capabilities of SMEs

4. Literature Review

Recently, literature on regional entrepreneurship and entrepreneurial ecosystems, underline the importance of incubators as key intermediaries in fostering entrepreneurship and economic growth (Wurth et al. 2023; Feser 2023). Incubators are broadly defined as organizations that provide a combination of business support resources and services designed to accelerate the growth and success of early-stage startups. By providing customized resources such as mentorship, access to financing, and infrastructure, incubators aim to mitigate common challenges faced by nascent firms, including resource scarcity, limited networks, and barriers to market entry (Hausberg & Korreck 2021; Bouncken & Kraus 2022). Incubators have emerged as global phenomenon as a response to the need for structured support for startups during their early, high-risk development phases and have evolve into different forms to meet the needs of startups across different industries and contexts (Ratinho 2011).

Despite this growing interest, the academic literature on incubators remains conceptually fragmented and empirically inconsistent, as confirmed by recent bibliometric reviews (Deyanova et al. 2022). Early studies defined incubators as an emphasis on the provision of intangible resources such as mentoring, coaching, and access to networks and finance (Grimaldi and Grandi 2005; Hausberg and Korreck 2021). Moreover, over time incubators have evolved into different organizational forms, including business incubators that offer support to early-stage firms, university incubators linked to research institutions and focused on technology transfer, and science parks that combine physical infrastructure with innovation and R&D collaboration (Hausberg and Korreck 2021). These overlaps reflect a broader convergence between infrastructure-based, service-based, and network-based forms of entrepreneurial support, making it increasingly challenging to distinguish among organizational models and to understand how different types of incubation and support mechanisms influence startup performance. To address this issue, the literature has broadened further, incorporating incubators into the overarching category of Entrepreneurial Support Organizations (ESOs) together with entities such as accelerators, science parks, and entrepreneurship hubs that differ in duration, intensity, and relational structure of support but share the same goal of enabling entrepreneurship (Bergman and McMullen 2022; Feser 2023).

Moreover, the literature presents often contradictory results relative to the effectiveness of incubators on startups performance. While several studies report positive outcomes such as higher innovation activity, greater survival rates, and faster growth of incubated firms (Qi and Ning 2023) others suggest limited or even negative effects, arguing that incubated firms may become overly dependent on external support and struggle to operate independently after graduation (Lukeš et al. 2019).

These inconsistent findings suggest that incubator effectiveness may not be uniform but instead contingent upon program design, resource configurations, and contextual conditions. Moreover, they indicate that the performance implications of incubation may depend on how different incubation models interact with venture characteristics and institutional

environments. However, existing studies are often context-specific and dispersed across different research settings, which makes it difficult to draw universal conclusions. Accordingly, a systematic synthesis of prior evidence is needed to assess the overall effect of startup incubators on new venture performance.

Recent literature (Bergman and McMullen 2022) conceptualizes these entities under the umbrella of Entrepreneurial Support Organizations (ESOs), encompassing incubators, accelerators, science and technology parks, innovation hubs, and co-working spaces. Although these organizations differ in governance structures, objectives, and intensity of support, they share a common function: facilitating the creation, survival, and growth of new ventures by addressing structural and market failures that constrain entrepreneurship (Clayton et al. 2018; Theodoraki and Messeghem 2020; Bergman and McMullen 2022). Among these intermediaries, incubators have become one of the most established organizational forms designed to assist nascent. They provide structured access to physical and cognitive resources space, infrastructure, mentorship, financing opportunities, and networks to mitigate liability of newness, by supporting startups in overcoming resource scarcity, lack of legitimacy, and limited access to networks (Vanderstraeten et al. 2020).

Despite their growing importance, research on incubators remains highly fragmented and conceptually inconsistent. A recent bibliometric analysis by Deyanova et al. (2022) confirms that the field is characterized by terminological ambiguity and frequent overlaps with other intermediary forms of entrepreneurial support. This fragmentation reflects the continuous evolution of incubation practices and the coexistence of diverse models across sectors and regions (Hausberg and Korreck 2021). The literature indeed reveals a progressive evolution in the nature and function of incubators. Over time, incubation practices expanded beyond physical infrastructure toward second-generation, service-based models, emphasizing managerial training, consultancy, and access to finance, thus introducing more structured and intangible forms of support, often managed through public–private or university partnerships (Hackett and Dilts 2004; Bruneel et al. 2012). Later, third-generation incubators adopted a network-based logic, positioning themselves as intermediaries within broader innovation systems and focusing on relational and knowledge-based resources that enable startups to develop strategic partnerships, engage in R&D collaborations, and connect with investors and industry experts (Hausberg and Korreck 2021).

The role of incubators has expanded to offer specialized support that not only addresses the operational challenges of new ventures but also helps long-term growth through resource allocation and strategic guidance (Von Zedtwitz and Grimaldi 2006). Modern incubators, indeed, emphasize high-value services, including mentoring, access to capital, and networking opportunities. In particular, these services are increasingly targeted toward specific sectors, such as biotech, IT, and renewable energy, reflecting the dynamic needs of knowledge-intensive startups (Hausberg and Korreck 2021). Overall, the evolution of incubators

illustrates a shift from infrastructure and facility-driven support toward knowledge- and network-driven incubation.

Beyond incubators, other organizational forms such as science and technology parks, innovation hubs, and co-working spaces perform overlapping functions in supporting entrepreneurship and innovation (Hausberg and Korreck 2021; Bergman and McMullen 2022). Science and technology parks were originally designed to host research oriented and high-tech firms and to facilitate university industry collaboration (Diez-Vial and Montoro-Sánchez, 2017). Over time, many have integrated incubation activities, providing mentorship, venture support, and access to R&D networks (Hobbs et al. 2017). As a result, they increasingly operate as hybrid organizational models that bridge academic research and entrepreneurial experimentation, reinforcing regional innovation systems (Fritsch and Storey 2014). Similarly, innovation hubs and co-working spaces support early-stage entrepreneurship by fostering community-based learning, peer interaction, and open innovation practices (Bergman and McMullen 2022).

Accelerators represent another important intermediary in the entrepreneurial ecosystem but operate according to a distinct logic compared to incubators. While both provide structured support to startups, accelerators are typically short-term, cohort-based, and investment-driven programs aimed at rapid scaling and market entry, often in exchange for equity (Seitz et al. 2025). Incubators, by contrast, emphasize gradual capability development and resource accumulation over longer time horizons, whereas accelerators prioritize speed, investment readiness, and market exposure (Hausberg and Korreck 2021).

Recently, the entrepreneurial ecosystem perspective has extended this logic to a systemic level, emphasizing the interdependence of actor's startups, investors, corporations, universities, and public institutions in enabling entrepreneurship (Wurth et al. 2023). In these ecosystems, incubators play a central mediating role by coordinating resources, legitimizing ventures, and strengthening regional innovation capacity (Theodoraki and Messegheem 2020; Kraus et al. 2021; Bouncken and Kraus 2022). These perspectives underline the importance of considering incubators not merely as organizational forms but as a relational process embedded within multi level regional systems of innovation and entrepreneurship. To this extent, incubators have become integral components of regional innovation systems and infrastructures supporting entrepreneurship (Lamine et al. 2018).

5. Research Methodology

Research Design: The study employed an explanatory and cross-sectional survey research design. The explanatory design was appropriate because the study sought to explain the causal relationships between business incubator support, innovation capability, and entrepreneurial performance. A cross-sectional survey allowed data to be collected from respondents at one point in time, making it suitable for examining relationships among variables within SMEs operating in Uasin Gishu County.

Study area: The study was conducted in Uasin Gishu County, Kenya. The county is one of Kenya's leading commercial, agricultural, manufacturing, and educational hubs. It hosts a vibrant SME sector operating in agribusiness, manufacturing, wholesale and retail trade, transport, hospitality, ICT, and professional services. The county has also benefited from entrepreneurship support initiatives offered by universities, financial institutions, county government programs, and business incubation centers, making it an appropriate setting for examining the relationship between business incubator support, innovation capability, and entrepreneurial performance.

Sample Size Determination: The sample size was determined using Cochran's (1977) formula for large populations:

$$n = \frac{Z^2 p(1 - p)}{e^2}$$

Where:

n = sample size,

Z = Standard normal deviate corresponding to the desired confidence level (1.96 at 95% confidence)

p = Estimated proportion of the population possessing the attribute of interest (0.50) and

e = Desired margin of error (level of precision of 0.05).

Substituting these values yields an initial sample size of 384 SMEs respondents.

Table 1: Measurement and description of the variables

Variables	Description
Business incubation	
Mentorships	Guidance from the experts and experienced entrepreneurs
Business trainings	Being able to have managerial and entrepreneurial skills
Financial support	Access to funds
Market linkages	Business partnership and customers accessibility
Innovative capability	
Product innovation	Able to develop new products

Market innovation	Having innovative marketing strategies and channels
Process innovation	Improved operational processes
Entrepreneurship success	
Financial performance	Sales and profit growth
Business growth	Employment growth, expansion and customer growth
Sustainability	Competitive advantage and business continuity

Estimated Model: The study used Hayes Model 4 for mediation analysis;

The general equation of the form;

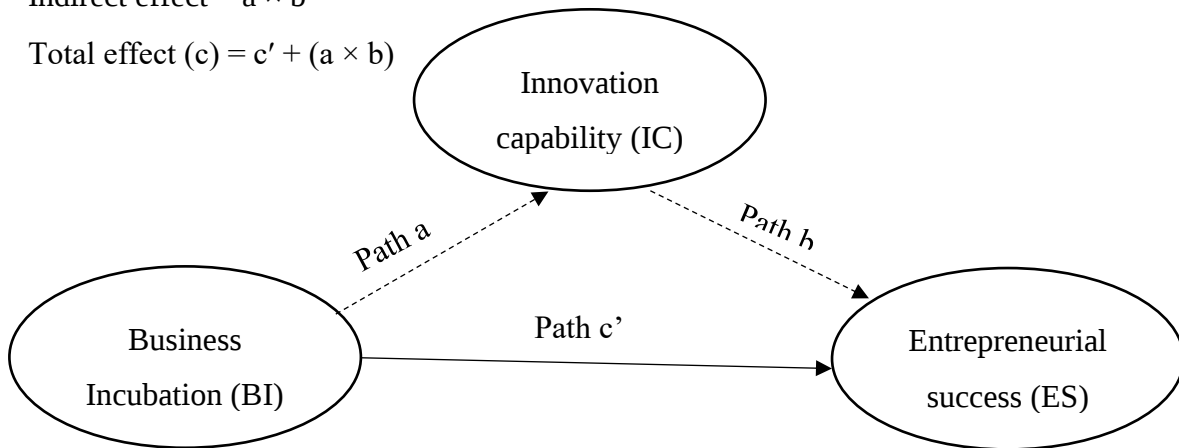
Path a = Effect of business incubator support on innovation capability

Path b = Effect of innovation capability on entrepreneurial success

Path c' = Direct effect of business incubator support on entrepreneurial success

Indirect effect = $a \times b$

Total effect (c) = $c' + (a \times b)$



Business Incubation → Innovation capability → Entrepreneurial success

6. Results

The reliability of the measurement scales was assessed using Cronbach's alpha coefficients. The results in Table 1 indicate that all constructs demonstrated satisfactory internal consistency reliability. All coefficients exceeded the recommended threshold of 0.70 (Hair et al., 2022) implying measurement scales were reliable for subsequent analysis. These findings

suggest that the questionnaire items consistently measured their respective latent constructs and that the responses obtained from entrepreneurs were dependable.

Table 2: Results from the Model Estimation

Structural Model					
Hypothesis	Relationship	β	Z	P	95%CI
H_{01}	Path a: BI→IC	0.615***(0.045)	13.62	0.000	(0.327, 0.709)
H_{02}	Path b: IC→ ES	0.459***(0.050)	9.16	0.000	(0.360, 0.537
H_{03}	Path c': BI→ES	0.201***(0.048)	4.17	0.000	(0.106, 0.295)
H_{04}	Indirect effect BI→ IC →ES	0.282***(0.031)	7.60	0.000	(0.209, 0.355)
Reliability results					
Business innovation		Cronbach alpha=0.872			
Innovation capability		Cronbach alpha=0.773			
Entrepreneurial success		Cronbach alpha=0.836			
Convergent Validity					
Business innovation		Average variance extracted=0.83			
Innovation capability		Average variance extracted =0.71			
Entrepreneurial success		Average variance extracted =0.82			

KEY: BI: Business Innovation, IC: Innovative Capability, ES: Entrepreneurial Success

Convergent validity was evaluated using the Average Variance Extracted (AVE). These values were substantially higher than the recommended minimum threshold of 0.50 (Hair et al., 2022), indicating that each construct explained more than 50% of the variance in its observed indicators confirming measurement items converged adequately.

The standardized coefficient of 0.615 indicates a strong positive relationship, suggesting that entrepreneurs who receive greater incubation support are more likely to develop stronger innovation capabilities. Specifically, improvements in incubation services such as mentorship, business development support, networking opportunities, access to finance, infrastructure, and market linkages significantly enhance entrepreneurs' ability to develop innovative products, improve business processes, adopt new technologies, and implement effective organizational practices. The large z-statistic (13.62) and the narrow confidence interval that excludes zero further demonstrate the robustness of this relationship. These findings support the Resource-Based View (Jay Barney, 1991), which argues that organizations derive competitive advantage from valuable resources and capabilities.

Business incubators provide strategic resources that entrepreneurs transform into innovation capabilities, thereby strengthening their competitiveness. These findings are consistent with Sohail et al. (2023), who reported that business incubation enhances entrepreneurial learning and capability development through mentorship, networking, and knowledge-sharing mechanisms. Similarly, Seitz et al. (2026) found that incubators positively influence innovation and venture development by improving entrepreneurs' access to strategic resources.

Further, innovation capability had a substantial positive influence on entrepreneurial success. This implies that entrepreneurs who continuously develop innovative products, improve operational processes, introduce creative marketing strategies, and adopt modern organizational practices are more likely to achieve higher levels of financial performance, business growth, market competitiveness, and long-term sustainability. These findings support the Dynamic Capabilities Theory (Teece, Pisano, & Shuen, 1997), which posits that firms capable of sensing opportunities, seizing market changes, and continuously reconfiguring resources outperform competitors. Innovation capability enables entrepreneurs to adapt to changing customer needs and competitive environments, thereby enhancing business success. The results are also consistent with Bekata and Kero (2025), who found that innovation capability significantly improves SME performance by facilitating opportunity exploitation and organizational competitiveness. These findings corroborate previous studies suggesting that business incubators improve startup survival, venture growth, and business sustainability by reducing resource constraints and facilitating access to critical entrepreneurial support services (Seitz et al., 2026).

The mediation analysis indicates that innovation capability exerts a positive and statistically significant indirect effect on the relationship between business incubation and entrepreneurial success. The indirect effect is statistically significant because the bootstrap confidence interval does not include zero. Furthermore, the indirect effect (0.282) is larger than the direct effect (0.201), suggesting that innovation capability is an important mechanism through which business incubation enhances entrepreneurial success. Since both the direct effect ($\beta = 0.201$) and the indirect effect ($\beta = 0.282$) remain statistically significant, the findings indicate partial mediation rather than full mediation. This implies that business incubation improves entrepreneurial success both directly and indirectly through strengthening entrepreneurs' innovation capabilities. Innovation capability has enabled SMEs in Uasin Gishu County, Kenya to compete effectively in agriculture, manufacturing, trade, and service sectors that characterize the county's economy. The findings indicate that entrepreneurs who continuously innovate are better positioned to exploit emerging opportunities arising from agro-processing, digital commerce, export promotion, and regional markets. The county government has increasingly emphasized value addition, innovation, export promotion, and digital transformation as mechanisms for improving the competitiveness of SMEs.

These findings suggest that incubation programs have not merely provided infrastructure and financial support but should have deliberately strengthened entrepreneurs' capacity to innovate. Mentorship, technology transfer, collaborative learning, and innovation-oriented training appear to be critical mechanisms through which incubation services create long-term entrepreneurial success. The results provide empirical support for the Knowledge-Based View of the firm, which argues that knowledge acquisition, learning, and innovation capabilities are the primary sources of sustained competitive advantage. Facilitating access to knowledge networks, expert mentoring, and collaborative innovation, business incubators enable entrepreneurs to transform acquired knowledge into valuable innovations that ultimately enhance venture success.

Furthermore, innovative capability for SMEs in Uasin Gishu serves as a strategic bridge linking business incubation to entrepreneurial success. Therefore, the effectiveness of incubation programs should be evaluated not only by the resources they provide but also by their ability to develop entrepreneurs' innovation capabilities. These findings contribute to entrepreneurship literature by explaining the underlying mechanism through which business incubation translates into superior entrepreneurial outcomes, particularly among SMEs operating in emerging economies.

These findings also indicated partial mediation because both the direct effect ($\beta = 0.201$) and the indirect effect ($\beta = 0.282$) are statistically significant. Moreover, the indirect effect is stronger than the direct effect, suggesting that a substantial proportion of the influence of business incubation on entrepreneurial success occurs through enhancing innovation capability. For SMEs in Uasin Gishu County, this finding has significant practical implications. It suggests that business incubation programs should not be evaluated by the number of entrepreneurs trained or the amount of financial support provided. Rather, their effectiveness depends on whether they successfully develop entrepreneurs' capacity to innovate. Mentorship programs, technology transfer, business coaching, digital skills training, product development support, and collaborative networking should therefore form the core components of incubation programs.

The finding is particularly timely because Uasin Gishu County is investing in SME incubation centers, business development services, digital transformation, intellectual property awareness, market access initiatives, and value-addition programs as part of its strategy to position the county as a regional economic hub. These initiatives are expected to improve innovation capability, which subsequently enhances entrepreneurial success among SMEs.

The findings demonstrate that business incubation contributes to entrepreneurial success both directly and indirectly. However, the stronger indirect effect underscores the importance of innovation capability as the primary mechanism through which incubation programs create value. Consequently, policymakers, incubator managers, development partners, and county governments should prioritize innovation-oriented incubation services that strengthen entrepreneurs' ability to develop innovative products, improve business processes, adopt

digital technologies, and respond effectively to changing market conditions. Such an approach is likely to improve the competitiveness, sustainability, and long-term success of SMEs in Uasin Gishu County.

7. Discussion of the findings

Entrepreneurial success remains a critical outcome for both scholars and policymakers because it reflects the extent to which entrepreneurial ventures achieve financial growth, market expansion, innovation success, and business sustainability. Previous studies have established direct relationships between incubator support and venture performance, limited attention has been given to understanding the mechanisms through which incubator services influence entrepreneurial outcomes. Business incubators provide entrepreneurs with a range of resources including mentorship, training, networking opportunities, access to finance, infrastructure, and business development services. According to Seitz et al. (2026), incubators have emerged as important institutional mechanisms for fostering entrepreneurial activity and improving venture performance.

Given the increasing importance of innovation in today's business environment, innovation capability has emerged as one of the most critical determinants of entrepreneurial performance. According to Paovangsa et al. (2025), firms with strong innovation capabilities are better positioned to develop new products, improve operational processes, adopt emerging technologies, and respond effectively to market changes. In the context of business incubation, incubators provide entrepreneurs with access to mentorship, training, networking opportunities, knowledge resources, and technological support that strengthen innovation capability. Consequently, innovation capability may serve as a key mechanism through which business incubator support translates into improved entrepreneurial performance.

Existing literature increasingly suggests that business incubators contribute to entrepreneurial success through the development of innovation capabilities. Incubation services provide access to knowledge, expertise, technological support, and networks that stimulate innovation activities within startups. Consequently, incubated firms are more likely to develop innovative products, adopt efficient processes, and create effective business models that enhance entrepreneurial performance (Sohail et al., 2023; Seitz et al., 2026). The growing significance of business incubation is reflected in the rapid expansion of incubation programs worldwide. Recent evidence indicates that there are more than 10,000 incubators globally, highlighting their increasing role in supporting startup development and entrepreneurial ecosystems (Sohail, Belitski, & Christiansen, 2023). Business incubators facilitate access to resources, capabilities, technology, and knowledge transfer mechanisms that enhance startup performance and competitiveness.

From a theoretical perspective, incubators create value by enabling entrepreneurs to acquire strategic resources and capabilities that would otherwise be difficult to access. Through

mentoring, coaching, training programs, and collaborative networks, incubators promote knowledge sharing and organizational learning. These interventions enhance the ability of entrepreneurial firms to identify opportunities, develop innovative solutions, and respond effectively to changing market conditions (Sohail et al., 2023).

Among the strategic capabilities developed through incubation, innovation capability has received increasing attention in entrepreneurship and innovation research. Innovation capability refers to a firm's ability to transform knowledge, ideas, and resources into new products, services, processes, and business models that create value and competitive advantage (Rajapathirana & Hui, 2018; Saunila, 2020; David J. Teece, 2018). Firms possessing strong innovation capabilities are better positioned to adapt to environmental changes, exploit emerging opportunities, and achieve superior performance outcomes. Recent empirical evidence indicates that innovation capability significantly enhances SME performance and serves as an important mechanism through which entrepreneurial and customer orientations influence organizational success (Bekata & Kero, 2025). Innovation capability is particularly important for entrepreneurial ventures operating in dynamic and uncertain environments. Contemporary studies suggest that organizations capable of generating and implementing innovative ideas achieve higher levels of competitiveness, growth, and sustainability. Furthermore, innovation enhances business performance by improving products, processes, and organizational practices, thereby enabling firms to meet evolving customer needs and market demands (Qasim et al., 2025).

Open innovation, which emphasizes rapid product development and market entry through external collaborations and idea sharing, seems to prioritize speed and agility (Satar et al., 2025). This focus can appear at odds with the principles of sustainability, which often require more deliberate and systemic changes. However, this apparent contradiction underscores an important point in today's business environment: integrating sustainability into open innovation processes is not only necessary but also beneficial. Balancing the urgency of open innovation with the thoughtful implementation of sustainable practices can lead to solutions that are both innovative and responsible (Gonçalves et al., 2024).

The emergence of sustainable open innovation stems from a confluence of factors reflecting shifts in societal, economic, and environmental paradigms. Firstly, the recognition of pressing global challenges, such as climate change, resource scarcity, and social inequality, has necessitated a reevaluation of traditional innovation models (Matos et al., 2022). These challenges demand collaborative, cross-sectoral solutions that go beyond the capabilities of any single organization or sector. Secondly, advancements in communication technology have facilitated greater connectivity and information sharing among individuals and organizations worldwide. This connectivity has democratized access to knowledge and expertise, enabling widespread participation in the innovation process.

8. Conclusion

This article concludes that business incubator support plays a significant role in enhancing entrepreneurial success among SMEs in Uasin Gishu County, Kenya, both directly and indirectly through innovation capability. The findings demonstrate that entrepreneurs who receive comprehensive incubation support including mentorship, business advisory services, networking opportunities, access to finance, infrastructure, technology support, and market linkages are better equipped to develop innovation capabilities that enable them to introduce new products, improve business processes, adopt modern technologies, and respond effectively to changing market conditions. These capabilities subsequently translate into improved entrepreneurial performance in terms of business growth, market competitiveness, financial performance, and long-term sustainability.

The mediation analysis further established that innovation capability is a critical mechanism through which business incubator support influences entrepreneurial success. The significant indirect effect, which is stronger than the direct effect, indicates that while business incubation contributes directly to entrepreneurial performance, its greatest impact is achieved by strengthening entrepreneurs' capacity to innovate. The presence of partial mediation suggests that incubation programs create value not only by providing tangible resources and business support services but also by fostering the knowledge, learning, and innovation capabilities required for sustained enterprise success.

The study underscores the need for policymakers, county governments, business incubator managers, universities, and development partners to reorient incubation programs toward innovation-driven support. Rather than measuring incubation success solely by the number of enterprises supported or the financial resources provided, greater emphasis should be placed on strengthening innovation capability through mentorship, technology transfer, digital skills development, product and process innovation, collaborative networking, and market-oriented business development services. Such interventions are likely to enhance the competitiveness, resilience, and sustainability of SMEs, thereby contributing to employment creation, economic transformation, and regional development in Uasin Gishu County and other emerging economies with similar entrepreneurial contexts.

9. Recommendations

- i. The County Government should strengthen the entrepreneurial ecosystem by expanding business incubation centers, innovation hubs, and SME support programs. It should also promote partnerships with universities, financial institutions, and the private sector to enhance SMEs' access to innovation, finance, technology, commercialization, and markets.
- ii. Universities should integrate innovation management, digital entrepreneurship, and business incubation into their curricula while strengthening collaboration with SMEs

through research commercialization, technology transfer, and enterprise development initiatives.

- iii. Entrepreneurs should actively participate in business incubation programs and continuously invest in innovation capability through product development, process improvement, digital technology adoption, and organizational learning to improve business competitiveness and sustainability.
- iv. Development partners and financial institutions should provide innovation financing, seed capital, and capacity-building programs that enhance technology adoption, innovation capability, and market expansion for high-potential SMEs.

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