# The Importance of Creativity in Business

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# THE IMPORTANCE OF CREATIVITY IN BUSINESS

#### **ABSTRACT**

Since the creativity of individuals is the basic foundation for the progress of economy and society, and it is especially the basis for the survival of each company in global market competition, it is important to emphasize the importance of constantly promoting, encouraging and emphasizing the free expression of every individual's ideas in each department and at every level of the company. Generally, creativity is the ability to create new ideas on which basis potentially useful and ingenious innovations can be achieved, whereby the company can greatly improve its business or a part of business practice and thus achieve certain economic and financial benefit. Encouragement of creativity is the foundation for innovation, and only innovations can lead to overall progress. Therefore, the aim of this paper is to determine the importance of creativity in the business activity of a company and its employees' encouragement, as the premise for the company's innovative development. After the theoretical part, the paper presents a previous research analysis about the topic of creativity. The next part of the paper presents the results of the questionnaire survey conducted on a sample of entrepreneurs from the Virovitica-Podravina County, with a purpose to examine the existing business practice regarding the importance of creative work, encouraging creative thinking of employees, and to provide entrepreneurs possible suggestions for improvements of their business practice which would probably enable implementation of new business ideas into their husiness.

Key words: creativity, creative thinking, creativity of employees, stimulating creativity

#### 1. Introduction

The progress of society is impossible without the creativity of individuals who make the society. Human creativity stems from within, and society and its environment can either stimulate it, or do the opposite, they can repress it. In the absence of creativity, some societies lag behind, and only by giving the importance to creativity, societies can grow and develop, and consequently, businesses can grow too. Each individual has different distinctive features and characteristics, but each one of them carries a certain dose of creativity that can contribute to business improvement. The purpose of this paper is to determine the importance of creativity in companies and its encouragement for employees, since the high level of creativity leads to greater company innovation and thus to the improvement of financial results, which ultimately means achieving competitive advantage. Previous research findings about the topic of creativity which led to this research refer to the Componental Theory of Creativity by Teresa M. Amabile, which is grounded in a definition of creativity as the "production of ideas or outcomes that are both novel and appropriate to some goal". According to the theory there are three components within the individual necessary for creative work, and one component outside the individual. In this regard, it is very important for companies and their leadership to support and accept the ideas from employees, because ultimately, the human factor is the one that enables the entire creativity encouragement system to become sustainable in the long run. Also, this research partially relies on the Integrative Organizational Model of Creativity and Innovation (IOMKI) that has been developed to examine the impact of all factors of creativity and innovation on the ultimate result of small and medium-sized companies in the Republic of Croatia (Jakovljević et al., 2012). The research based on that model has shown that creativity primarily depends on internal support of the company whose main components are creative individuals, creative groups and adequate management and leadership (Peša et al., 2015).

#### 2. Theoretical Framework

Creativity is important for business operations, and therefore for the progress of the entire society and economy. "The main source of competitive advantage and global success is creativity, the ability to create and develop inventive organizations" (Srića, 2017, 49-50). Creativity is the basis for innovation, and primarily depends on the creativity of an individual employed person who generates creative ideas that have the potential to become innovation in an appropriate creative company environment (Peša et al., 2015).

The Croatian Encyclopedia defines the term "creativity" as "the ability to create unique and new solutions, ideas, products etc."<sup>2</sup>, while the term "innovation" implies a certain novelty, a renewal, a change, or a development and the application of new solutions, as well as the improvement of already known solutions, all of this as a result from research and development abilities of an individual or a group<sup>3</sup>. Therefore, many ideas that are the result of creativity can be potentially an innovation, or not, but certainly there is no innovation without creativity. "People may also achieve creativity, however, through opposite means – that is, by developing incrementally better alternatives, improving on what already exists, or clarifying the ambiguity

<sup>1</sup> Amabile, T., M. (2012): *Componental Theory of Creativity*, Harvard Business School Working Paper, Boston, No. 12-096, available on: <a href="https://www.hbs.edu/faculty/Publication%20Files/12-096.pdf">https://www.hbs.edu/faculty/Publication%20Files/12-096.pdf</a> (accessed 10 April 2019)

<sup>2</sup> Hrvatska enciklopedija (creativity), available on: <a href="http://www.enciklopedija.hr/Natuknica.aspx?ID=33832">http://www.enciklopedija.hr/Natuknica.aspx?ID=33832</a>

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<sup>&</sup>lt;sup>3</sup> Hrvatska enciklopedija (inovation), available on: <a href="http://www.enciklopedija.hr/Natuknica.aspx?ID=27516">http://www.enciklopedija.hr/Natuknica.aspx?ID=27516</a> (accessed 16 July 2018)

that is associated with the problem... Creativity comes by finding ways to improve processes or functions" (Whetten and Cameron, 1998). Even nowdays we still have the impression that creativity is mostly part of art, history inventions and scientific discoveries (Ozimec, 2006). Through the history of mankind, many individuals created their own inventions only by their own hard work and creativity, but also they are the example and inspiration to others. In general, beyond all possible features, Howkins (2003) emphasized three essential conditions that contain all kinds of creativity, and those are personality, originality and meaning, with a special emphasis on *people* that are creative, not things. Bedeković (2010, 67) states that "... creativity features vary between people, where no person possesses or shows all the features all the time, since many of these features can be learned and raised...". This leads to conclusion that each individual is the key to beginning of any creative process, they just need to be aware of their own possibilities. As a person becomes more skilled and confident in their creative skills, they can encourage others around them (whether at home or in the workplace) to share their thoughts and ideas in order to work more creatively; i.e. simple awareness of the need for creativity and the effort to become creative on a conscious level will automatically result in greater creativity (Caropreso and Couch, 1996). "Most of us are not aware that we can be creative in multiple ways, yet anyone can be creative and add value to problem solving. Just because you are not a clever producer of unique ideas, for example, does not mean that you are not creative and cannot add value to the creative process" (Whetten and Cameron, 1998). In an article about innovation, which is defined as relying on everyone's creativity, Margaret J. Wheatley (2001), states that there is no substitute for human creativity, and the only thing that employees want is the support of superiors which would help them contribute to finding better solutions, developing innovations, and expressing their inner creativity. This article also highlights the problem of many companies that force people into "tiny boxes", called roles and job descriptions, with instructions on how to behave, and a suggestion that they are not creative, cannot think and cannot contribute.

Since creativity is an important feature of a successful entrepreneur, and it generally decreases through years, during formal education, with the lack of use and bureaucracy, as well as being repressed by perceptual, cultural, emotional and organizational factors, it is essential to release it and to generate creative ideas and innovations by using creative thinking techniques (Hisrich et al., 2011). Therefore, each company should create an environment that will positively affect creativity stimulation of employees. One of the most commonly used method is brainstorming – a meeting where each randomly speaking participant presents everything that comes to their mind at the moment, and refers to a pre-set problem that should be solved (Klaić, 2017). Brainstorming allows a greater creativity stimulation by grouping and participating people, and although most of the generated ideas do not represent the basis for further development, sometimes it can provide a very good idea that can be focused on a specific product or market area (Hisrich et al., 2011). Therefore, the result of creative process can be a product that is created in the process of transforming the idea into something practical or something that can be the object of exchange, and in many cases, the market determines what can be a creative product, and what cannot (Novotny, 2015).

Generally, companies seek creative people only for individual departments such as R&D, marketing, etc., but they have to think creative on the whole, and every employee should feel free to express their creativity. By working with people of different profiles and professions, one can see that creativity is hidden within each person and within each department of the company (Antoljak and Kosović, 2018). Employees of the company are those who can contribute to business practice, and have the ideas on how to make a product or service better, and find a place for improvement. In this respect, the role of HRM Department is important to

recognize, guide and reward each additional employees' effort. Srića (2003) describes an inventive manager who performs his role in the complex environment of the modern market, and must show an enviable amount of creativity (if they want to succeed), and only those who have or can recognize good, original and new ideas can expect to achieve success.

## 3. Previous Research Analysis

In order to prove how creativity is important, there is a research done on potential employers conducted by the World Economic Forum, published in 2016 in the publication ''The Future of Jobs – Employment, Skills and Workforce Strategy for the Fourth Industrial Revolution''<sup>4</sup>. The purpose of the research was to identify the specific character traits of individuals needed for a workplace, and creativity was pointed out as one of the key job skill required in the near future. Also, another important skill is the ability to solve complex problems, which also requires a high level of creativity as the basis for making quality decisions. The additional aim of this research was to inform companies, government, trade unions and education providers about trends and to provide them guidelines for possible consideration on the upcoming changes in the labor market.

A domestic research<sup>5</sup> of the Croatian Innovation Quotient in 2013 defines creativity as the ability to create new ideas, or as a mental feature of the individual that allows them to think "outside the box", resulting in an innovative or different approach to a particular task. The purpose of the research was the analysis of Croatian companies in relation to their awareness of the importance of creative and innovative business practices that would lead them to a satisfactory level of competitiveness. The research has shown that companies have a lot to improve in the field of creativity and innovation, and also, one of the main guidelines for the innovation development contribution was the motivation of employees in order to suggest ideas more easily and more frequently.

Previous research findings about the topic of creativity which led to this research refer to the Componental Theory of Creativity by Teresa M. Amabile according to which there are four components needed for an individual to produce creative work, and those are: domain relevant skills, creativity-relevant processes, and intrinsic task motivation (three components within the individual), along with the social environment in which the individual is working (the one component outside the individual). The componential theory of creativity presents a comprehensive model of the social and psychological components necessary for each individual in order to work creative. The theory defines the components of creativity and their influence on creative process, and it has been recognized as one of the major theories of creativity in individuals and in organizations. Concerning to its application in companies, many managers have relied on tools and techniques developed from the theory in order to stimulate creativity of their employees.

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<sup>&</sup>lt;sup>4</sup> Global challenge insight report (2016): The Future of Jobs – Employment, Skills and Workforce Strategy for the Fourth Industrial Revolution, World economic forum, available on: <a href="http://www3.weforum.org/docs/WEF">http://www3.weforum.org/docs/WEF</a> Future of Jobs.pdf (accessed 17 July 2018)

<sup>&</sup>lt;sup>5</sup> Antoljak, V., Mitrović, M., Stajčić, N., Ćorić, G., Škrobo, M. (2013): *Istraživanje Hrvatskog kvocijenta inovativnosti. Sense Consulting i VERN'*, available on: <a href="http://www.inovativnost.hr/content/view/full/1049">http://www.inovativnost.hr/content/view/full/1049</a> (accessed 7 September 2018)

<sup>&</sup>lt;sup>6</sup> Amabile, T., M. (2012): *Componental Theory of Creativity*, Harvard Business School Working Paper, Boston, No. 12-096, available on: <a href="https://www.hbs.edu/faculty/Publication%20Files/12-096.pdf">https://www.hbs.edu/faculty/Publication%20Files/12-096.pdf</a> (accessed 10 April 2019)

Also, this research partially relies on the Integrative Organizational Model of Creativity and Innovation (IOMKI) that has been developed to examine the impact of all factors of creativity and innovation on the ultimate result of small and medium-sized companies in the Republic of Croatia. The premise of the model is the existence of internal and external support that is essential for the company's innovative development, whereby the internal support includes innovative organizational culture and climate, human resource development strategy, individual and team creativity, and willingness of leadership to change (Jakovljević et al., 2012). Also, the nurturing of creativity and innovation within the company presents the potential for every small and medium sized company that wants to increase its competitiveness and therefore to ensure a long-term market success. Based on that model the empirical research has been conducted three years later on small and medium-sized companies who received an Innovation Award from the Croatian Chamber of Commerce. The sample included 110 (N=110) innovative companies, on which there were 36 (n=36) respondents. In the part of the research related to internal support the authors pointed out the importance of "networked creativity" which includes the creativity of individuals, creativity of a team or group and ultimately organizational innovativeness, all supported by adequate management and leadership. The results of the research have shown that almost all respondents (97%) believe that company's creativity and innovation depend on leadership that should design a creative culture within the company. Also, the authors emphasized the role of leadership in creativity stimulation of employees through the system of rewarding, whereby the immaterial strategy of motivation proved to be something more frequent in relation to material. Furthermore, the support and building a confidence by the leadership has a great impact on the creative work of employees, which confirmed 97% of the respondents. In conclusion, the authors have confirmed that creative individuals, groups and adequate management and leadership (as the main components of internal support), are essential for development of innovative small and medium-sized companies, while the inefficacy of government institutions and a weak link between scientific and economic sector are the main reasons for inapplicability of external support of the model (Peša et al., 2015).

Based on the above described research, in which it has been proved that well-designed internal support of the company can be sufficient for their creative and innovative work, the authors of this research wanted to examine the existing business practice of the companies in local area regarding the internal factors, specifically individual creativity and the support of superiors that would enable employees to express their creativity. This kind of insight into business practice of local companies would enable researchers to identify the aspects that could be improved, as well as detecting the most problematic aspects of business practice regarding creative work and encouraging creative thinking of employees. Also, the researchers would be able to present suggestions for improvement to entrepreneurs, which would probably enable implementation of new business ideas.

## 4. Methodology and Research Results

For the purpose of insight into existing business practice of the companies, regarding the importance of creative work and encouraging creative thinking of employees, in the area of Virovitica-Podravina County, a survey was conducted on selected entrepreneurs (N=136) in February and March 2019 by a questionnaire survey, and the obtained results were presented with descriptive statistics. The research was conducted by electronic mail and by individual interviews. A part of the respondents was surveyed by exhibitors at the International fair Viroexpo during the days of exhibition in the period 15-17 March 2019. Out of the total number of selected entrepreneurs there were 65 respondents (n=65) that answered the questionnaire.

The survey questionnaire was structured into two parts, in which the first part includes entrepreneur and human resources basic data, while the second part refers to creativity and innovation. The authors used open and closed questions, while the Lickert's scale of intensity has been used to determine the extent to which the surveyed entrepreneurs agree with the importance of creativity in their business activity.

In the part on entrepreneur and human resources basic data respondents were answering questions about the company. The business form of surveyed business entities is d.o.o. (53.85%), craft business (18.46%), OPG (15.38%), j.d.o.o. (9.23%), and d.d. (3.08%). According to the period of conducting business activity, 19.23% operate 1-5 years, 30.77% 5-10 years, 26.92% 10-15 years, while 23.08% have been operating for more than 15 years. Among the survey respondents, 47.69% was the owner of the company, 36.92% one of the executives, while 15.38% was the employee in the company. The most common are companies with 10-49 employees (50.77%), then 1-9 employees (41.54%) and companies with over 50 employees (7.69%).

In the second part of the survey about creativity and innovation the authors formed a Lickert's scale of statements in order to examine the attitudes of the respondents about the importance of creativity. According to the scale the respondents expressed their opinion by intensity levels ranging from 1 to 5, with 1 being fully disagree, and 5 being fully agree. Table 1 represents the statements about the importance of creativity of company's employees and its encouragement, as well as their corresponding mean value of the response.

**Table 1:** Statements used for measuring the creativity of employees

| Statement                                                                                      | Mean |
|------------------------------------------------------------------------------------------------|------|
| We believe that a useful business improvement idea can come from any employee from any company |      |
| level                                                                                          | 4,46 |
| We allow our employees to feel free to express their opinion/ideas for possible business       |      |
| improvement                                                                                    | 4,31 |
| It is important to us that our employees are creative                                          | 4,08 |
| We encourage cooperation between departments and/or employees in order to improve business     | 4,08 |
| We are constantly working on encouragement of employee creativity                              | 3,54 |
| We reward the effort and potentially profitable employees' ideas                               | 3,54 |
| The usual way to draw new ideas into the company is brainstorming that we often apply          | 3,23 |

Source: authors' research

The statements that have reached the highest mean average refer to the *Belief that a useful business improvement idea can come from any employee from any company level* (4.46) and *Allowing employees to feel free to express their opinion/ideas for possible business improvement* (4,31), indicates that the respondents are aware of the existence of creative individuals in the company that can contribute to business improvement. However, when it comes to rewarding such creative ideas, or organizing a specific activity on which ideas would be expressed, the respondents gave less importance to such kind of activity.

Table 2 represents the statements about using creativity as the ability for business development and improvement in order to achieve competitive advantage, as well as their corresponding mean value of the response.

Table 2: Statements used for measuring business development and improvement

| Statement                                                                                       | Mean |
|-------------------------------------------------------------------------------------------------|------|
| We are able to customize our products/services and business processes in accordance with market |      |
| requirements and customer needs                                                                 | 4,54 |
| We are looking for new opportunities for developing existing business activities                | 4,15 |
| The production processes and technologies we use in our regular business operations are         |      |
| sophisticated                                                                                   | 3,85 |
| We apply the research results (our own and other's) into the business                           | 3,48 |
| We are intensively working on developing our own new creative and innovative products/services  | 3,45 |
| We are among the first ones to introduce new products/technologies into the market              | 2,69 |

Source: authors' research

The statement about the Ability to customize our own products/services and business processes in accordance with market requirements and customer needs (4.54) has reached the highest mean average which shows that the respondents are aware of the importance of market trends changing, in which they customize their products and services according to customer needs. The aforementioned statement is also the one that has achieved high-intensity rating which adds to the importance of that statement. The concept of a new product or technologies which implies a significant innovation that competition did not offer, defined in a statement We are among the first ones to introduce new products/technologies into the market has achieved the lowest mean average (2.69). From this it can be concluded that the respondents are working on improvement of their existing offer and looking for new opportunities for developing existing business activities, but being the first one on the market with a breakthrough innovation is not on their priority list.

In this part of the survey about creativity and innovation respondents were also answering to concrete questions about the importance of creativity encouragement in the company, where the term encouragement implies constant promotion, stimulation and emphasizing free expression of employee ideas in each department and at every level of the company, as a premise for company's innovative development. In the last three years some of the techniques for creative thinking stimulation haven't been used by 92.31% of the respondents, while the other 7.69% mostly used brainstorming and employee meetings. Research activities were carried out by 21.54% of respondents in the last three years, mostly focusing on market research activities, and lobbying to local authorities for financial stimulation of sophisticated production. 24.62% of surveyed companies have implemented some kind of form for collecting employee ideas, meaning by that a brainstorming during which employees are free and encouraged to present their ideas. Within the same question, they mentioned enabling employees to exchange their views at meetings, as well as collecting ideas through weekly employee reports. In an open question where the respondents could state the reasons they felt that employees do not feel free to express their ideas for business improvement, they primarily pointed out the employees fear of their idea not being accepted by superiors, then the consideration that the proactivity was not a part of job description, disinterest of employees, fearful reactions of superiors, etc. Unlike the respondents who feel that employees can freely express their ideas, they have given reasons such as a collaborative atmosphere in the company, the owner's and manager's accessibility, the implementation of good ideas in business, the appreciation of others' opinions, and as the most important reason they pointed out the good team spirit in the company. In the last open question of whether they have developed some new product, process, marketing or organizational innovation in the last three years, 63.08% of the respondents answered negatively, while the others stated the creative marketing approach, the original local product, the specific client's approach, the self-developed formula or recipe of the main product, a production line of their own design, and other.

The authors also wanted to examine the environment aspect in order to see how important external affect is for the companies and its adaption to it, and also, their willingness to take advantage of their own creativity that would enable them to stand out from the competition. In this respect, the authors used Lickert's scale of statements according to which the respondents expressed their opinion by intensity levels ranging from 1 to 5, with 1 being fully disagree, and 5 being fully agree. The statements about the company's view of the environment and its adjustment to external affect are presented in Table 3, as well as their corresponding mean value of the response.

**Table 3:** Statements used for measuring the company's environment

| Statement                                                                                            | Mean |
|------------------------------------------------------------------------------------------------------|------|
| We are able to see when the competition is threatening with its new creative and innovative products | 4,00 |
| Our company has a high degree of change acceptance from the environment                              | 4,00 |
| We appreciate people from the environment who question what we do and their suggestions for          |      |
| improvement                                                                                          | 3,85 |
| Clients and the environment consider us as to be a creative and inventive company                    | 3,77 |
| We are actively seeking for new partners to improve and expand business                              | 3,69 |

Source: authors' research

The high mean average of these statements shows the companies' awareness of changes from the environment, their willingness for adjustment and also appreciation and acceptance of suggestions for possible improvement.

While analyzing theoretical works and previous research done on this topic, it is clear that there is no progress without innovation, and the base for innovation is creativity which simply means generating many ideas. These ideas can be produced primarily by the company's employees that should be stimulated and encouraged in order to express their creativity. Such business practice is possible only with the support of company's leadership which enables the foundation for creative and innovative work, and therefore allows employees the opportunity to make a certain contribution to the company. Based on current research data, the focus was on the creativity of employees and its encouragement by the superiors who should be aware of the importance of creative and innovative ways of doing business. Also, the leadership of the company is the main internal part that enables employees to think and work creatively. In this respect, it is primarily important to get the leadership of the company and their main executives acquainted with the concept of creativity itself, as well as with the importance of creativity stimulation and the enormous creative potential of their employees. Also, this research has detected some aspects of business practice that could be improved, such as properly rewarding the effort and potentially profitable employees' ideas; as well as the need for more frequent organization of projects and events with the exclusive purpose of generating ideas from employees which would ultimately contribute to promoting the importance of creative work. The most problematic aspect of business practice examined in this research has proved to be work on significant innovations that would enable entrepreneurs to be the first ones on the market, as well as research activities aimed at developing their own creative and innovative products or services.

In order to improve these kinds of aspects of business practice, entrepreneurs should be educated on how to implement new ideas and projects for actively stimulating creativity through motivation of employees, which would ultimately lead to developing an innovative business practice. Previous research based on the Integrative Organizational Model of Creativity and Innovation (Peša et al., 2015) has identified the lack of external support which

refers to the inefficacy of government institutions and a weak link between scientific and economic sector, as well as entrepreneurs being insufficiently informed about available support programs for innovative business practice. The local authorities are one of the important external factors which can raise awareness of the importance of creative and innovative ways of doing business, and local development agencies are the ones that can provide direct assistance to entrepreneurs in funding for various projects, as well as providing basic information about projects and programs relating to creative and innovative business practice. In this respect, the recommendations of the authors are to organize free motivational lectures, education, training and workshops in cooperation with local development agencies and academic community on the topic of creative work, creativity potential of employees, and also to provide a concrete information about possible ways of getting support for such kind of business. In this way the entrepreneurs from the examined area would get a concrete stimulus to work more creatively since they would get the insight into such business practice by being introduced to examples of positive practice at such organized events. Also, they would get the ideas that could be developed, improved and implemented. All of this would result in a greater level of awareness of the importance of creativity, which would ultimately lead to greater company innovation.

#### 5. Conclusion

Today's dynamic business environment is impossible without creativity, creative individuals and companies that support expressing free ideas that could even slightly improve business practice. In this respect, companies should create an environment that will stimulate creativity, since that is the only direct way to achieve innovation, ultimately leading to the progress of the entire company. Therefore, it is important to enable and encourage employees to feel free to express their ideas, and every significant idea that contributes to business improvement should be adequately rewarded. For everything mentioned above, it is primarily necessary to instruct employees on how to express their creativity, and to enable them to understand their role and contribution to the company. The superiors who are supposed to provide such kind of instructions should be properly informed on how to guide, motivate and use the creativity potential of their employees in the best possible way.

Based on current and previous research data, the focus of this paper was on the importance of creativity in business practice and encouragement of employees, as the premise for company's innovative development. The survey conducted on a sample of 65 entrepreneurs in the Virovitica-Podravina County has shown their awareness of the importance of employees' creativity potential. The research has also shown that examined entrepreneurs have a place for improvement in the field of rewarding effort of their employees and stimulating their creativity through organization of various activities, events and projects in order to motivate employees to suggest ideas for improvement more easily and more frequently. The most problematic aspect concerning the internal part of business practice examined in this research has proved to be work on significant innovations and research activities aimed at development of creative and innovative products or services.

As in previous research, creative individuals, groups and adequate management and leadership have emerged as the main internal components for development of creative work. In this respect, the authors' recommendations are to provide an adequate external support from local development agencies and academic community in order to present the benefits of creativity encouragement to a wider spectrum of entrepreneurs, and also to get them acquainted with the

basic information on funding for projects and programs related to creative and innovative business practice. In future research it would be useful to analyze and compare how the external support of local authorities affected the company awareness of the importance of creative and innovative business practices and their possible improvement that would lead to a satisfactory level of competitiveness. Also, it would be recommendable to include other variables, such as whether the company is informed about possible funding and the role of the environment in stimulation of creativity.

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