



Influence of Creativity and Innovation on Family Business: An Empirical Investigation in Oyo State, Nigeria

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ABSTRACT

This study examines the influence of creativity and innovation on the entrepreneurial performance of family business and also determines the factors affecting creativity and innovation in the family business. Simple random technique was used to select one hundred and five (105) manufacturing subsectors from one thousand six hundred and sixty (1,660) registered with Manufacturing Association of Nigeria (MAN). Structured questionnaire designed for the study was used to collect data from the owners/managers of the selected manufacturing subsectors. Data analysis was performed with the aid of Ordinary Linear Square (OLS) and Factor Analysis. Results show that creativity and innovation have significant influence on family business performance in term of profit level, productivity and customer satisfaction. The study also confirms that lack of infrastructural facilities and lack of knowledge and skills are most factors devitalizing creativity and innovation among entrepreneurs in Nigeria. Subsequently, the study therefore recommends that government should provide enabling environment for family business to employ new technology and also, centre for family business should be established to partner with tertiary institutions so as to have training, conferences and workshops on entrepreneurial creativity and innovation on regular basis in the country. This will enable them to adopt creativity and innovation in their daily operations to enhance their productivity.

Keywords: Innovation, Creativity, Family Business, Performance, Knowledge and Skills

INTRODUCTION

Nigeria is blessed with both human and mineral resources and the country is the most populous in Africa with over 170 million people. Nigeria is one of the largest oil producing countries in the world and it has largest economy in Africa. Despite these indices of greatness and opportunities, Nigeria cannot find its feet among the comity of nations. Nigeria citizens are wallowing in abysmal poverty due to high rate of unemployment. To support this assertion, Adogamhe (2007) claims that despite Nigeria's vast oil wealth and abundant human resources, fluctuating oil prices, endemic corruption and mismanagement of resources have undermined economic progress and made the majority of the population live in abysmal poverty.

Family businesses have been tagged as an alternative paradigm to poverty alleviation and employment generation globally. Family businesses have been documented in the literature as a driving force for economic growth and development. According to Bernard (2013), family-owned businesses generate about 79% jobs and account for two-third of GDP in India. They also create about 85% employment

and account for about 50% of the GDP in Brazil. Family-owned businesses account for about 70 and 95% of all business entities in most countries around the world and also create between 50 and 80% employment (Family Firm Institute, 2014). Realising the pivotal role of family businesses in employment generation and poverty alleviation, successful governments put up strategies and programmes in place to ensure the survival, continuity and longevity of family businesses in Nigeria. In spite of these efforts, there are still many evident of cases of family owned business, regardless of size, face significant challenges of continuity, longevity, and success with many of the business families failing to sustain their firms beyond the first generation. (Fillis & Rentschler, 2010). This indicates that a gap still exist in literature on the effective execution of family business with a greater impact on the economy.

Creativity and innovation have been identified by scholars and researchers as veritable tools that can make Family businesses remain, survive and wax stronger in a global competitive environment. According to Anderson, Potonik and Zhou (2014), creativity and innovation in the workplace have become increasingly important determinants of organizational performance, success, and longer-term survival. Authors affirm that organizations seek to harness the ideas and suggestions of their employees; it is axiomatic that the process of idea generation and implementation has become a source of distinct competitive advantage. Creativity according to Poza (2004) is the ability to realize creative product. Kuczmarski, Middlebrooks and Swaddling (2000) suggest that innovation brings a new perceived benefit or value to a customer, employee, or shareholder. The new perceived benefit ranges from minimal to massive and may be functional, psychological, emotional, or financial.

According to Anderson, Potonik and Zhou (2014), creativity and innovation is the process, outcome, and product of various attempts made to develop and introduce new and improved ways of doing things. The creativity stage, according to the authors, refers to the idea generation, and innovation to the subsequent stage of implementing ideas toward better procedures, practices, or products. Authors also note that creativity and innovation can occur at the level of the individual, work team, organization, or at more than one of these levels combined, but will invariably result in identifiable benefits at one or more of these levels of analysis.

Based on this background, this study intends to examine the influence of creativity and innovation on small and medium family enterprises in Oyo State, Nigeria.

Research Questions

The following questions are the focus of this study;

- i. To what extent do creativity and innovation influence family businesses' performance?
- ii. What are the factors affecting creativity and innovation in family businesses?

Research Objective

The main objectives of this study are to;

- i. Examine the influence of creativity and innovation on the performance of family businesses.
- ii. Identify the factors affecting creativity and innovation in family businesses.

Research Hypothesis

The following hypothesis was formulated in null form;

H₀₁: Creativity and innovation have no significant influence on family businesses' performance.

LITERATURE REVIEW

Concept of Family Business

Family businesses represent the oldest and most prevalent type of entities in the world, thus, it remains a cornerstone of overall socio-economic development regardless of scale of operation, legal form and industrial activity (Poutziouris, Smyrnios & Klein, 2006). According to Litz, Pearson and Litchfield (2012), family business research emerged in the 1960s from essentially practitioner research and was not initially accepted as a discrete field of academic research by business schools. There no universal acceptable definition of family business. The definition of family business varies from author to author and from country to country. For instance, Reay and Whetten (2011) define a family business as a corporation that is majorly owned by the members of a single family. In other words, a family business is a business in which members of a family have significant ownership interest and significant commitments towards the business' overall well-being. European Family Businesses. (2012) also define family business as any business in which a majority of the ownership or control lies

within a family and in which two or more family members are directly involved. They went further to posit that it is also a complex, dual system consisting of the family and the business.

According to International Finance Corporation (2012), family businesses range from small and medium-sized companies to large conglomerates that operate in multiple industries and countries. Hisrich, Peters and Shepard (2008) also define family business as one family controls the ownership totally or mainly, but the family does not need to deal with the management issue directly. Family business constitutes the whole gamut of enterprises in which an entrepreneur and one or more family members have a significant influence on the enterprises via their participation, their ownership control, their strategic management, and so on. According to the author, participation refers to the nature of the involvement of family members in the firms, whether as part of management team, board of directors, or shareholders. According to the European Commission (ECC) family business review (2009), family business is a term which is exclusively applied to every conceivable area, such as public and policy discussions, to legal regulations, as an eligibility criterion for support services, and to the provision of statistical data and academic research.

Concept of Creativity

According to Groborz and Nęcka (2003), the concept of creativity includes not only the features of the intellect, but also motivational aspects and personality qualities. Author notes that the concept of creative human capital (i.e. capable of generating new/original solutions, also valuable in cognitive, aesthetic, pragmatic or ethical terms), both in the macro – and micro-scale, refers primarily to employees and managers. Hys (2010) defines creativity as the ability to think creatively and ability to come up with new ideas, concepts, or new associations and links with the existing ideas or concepts. In the same vein, Morawski (2004) defines creativity as the result of the interaction of intellectual competencies, creative talents, personality traits, and the widely understood socio- -cultural and economic environment.

Creativity according to Pfeiffer (1979) is a piece of work which is first to a significant extent new, original, and unique and second shows a high degree of success in its field. Therefore, creativity refers to the generation of novel, useful idea, and employees' ability to create new practical ideas. In line with the above definitions, Steiner and Weber (1993) attribute creativity to; the ability to generate a large number of ideas in a short time, constant search for new solutions, the ability to choose the optimal solution, perseverance in overcoming difficulties, motivation as a problem and a challenge, tolerance and respect for different opinions, avoiding taking a stance on a matter too early, openness to criticism, relativistic view of reality and independence of judgments (Nawrat, 2013).

Concept of Innovation

According to Letenyeyi (2001), the concept and practice of innovation became closely associated with economic gain and competitive advantage in the 1930s. Author argues that theory of economic development is based on five types of economic innovations: set up or discovery of a new product, a new manufacturing process, a new market, source or new organization. According to Bessant and Tidd (2011), introduction of innovation has become one of the ways of searching new sources to ensure competitive advantage not only of large companies, but also small and medium-sized enterprises. Gliddon (2006) defines innovation as the successful implementation of a creation and this innovation seems to foster growth, profits and success. According to Kuo and Wu (2008), an innovation is any good service or idea that is perceived by someone as new. The Oxford Learner Dictionary defines it as the introduction of new things, ideas, or ways of doing things/something, which is yet to be carried out by anyone or that is unique (Osaenwe, 2012). Innovation therefore, is the successful implementation of novel ideas within an organization. Innovation can be viewed as a novel idea that has been implemented and generally accepted which makes an organization unique or produce a unique product or services (Osaenwe, 2012).

The Need for Creativity and Innovation in Family Businesses

In today's rapidly changing business environment, there is no doubt that creativity and innovation are key factors in family business growth. Empirical studies support the existence of the relationship between creativity and innovative behaviour of family businesses and their performance (Norek 2014; Osaenwe, 2012; Bessant & Tidd, 2011; Groborz & Nęcka, 2003). Osaenwe (2012) argues that creativity and innovation are only managerial tools that can help family businesses to achieve competitive advantage over other businesses through improving the quality of its product and improving the production process. In the same vein, Kuo and Wu (2008) assert that competitive

advantage in term of organization’s ability to perform in one or more ways than competitors can only be achieved through creativity and innovation. Letenyeyi (2001) also re-affirms that creativity and innovation are associated with competitive advantage in both growing and mature markets. Similarly, Hisrich, Peters and Shepard (2008) opine that the chances of a family firm to survive and to be successful are becoming ever more dependent on creativity and innovation. Not only product innovation is important to maintain a sufficient market share, but also process innovation to produce below price level, and social innovation to maintain a flexible and durable organization. In another study, Anderson, Potonik and Zhou (2014) agree that creativity and innovation are elements of managerial competency that increasing the effectiveness of managers in conditions of the dynamically changing environment.

This implies that for small and medium family enterprises to remain and wax stronger in a global competitive environment, there is need for these businesses to continuously search for the development of its product and services through creativity and innovation.

Conceptual Framework

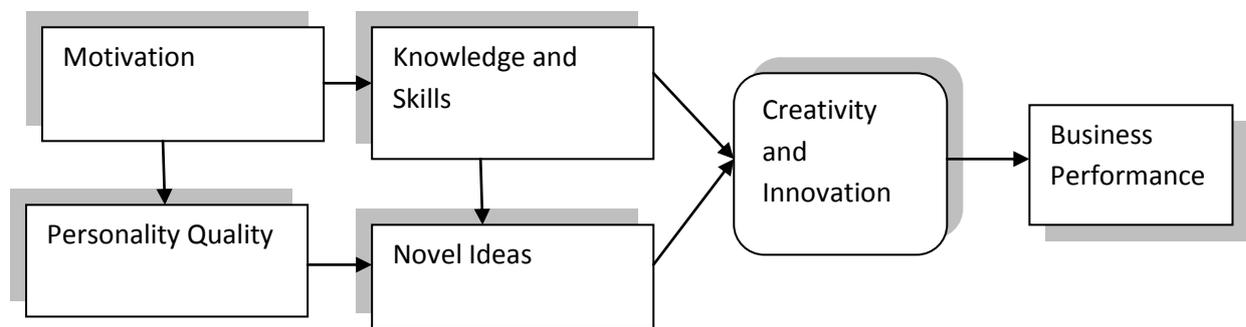


Figure 1: Research Model

Source; Designed by the Authors, 2017

The research model in Figure 1 explains the relationship among the variables under study; it explains process of creativity and innovation as independent variables while family business performance as the dependent variable.

Mathematically, the model is expressed as;

$$\text{Family Business Performance} = f(\text{creativity and innovation}) \dots\dots\dots \text{eq1}$$

$$\text{Family Business Performance} = \beta_0 + \beta_1\text{creativity} + \beta_2\text{innovation} + \mu \dots\dots\dots \text{eq2}$$

Where;

β_0 = intercept

β_1 - β_2 = regression coefficient

μ_i = stochastic error term

METHODOLOGY

This research work was carried out among the family businesses that have been in operation for at least five years in Oyo State, Nigeria. The choice of Oyo State is based on the fact that it is one of the states having the highest number of registered family businesses in Nigeria (MAN, 2014). Simple random technique was used to select one hundred and five (105) manufacturing subsectors from one thousand six hundred and sixty (1,660) registered with Manufacturing Association of Nigeria (MAN). The simple size was determined by the formula suggested by Mugada and Mugada (2003). Structured questionnaire designed for the study was used to collect data from the owner/manager of the selected manufacturing subsectors. The validity and reliability of research instruments were determined through content analysis.

Ordinary Linear Square (OLS) was employed to examine the influence of creativity and innovation on family business performance while Factor Analysis was used to determine the factors affecting creativity and innovation in family businesses.

RESULTS AND DISCUSSION

Table 1: Influence of creativity and innovation on family business performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.607 ^a	.368	.363	.47590		
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	33.930	2	16.965	74.907	.000 ^b
	Residual	58.205	102	.226		
	Total	92.135	104			
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.468	.275		5.332	.000
	Creativity	.193	.057	.180	3.389	.001
	Innovation	.505	.052	.519	9.792	.000

Source; Field Survey, 2017.

The result in Table 1 shows that creativity and innovation have positive and significant influence on family businesses performance. Additionally, creativity and innovation jointly contribute about 36.8% to the performance of family businesses. Furthermore, results indicate that creativity ($t = 3.389$; $P < .05$) and innovation ($t = 9.792$; $P < .05$) were independent predictors of business performance. The model was constructed to test the null hypothesis that creativity and innovation have no influence on family businesses performance in Oyo State, Nigeria. The F-statistic of 74.907 indicates that the overall regression plane is statistically significant. Therefore, null hypothesis is rejected while alternative hypothesis is accepted.

This finding is in line with previous studies (Norek 2014; Osaenwe, 2012; Bessant & Tidd, 2011; Groborz & Nęcka, 2003) that creativity and innovation are major determinant of business performance.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.705
Bartlett's Test of Sphericity	Approx. Chi-Square	300.263
	Df	10
	Sig.	.000

Table 2 shows Kaiser-Meyer-Olkin (KMO) test , its measurement of sampling adequacy is 0.705, indicating sufficient inter-correlations and the Barlett`s Test of Sphericity is highly significant (Chi-Square = 300.263, $P < 0.000$) indicates that we can proceed.

Table 3: Principal Component Analysis of Factors Affecting Creativity and Innovation in Family Business

Component	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.743	54.860	54.860	2.743	54.860	54.860	2.737	54.746	54.746
2	1.007	20.143	75.003	1.007	20.143	75.003	1.013	20.257	75.003
3	.828	16.568	91.571						
4	.358	7.162	98.733						
5	.063	1.267	100.000						

Extraction Method: Principal Component Analysis.

Table 3 shows the importance of each of the five principal components (lack of infrastructural facilities, lack of knowledge and skills, lack of competence of the owner, lack of separation of research and development units in family business and uncertain demand). Only the first two (lack of fund and lack of knowledge and skills) have eigenvalues over 1.00, and together these explained 75% of the total variation of creativity and innovation while remaining 25% of the variation was explained by some unknown factors. This implies lack of infrastructural facilities, lack of knowledge and skills are major determinant factors that devitalised creativity and innovations in family business.

CONCLUSION AND RECOMMENDATIONS

This research work examines the influence of creativity and innovation on the entrepreneurial performance of family business. The study has established that creativity and innovation have significant influence on family business performance in term of profit level, productivity and customer satisfaction. The study also confirms that lack of infrastructural facilities and lack of knowledge and skills are most factors devitalizing creativity and innovation among entrepreneurs in Nigeria. Based on these findings, the study concludes that creativity and innovation are major predictors of family business survival in a global competitive environment, which needs urgent attention.

Subsequently, the study therefore recommends that government should provide enabling environment for family business to employ new technology as this enhances productivity and reduces the cost of production. Also, centre for family business should be established to partners with tertiary institutions so as to have training, conferences and workshops on entrepreneurial creativity and innovation on regular basis in the country. This will enable them to adopt creativity and innovation in their daily operations to enhance their productivity.

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