

INFLUENCE OF ENTREPRENEURIAL CREATIVITY ON YOUTH-LED MICRO AND SMALL ENTERPRISES PERFORMANCE IN KENYA

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Abstract: *The aim of this paper is to assess the influence of entrepreneurial creativity on the performance of youth led micro and small enterprises in Nyanza region, Kenya. While youth led micro and small enterprises have been facing tremendous challenges over the years, lack of creativity as an entrepreneurial orientation aspect could be one of the missing factors among these enterprises. This paper sought to confirm whether indeed creativity was lacking in the youth led micro and small and enterprises and if it was there, whether it contributed to the performance, hence the subject of the study. Entrepreneurial finance being another aspect surrounding the performance of youth enterprises, the study sought to assess whether it had any moderating effect between creativity and firm performance. Componential theory of creativity was adopted. A descriptive research design was used while the target population was the 771 registered youth led micro and small enterprises classified under Jua Kali Artisans in Nyanza region. Cochran's sampling formula was used where a sample size of 257 respondents was determined. Questionnaires were used to collect the data which was analysed through qualitative and quantitative (descriptive and inferential statistics) approaches. The findings revealed that creativity was not effectively upheld by the youth entrepreneurs where most of the surveyed youth led micro and small enterprises did not develop new creative ways of doing things and not focusing on ways that could attract and retain more customers. It was however established that creativity had a significant and positive influence on the performance of youth led micro and small enterprises. The study recommended the need for youth entrepreneurs being creativity in service delivery their customers and being keen to notice what their customers expected and acting swiftly to provide this.*

Keywords: *entrepreneurial orientation, creativity, firm performance youth led micro and small enterprises*

1.0 INTRODUCTION

Background of the Study

One of the core entrepreneurial orientation aspects is creativity. This is the ability to bring-in new working perspectives and practices that create a more unique and prolonged link between the entrepreneur and the customers. Brouthers *et al.*, (2015) consider creativity as a new concept of businesses in 21st century that plays a critical role in enhancing the connection between the entrepreneur and the society. Hassan *et al.*, (2013) contend that creativity is more than just creating new products and services – as it is for innovation, in that it considers consumers' desires and the way to fulfill them, but in a more unique way as compared to the competitors.

In the modern dynamic World, businesses and particularly the SMEs require more than just the normal and ancient strategies of attracting customers and gaining performance. Creativity is one of these strategies that are core to any entrepreneur in the modern era. While creativity might be mistaken with innovation, in an entrepreneurial point of view, they are two very different things, Innovation upholds improving products and services and focusing on key changes that can make the products and services more appealing to the customers and competitive in the market (Arisi-Nwugballa et al., 2016). Creativity on the other hand focuses on the behavioral aspects of an entrepreneur that make him or her unique and attached to the emotions and social norms of the customers. These are the 'minor' and 'easy-to-ignore' practices that entrepreneurs put in place to enhance the emotional and social connection with the customers.

Creativity is the ability to develop new ideas and to discover new ways of looking at problems and opportunities. Innovation is the ability to apply creative solutions to those problems and opportunities to enhance or to enrich people's lives. Kacker (2005) argues that today organizations are knowledge based and their success and survival depends on creativity, innovation, discovery and inventiveness. An effective reaction to these demands lead to creative change in the organization to ensure their existence. Successful entrepreneurs come up with ideas and then find ways to make them work to solve a problem or to fill a need. In a world that is changing faster than most of the individuals, creativity is a vital aspect that entrepreneurs need to uphold for success and survival.

Micro Small Enterprises (MSEs) are now considered as important in bringing about economic development all over the world (Ngugi, 2014). The highest portion of SMEs among the industrialized countries is in Japan with 99% of total enterprises (EIU 2010). India has 13 million SME's equivalent to 80% of the country's business (Ghatak 2010). In many developing economies, micro and small enterprises constitute the bulk of industrial base (Kormawa, Wohlmuth & Devlin, 2011).

In Kenya the SMEs contain assembling and exchange (discount and retail) sub-areas, with significant commitment in agro-based farming, administration conveyance, which, straightforwardly influences a bigger populace in the general public. The SMEs are organizations in both formal and informal segments representing more than 74 percent of the young and old individuals that are occupied with business every year and contributing more than 18 percent of the nation's Gross domestic product (CITEE, 2013). This makes the sector a vital segment in boosting economic growth. This then is an aspiration of the vision 2030 where the country hopes to develop the social agenda through the creation of jobs, the earning of foreign exchange and a seedbed for industrialization (Wairimu, 2015).

Youth MSEs figure highly in the growth programs of many emerging nations throughout the world including Kenya and have been one of the vibrant emergent trade and industry segments since the market strategy reforms of 1980s and 1990s. They are famous for their source of entrepreneurial skills, innovation and employment (Nyang'ori, 2010). They constitute the majority of the enterprises found in any town in Kenya. In Kenya the Youth make up for a resource of great potential and have the capacity to contribute meaningfully to the progress of the country by engaging in innovative activities. The skills to bring together their potential can help define the strength Kenya has and her resilience in chasing after economic and social development. Private enterprise among the youth has been identified as the most fundamental in building wealth and encouraging regional development (Khan, Noor & Anuar, 2016).

Mpiti and Rambe (2017) argue that, the inability to access entrepreneurial finance for MSE's makes them perform poorly, as financing effects the performance of an enterprise. Youth MSE performance is regarded as

a straight up growth and researchers designate that many MSE do not usually perform as would be anticipated. Despite YMSE's important role also in Kenya, they really still face a threat of failure (Mwangi & Bwisa, 2013).

Statement of the Problem

Youth led Micro and Small enterprises in Kenya are characterized by high mortality rate with three out of five of these firms failing within their first three years of operation and do not celebrate their third anniversary which is a 60% failure rate (World Bank, 2018; PWC, 2017). As part of the effort to boost performance of youth businesses and enhance employment, the Government of Kenya has introduced entrepreneurial finance to cushion the youth SMEs, for instance the Youth Enterprise Development Fund, Uwezo Fund, and Women Enterprise Fund which offers funds to all youth including women youths (GOK, 2017). Moreover, as a way of promoting youth entrepreneurship, the government has heavily invested in technical skills among the youth through TVET colleges across the country. This is in a bid to promote artisan skills thus promoting the manufacturing sector which is among the key pillars (big-4) by the Kenyan government. However, despite all these efforts, the youth led MSEs continue to underperform and face high mortality rate. This therefore leaves the question; could entrepreneurial creativity be the missing factor in the performance of Youth led MSEs? This study included entrepreneurial finance as a moderating variable which arguments the relationship between the influences of entrepreneurial orientation on performance of youth led SMEs in the Nyanza region, Kenya.

Objectives of the Study

- (i) To assess the influence of creativity on the performance of youth led micro and small enterprises in Nyanza region, Kenya.
- (ii) To analyze the moderating effect of Entrepreneurial finance on the relationship between creativity and performance of youth led micro and small enterprises in Kenya

Hypotheses of the Study

H₀₁ Creativity has no significant influence on the performance of youth led micro and small enterprises in Nyanza region, Kenya

H₀₂ Entrepreneurial finance has no significant moderating effect on the relationship between entrepreneurial creativity and the performance of youth micro and small enterprises in the Nyanza region, Kenya.

2.0 LITERATURE REVIEW

Theoretical Framework

Componential Theory of Creativity

Creativity is the component that influences success of the entrepreneurs. The theory of creativity is a comprehensive model for social and psychology of necessity for productivity. Entrepreneur creativity captures the extent to which it commands the business to be creative from his perception both physically and mentally (Rich, Lepine, & Crawford, 2010). Creativity is important in theory and practice since it provides a symbolic function showing the commands of the organization by being visible towards effective work relationship. This is a visual perception that models the organizations positive outcome, (Saridakis, Muñoz Torres, & Johnstone, 2013). The study of top management revealed that creativity is coming up with ideas to provide better service on entrepreneurship contacts and understand work place practices and control (Benjamin 2012).

Creativity builds the capacity to see the make-up of an association and utilize that to structure and adjust the ability required by the business to drive the firm’s objectives. Owuor (2017) contended that without the executive’s visibility, employees may not be able to recognize risk areas in the business if they do not have the correct aptitudes in key positions. They may likewise identify where employees are in risk of leaving and not identifying potential successors, or recognizing what learning is vital for staff input improvement.

Conceptual Framework

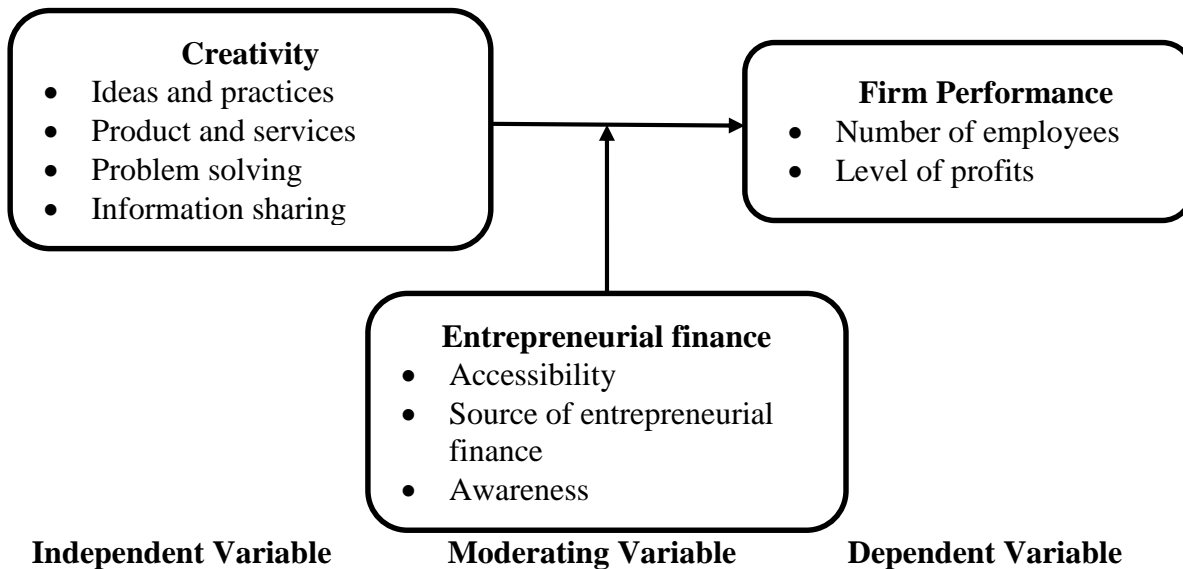


Figure 1: Conceptual Framework

Empirical Review

Hassan, Malik, and Hasnai (2013) analyzed the effect of employee creativity on the performance of organizations in Pakistan's banking sector. The findings revealed that there was a direct connection between the job technical complexity and administrative relationship with creative employees and organization innovation capability and firm performance. Lee and Tan (2012) conducted a meta-analytic review analysis on the influence of antecedents on workers creativity and employee performance in Taiwan. The main aim of the study was to identify the conditions which promote the creative performance of employees in the workplace. By examining the results of 57 related studies done between years 1990-2011, the research discovered that, high eminence relationships between the employees and their supervisor’s results in employee creativity and higher performance, the study also found out that, when an organization offers psychological empowerment to its employees, it results in employee creativity and performance. Mwesigwa and Namiyingo (2014) studied the relationship between creativeness of employees and performance of Uganda's financial institutions. They established a significant relationship between creativity of employees, workplace resources and company performance.

A study carried out by Wambua (2016), examined the effect of entrepreneurial management on access to venture financing of SMEs in Starehe Sub-County established gaps in financing of enterprises and entrepreneurial orientation among entrepreneurs. It is in light of this that it is felt that government entrepreneurial finance may have a moderating influence on the performance of SMEs. In this study, all forms of enterprises (SMEs) were researched on in lump sum, while this study specializes on youth micro and small enterprises.

3.0 RESEARCH METHODOLOGY

The study adopted a descriptive research design as the research methodology. The design is more formalized and typically structured with clearly stated investigative questions. It also subscribes to both quantitative and qualitative designs. The study targeted all the registered youth led MSEs in the Jua Kali Artisans Sub-sector in Kisumu, Migori, Siaya, Kisii, Nyamira and Homabay Counties. This is the formerly known Nyanza province region in Kenya (KNBS, 2017). According to the data available from the KNBS and the six counties, there are a total of 771 registered youth led MSEs under the classification of Jua Kali Artisans.

4.0 RESEARCH FINDINGS AND DISCUSSIONS

Descriptive Results

Creativity

The fifth objective of the study was to assess the influence of creativity on the performance of youth led Micro and Small Enterprises (MSEs) in Nyanza region, Kenya. Unlike innovation that focuses on new products/services, new markets and improvement of the existing products/services, creativity focuses on coming up with ideas and ways of sweeping across a differentiated way of rendering services/products to the customers. The study assessed creativity through ideas and practices, product and services, problem solving, and information sharing. The respondents were required to indicate their level of agreement or disagreement with statements on creativity and firm performance.

The findings are as summarized in table 1. The findings concurred with the study of Hassan, Malik, and Hasnai (2013), who established that for firms to benefit from creativity, it has to be dispensed down to the employees through allowing them to make decisions that are customer focused. Kimuru (2018) indicated that being creative as an entrepreneur helps one to effectively meet the expectations of their customers and to uniquely render their services and products in a better way than their competitors.

Table 1: Descriptive Results of Creativity

Statements	Mean	Std. Dev.
I always introduce new ideas in my business operations to ensure customer satisfaction	3.31	1.57
The mode of speaking and addressing our customers is directed towards making the customer happy	3.38	1.53
I ensure that my practices and those of my employees are streamlined towards meeting market demands	3.20	1.55
I embrace new and better ways of problem solving to ensure smooth running of my enterprise	3.18	1.52
A times problems in my enterprise are solved by use of new and original ideas from employees	2.92	1.51
I encouraging information sharing and networking to come up with new and better ways of solving business problems	3.48	1.58
I have always ensured that creativity is embraced in packaging and designing my firm products	3.19	1.58
We encourage our employees to introduce new ideas about best practices in their work	3.05	1.50
I support the creative employees to come up with way of improving the products and services in the firm	2.48	1.43

we uphold development of new ideas about product or service that are novel and potentially useful to our business	2.51	1.40
I always share the right information with the customers to capture their attention	2.91	1.46
I have platforms with my customer for sharing the necessary information regarding my products and services	3.04	1.44
I always come up with creative ways of relaying information on why the customers should chose my products over others	3.08	1.50

Entrepreneurial finance

The study sought to analyse the moderating effect of entrepreneurial finance on the relationship between entrepreneurial creativity and the performance of youth led micro and small enterprises in Nyanza region, Kenya. Entrepreneurial finance has been a critical aspect affecting the performance and sustainability of small businesses in Kenya including the youth enterprises.

This study assessed entrepreneurial finance through accessibility and source of entrepreneurial finance. The findings as summarized in Table 2 imply that entrepreneurial finance has not be well upheld among the youth entrepreneurs in Nyanza region and this could have affected the success of their enterprises. According to Mpiti (2017), one of the main challenges that face small businesses in the current era is inadequacy of entrepreneurial finance which render them incapable of meeting their expenses.

Table 2: Level of Agreement with Statements on Entrepreneurial finance

Statements	Mean	Std. Dev.
The entrepreneurial finance I get for my enterprise is adequate for running the firm effectively	3.07	1.50
The current source of entrepreneurial finance for the enterprise is reliable and effective in pushing the firm into success	2.56	1.40
I believe the entrepreneurial finance I have received has pushed my enterprise into its current state	2.78	1.44

Performance of Youth led Enterprises

The study sought to establish the performance of youth led small and micro enterprises in Nyanza region, Kenya. The findings are as shown in table 3. Majority of the respondents indicated that their firms had not increased their profits over the years of operation. This shows that most of the youth enterprises could be enhancing their customer base but still not making enough profits due to operational expenses and other related constraints.

Table 3: Performance of Youth Enterprises

Statements	Mean	Std. Dev.
I have employed additional workers to meet the growing demand of my products and services	2.46	1.56
The profits recorded from the business are higher from what I started with	2.23	1.52

Multiple Regression Results

H₀₁ Creativity has no significant influence on the performance of youth led micro and small enterprises in Nyanza region, Kenya

To test the hypothesis, linear regression was used to test the relationship between creativity and performance of youth led Micro and Small Enterprise in Nyanza region, Kenya. Path coefficients were used to determine the direction and strength while T statistics provided information on the significance to the relationships. The results are presented in Table 4.

The R² for the regression model between creativity and performance of youth led Micro and Small Enterprise in Nyanza region, Kenya was 0.815 meaning that creativity explains 81.5 % variation in the performance of youth led Micro and Small Enterprise in Nyanza region, Kenya while the remaining variation is explained by the error term. Further test on ANOVA shows that the regression model was a good fit as indicated by a significant Fstatistic (F=967.572, p<0.05). This implied that creativity can statistically predict the performance of youth led enterprises in Nyanza region, Kenya.

The standardized regression coefficient was 0.903. This indicated that a unit increase in the creativity would result in 90.3% increase in the performance of youth led enterprises in Nyanza region, Kenya. The t-statistic for the regression coefficient for creativity was significant at 5% level of significance (T=31.106, p<0.05), implying rejection of null hypothesis. On the basis of these statistics, the study concludes that there is significant positive relationship between creativity and performance of youth led Micro and Small Enterprise in Nyanza region, Kenya.

Table 4: Model results on Effect of Creativity on Firm Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.903 ^a	.815	.815	5.39458

a. Predictors: (Constant), Creativity

b. Dependent Variable: Firm Performance

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28157.742	1	28157.742	967.572	.000 ^b
	Residual	6373.217	219	29.101		
	Total	34530.959	220			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Creativity

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.274	.944		10.878	.000
	Creativity	.682	.022	.903	31.106	.000

a. Dependent Variable: Firm Performance

Moderating effect of Entrepreneurial finance

Model 2 in table 5 reveals the details of the inclusion of the interactive term in the model. Creativity was found to be significant (p<0.05, B =0.09), while entrepreneurial finance was found to be significant (p<0.05, B =0.208). Creativity and Entrepreneurial finance was found to be significant (p<0.05, B =0.011).

Table 5: Regression Coefficients for the Overall Moderated Model

	Unstandardized		Standardized		
	B	Std. Error	Beta	t	Sig.
(Constant)	.012	.136		-.088	.030
Creativity	.091	.073	-.074	-1.246	.014
Entrepreneurial finance	.208	.075	.175	2.794	.006
Creativity and Entrepreneurial finance	.011	.086	.009	.123	.002

5.0 CONCLUSION

The study concludes that most of the youth led micro and small enterprises had introduced new ideas in their business operations to promote customer satisfaction. Also, the study concludes that majority of the youth led micro and small enterprises have embraced creativity when addressing their customers for better satisfaction and some of the youth entrepreneurs have embraced new ways of solving problems in their enterprises. They also utilized ideas from their employees to solve the problems faced in the enterprises. Moreover, the study concludes that majority the youth led micro and small enterprises had embraced information sharing with their customers as a way of coming up with better and creative ways to serve the customers. Equally, the study concludes that most of the enterprises had embraced creative methods of packaging and designing their products and encouraged the employees to come up with best practices in performing their duties. The study also, concludes that creativity has a strong positive correlation with the performance of youth led Micro and Small Enterprise in Nyanza region, Kenya. Thus the study concludes that creativity increases the performance of youth led Micro and Small Enterprise in Nyanza region, Kenya.

Recommendations

The study found out that majority of the youth led micro and small enterprises have embraced creativity when addressing their customers for better satisfaction, however, some enterprise have not fully embraced new ways of solving problems in their enterprises. Therefore, the study recommends that youth led Micro and Small Enterprise should embrace new ways of solving problems faced in enterprises. The study also recommends that enterprises should encourage and allow employees to work exemplary. This will motivate them to be very creativity and hence increase performance of youth led Micro and Small Enterprise.

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