



## **Creativity and Innovation Culture: A Prerequisite for Sustaining Competitive Advantage in SMES**

**Obiri James, Iwara Nancy, Kalu Jane Chinazam,  
Ezebor Ogheneovie & Alabi Israel.**

Department of Business Management  
Covenant University, Ota, Ogun State.  
jane.c.kalu@gmail.com

**Abstract:** Creativity and innovation are rudiments for an improvement in both new processes and ideas in an organisation. These attributes emanate from good management, a culture that encourages creativity and innovation, and recruiting creative individuals to enhance competitiveness. SMEs that are determined to compete with larger organisations are expected to be more innovative and creative than these organisations are. Many SMEs do not perceive that the promising future of SMEs is illustrated by the aptness to implant creativity and innovation in their organisational culture which has the tendency to develop the human capital as well as the total performance of the organisation. This paper is aimed at guiding SMEs on how to espouse creativity and innovation culture in their operations, and also prompt an agenda for researchers to attain a more definitive affirmation about the application of creativity and innovation as a culture to gain a sustainable competitive edge over larger organisations. This paper also points out innovation and creativity opportunities in common SMEs like fashion SMEs, e-commerce businesses and agricultural SMEs, etc. It makes use of secondary sources of data collection from libraries, journal publications, and internet sources. It recommends that Innovation and creativity should be co-created alongside stakeholders with the support of the government as well. This can provide valuable information that may eventually result into a value-creating idea and give the enterprise competitive advantage and in the long-run boost the economy. Barriers identified include financial base,

managerial issues and technological issues. Thorough attention should be paid to these issues to foster creative and innovative practices in SMEs

**Keywords:** Creativity and Innovation Culture, Organisational Culture, Sustainable Competitive Advantage, Small and Medium-Scale Enterprises.

## 1.0 Introduction

Businesses, including small and medium scale enterprises often, if not always evolve from singular or multiple ideas. Thinking up an idea is usually the most difficult and important phase starting a business and it requires the entrepreneur to exhibit a degree of creativity. Entrepreneurial creativity is the foundation of any enterprise. According to (Anastasia, 2016), It popularly is referred to as “the process of coming up with innovative ideas and turning these ideas into value-creating business activities which are ultimately profitable”. An entrepreneur is any individual that can spot an opportunity within his/her environment and is able to use his/her “innate abilities” or imaginative skill and vision to exploit these opportunities while creating value by producing or inventing and sustaining their product or service by innovating. This means that beyond being creative in thinking, a true entrepreneur is concerned about remaining relevant in this current knowledge, information and technology-based business environment by sustaining innovative habits in general business practices. According to (Anastasia, 2016), creativity is a precursor to innovation.

The entrepreneur first forms an idea, secures the resources to act on the idea, and must also have the drive and desire to see the idea materialize. Then, it becomes time to innovate. The major reason why any SME will fail would be because of its inability to be profitable. Business are profitable only when they can maintain a significant market share

against competitors. To do this, they must possess something that attracts and maintains their customers, something that will give them an edge over all other competitors and make their product or service more attractive than others in the market. This will be their competitive advantage. SMEs must maintain innovative and creative practices on an ongoing basis if they hope to capture a segment of any market at any given point in time within today’s highly competitive environment. The goal of every SME should be to get ahead of the competition. Be it with the development of new products, ideas, recipes or techniques, innovation should ensure that the products or services change to keep up with the changing preferences of the customers. This paper thoroughly explores the interrelationships between culture, creativity, and innovation, and how well they can influence the existence of SMEs in gaining a competitive edge.

### Objectives of the study

The following objectives were articulated while undertaking this study:

1. To investigate what is needed to build a culture of innovation and creativity in SMEs, and how it the culture can be strategically implemented.
2. To determine the importance of creativity and innovation culture in SMEs
3. To determine the factors influencing the adoption of a creative and innovative culture in SMEs.
4. To analyse the roles managers and employees in SMEs play in

achieving a culture that encourages innovation and creativity.

## **Conceptual Framework**

### **Organisational Culture**

Culture entails the forms and ways of discerning, sensitivity, also response, contracted and communicated primarily via signs or codes, instituting the typical achievements of employees, as well as the embodiment in artefacts. The essential part of culture is made up of traditional concepts also their trailed principles. Kroeber & Kluckhohn, (1952). Hofstede, (1981) also emphasises that culture is the co-operative organisation of exclusively a person's perception that disarticulates individuals in a group from another group. In the light of this, it is therefore decoded as a technique of a unanimous ethics. Organizational culture is an arrangement of shared assumptions, quality and convictions, which administers how employees operate in the organization. An organisational culture forms a basic part of the general operations of the organisation. Robbins, (1996) asserts that a solid culture gives shared qualities that guarantees that everybody in the organisation is on a similar track. As stated by Lock and Kirkpatrick, (1995) a culture that bolsters creativity empowers innovative methods for dealing with issues and discovering solutions, sees creativity as both attractive and typical, and favours innovators as models to be imitated. Becks, (2004) asserts that, for SMEs to foster and sustain a culture that enhances creativity and innovation, first, SMEs need to develop a conducive working environment where workers feel free to contribute and generate thoughts that will help solve pressing issues and also make the organisation differ positively in their mode of

operations. By this, employees in these growing organisations need to be open to each other, trust each other's judgement, ready to learn from the opinion of others, create an atmosphere of competition within themselves in terms of generating helpful ideas. Thus, cultivation of this culture is a basic factor for sustaining a competitive advantage in SMEs.

### **Creativity**

Creativity is the mental ability to conceptualise helpful opinions in any area of interest. Creativity is considered an advantage for SMEs, and it is recommended that these growing organisations espouse this culture to enable them gain a sustainable advantage over large organisations. Most large companies that are dominating today are now being eclipsed by SMEs who have the ability to initiate new concepts through making creativity and innovation a culture in the organisation. The concept initiated must not be quite the same as what has been done previously and creativity is the base for innovation (Amabile, 1996). In an organisational setting, in any case, the attention is more on taking a creative thought and applying it to genuine issues and circumstances. This procedure is alluded to as innovation. It has been indicated that creativity without innovation is of little significance to an organization. The opposite is additionally valid: creative thoughts are a pre-imperative to innovation. They are both viewed as coinciding concepts between two phases of the creative technique namely, idea generation and idea execution. (Hellriegell, Slocum, & Woodman, 1998). Creativity must not be unheeded especially in SMEs. (Sternberg & Lubart, 1999).

## **Innovation**

Amabile, (1996) characterized innovation as the victorious application of creative thoughts in an organisation. Following Martins, (2000) innovation is the usage of a different and conceivably critical thinking idea, practice or artefacts which is viewed as new by the appropriate unit of adoption and through which change and progress is achieved. Innovation includes different exercises aimed at offering some benefits to employees who can strategically conceptualise and generate creative solutions to organisational issues to make them remain in the organisation, this in turn gives the organisation an upper-hand in the competitive business environment. (Ahmed, 1998). Some large organisations are made up of individuals who are experts in diverse fields, and their affluence and existence rely immensely upon their ability to generate thoughts that lead to a global change in operations. Therefore, small and medium-sized organisations should endeavour to make an institutional structure to encourage innovation. In this present highly competitive business environment, organisations see innovation as a way to accomplish and gain a sustainable competitive edge. (Martins & Terblanche, 2003; Marques & Ferreira, 2009; Özgenc, 2006; Salaman & Storey, 2002; Unsworth & Parker, 2003). Following Drucker's opinion, "innovation is a specific tool for SMEs, this is seen as the means by which they exploit changes as an opportunity for a different business or service to gain and maintain a competitive edge" (Drucker, 2006).

## **Building a Culture OF Innovation AND Creativity in SME'S**

The business world of this modern age is advancing at a very lightening pace

globally; organizations' potential to create and develop its environment and techniques of executing business has become paramount in achieving success in this 21st century. Midgley (2010), highlighted key activities, that has to be managed well in building a successful culture of creativity and innovation. These activities are:

1. **Chartering creativity and innovation within an enterprise:** This is aimed at directing creative and innovative activities to important aspects of an organization.
2. **Appointing, developing and supporting the qualified team:** For creativity and innovation to become successful, effective and efficient project teams are required. They should understand consumer needs, design solutions, propose strategies, generate ideas and brainstorm.
3. **Co-creating innovation with consumers:** Prior to launching an innovation, various views and opinions are required, and consumers create an important rational viewpoint. Innovation without any eventual benefits for consumers does not increase profits for SMEs.
4. **Restructuring the organization to accomplish the innovation:** For innovations to emerge, organizations need to review and make some changes to training techniques for employees, working practices, and the overall organizational culture.

Importance of Creativity and Innovation in SMEs It has been clearly stated that creativity deals with the ability to form new ideas and to discover new methods to critically access problems and opportunities. Innovation is the

application of creative thinking or solutions to those problems and opportunities to develop a better standard of living. In light of the above statement, creativity and innovation creates business success by keeping the business running even after the owner is gone. An organization must be able to set up not just one idea or solution but multiple ideas or solutions.

Also, Employees in SMEs should be encouraged to come up with creative and innovative solutions which will lead to financial gains. Employees can be encouraged with the use of trainings and seminar's. Creativity and innovation also enhances healthy competition among SMEs. Employees in various SMEs can come up with a better improved product or a better and faster way to render services than their competitors for a higher market share. It is also important for SMEs to get acquainted with modern trends that can help entrepreneurs fuel their creativity and innovations. Manufacturers are always coming up with efficient ways to produce without losing quality.

### **Roles of Managers in Creating a Culture of Creativity and Innovation**

An environment that encourages creativity and innovation should be nurtured by the manager of that organization. An SME that employs very creative people at recruitment stage will definitely have very creative people within its environment. The environment determines if creative talents will be attracted and retained.

1. Managers should create an enhanced physical workplace and routine that encourages creativity and innovation: According to Serrat, (2009) there should be room for reflective practice which can be brainstorming

sessions, problem solving groups and discussion forums.

2. Managers should create an environment of freedom: An inventive environment has managers who allow their employees to be creative and question the reason an SME is doing things in a particular way and offer better alternatives.
3. Managers should ensure that trainings are done regularly: According to Agbor, (2008) the best way to build an innovative, creative, and resourceful organization is to diffuse leadership and empower everyone through training and mentoring so it can result in creative and effective leaders.

### **Factors Influencing Creativity and Innovation Culture in SMEs**

SMEs are the engine for any economy. These SMEs face a number of challenges which on a short or long run affect their ability to play the central key roles expected of them.

The analysis of barriers to innovation in SMEs will be based on the barriers identified by Kacker (2005) & John Stark Associates (2006). These barriers include:

1. **Financial Base:** This could be a problem if the SME's have low start-up capital which leads to low productivity as the cost of innovation is very high. Lack of finance does not only affect the productivity of the business but also the survival of the business. For this reason, some institutions are set up to help SMEs generate finances. For instance, there are some institutions which support SMEs to generate finance in Nigeria. They are mainly commercial banks, National Association of Small and Medium Enterprise (NASME), Small and

Medium Enterprise Development Agency of Nigeria (SMADAN), etc.

2. **Managerial issues:** Most SMEs are family based and this does not always promote creativity and innovation, they go into business operating with traditional strategies and are often resistant in change. Sometimes, traditional ways of thinking, inflexibility of the organization and people make SMEs less creative. Improper or no form of accounting records also leads to uncontrolled or no creativity and innovation.
3. **Technology:** SMEs have no or outdated technology compared to large enterprises in the country. The use of outdated technology causes a series of problems ranging from low productivity to high rate of rejection and wastage or raw materials all resulting to high cost of production and reduce market competitiveness. SMEs are expected to enhance and put into practice technological strategies in addition to financial, the promotion, distribution and selling of product and services and functional strategies to make them innovative.

### **Creativity and Innovation Opportunities for Common SME's Fashion and High-End Industries SME's**

Literature suggests that Fashion, textiles, footwear and makeup businesses are one of the most engaged SMEs' in a lot of countries and because the resulting products are a necessity satisfying man's physiological need for clothing the demand is relatively high. In many ways Fashion businesses have

found ways to be creative and innovative by operating at the crossroads between arts, business, and technology. These businesses can take advantage of the tastes of different market segments to strengthen their brands, they could also make use of cost-reduction strategies to maintain market share and use high level technology to ensure customers get the best quality and value for their money.

### **E-Service SME's**

Owing to the generality of e-services, SME's are widely turning to the internet, deliveries of products and services are a lot easier to their customers, also newer methods of producing and distributing already existing or new products and services to newer or existing segments. Unlike the traditional method, a particular market segment can be innovatively exploited and attended to over the internet and their needs are met on-time and effortlessly.

### **Manufacturing SME's**

Manufacturers are increasing productivity through Research and Development to develop better and cheaper products. In production, manufacturers are now implementing programs that increase capital productivity and labour through operational excellence which includes changing product designs. Manufacturing SME's now collaborate with suppliers for product design, customers for customized product design which has led to changes in product that could eventually result in recycling and reusing materials at the end of a product's life cycle.

### **Agricultural SME's**

Agriculture is the refinement of land, which involves planting, animal farming to provide food, medicine and other

products to sustain human life. In recent years SME's have been able to adapt and shift from traditional ways of farming or agriculture to modern ways. For example, the use of hoe's and cutlass in farming has gone obsolete as small businesses can now acquire machinery which will help in making the farming process faster. Agriculture could include fishery, cash crop farming: cash crop farming includes beans, natural rubber maize, cocoa, cassava, yam, etc piggery or poultry farming.

### **Methodology**

This study engages a secondary data. This included the use of data assembled from journal articles, conference papers, internet and review of literature on creativity and innovation in SME's and internet resources as well as other theoretical work to understand the roles of creativity and innovation in SME's and the challenges SME's face in adopting a creative and innovative culture.

### **Discussion**

SME's are the life blood of any country's economy most especially in the African and Middle-Eastern regions of the world and even in Northern and Southern America. In a country like Nigeria as a result of the nations over-dependence on oil, its economic growth has been stagnated and investors are continually withdrawing. More than ever the rates of entrepreneurship have risen and the number of privately owned establishments are at their peak truly representing a capitalist economic system. Creativity and innovation is the required and necessary tool entrepreneurs must engage to stay in business in this environment.

### **Recommendation**

Creative thinking is something that should be cultivated from the early stages of any individual's life and should be encouraged and supported by the government both within and outside of any countries academic system and institutions. This is very important as these individuals will, in the future, be able to think in inventive and innovative ways. SMEs encourage and maintain free flowing communication channels with all stakeholders, suppliers, customers, staff, government, and possibly shareholders all of whom can provide valuable information that may prove to eventually result into a value-creating idea and give the enterprise the needed edge required to take control over competitive advantage. Also, SMEs should consider restructuring to ensure that internally, their structure is designed to support innovation and creative thinking. The idea that being innovative is restricted to specialists and scientists or even market researchers alone should be discarded, and employers should invest more in their subordinates by conducting regular trainings and development programmes which will ignite their creative spirits and make them experts.

### **Conclusion**

This explorative paper has toured all the concepts related to the topic under observation. We can deduce that innovation is identically important to all kinds of organizations and not just SMEs. We can also see how important creative and innovative business habits are to maintain competitive advantage. Innovation and creativity are about the only existing way to capture and sustain market share. In today's turbulent business environment, these tools are indispensable, and their importance

should not be underestimated. If SMEs are to stay ahead of the competition, then innovation is a must. A creative culture and a strategy that will keep your business at the forefront of

innovation, as well as an internal structure that provides the perfect platform for innovation to blossom are of utmost importance.

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