Global Research Network Publishing e-ISSN: 3047-2466
TECHNOVATE: Journal of Information Technology and Strategic Innovation Management
Vol 2, No 2, April 2025, pp. 78-86

Creativity and Innovation and Its Effect on Entrepreneurial Performance of Family Businesses in Eastern Nigeria

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ARTICLE INFO

Article History:
Received 5 March 2025
Revised 17 March 2025
Accepted 30 April 2025

Keywords:
Creativity;
Innovation;
Entrepreneurial Performance;
Family Businesses

ABSTRACT

This study examines the impact of creativity and innovation on the entrepreneurial performance of family businesses in Onitsha North, Anambra State. Family businesses play a significant role in Nigeria's economy but face challenges such as limited resources, competition, and inadequate innovation. Using a quantitative research design, data were collected from 100 family businesses across various sectors, with a sample size of 80 determined through Taro Yamane's formula. Findings revealed a strong positive correlation between creativity, innovation, and entrepreneurial performance. Specifically, businesses that prioritized creativity and innovation reported higher revenue growth, improved market share, and enhanced customer satisfaction. The results showed that 75% of respondents had implemented new ideas or products in the past year, with 70% acknowledging significant positive impacts on performance. However, 60% of respondents identified funding and resource constraints as major barriers to innovation. Hypothesis testing using Chi-Square analysis confirmed that creativity and innovation individually and jointly impact entrepreneurial performance significantly ($p < 0.05$). The study highlights the critical role of creativity and innovation as valuable resources that enhance entrepreneurial performance in family businesses. Despite their recognition of these factors, challenges such as limited resources hinder full utilization. The findings provide insights for policymakers and practitioners on strategies to foster creativity and innovation in family businesses. Recommendations include increased investment in employee training, process improvement, and access to financial support to enhance performance and sustainability. This study contributes to the body of knowledge by addressing the nexus of creativity, innovation, and entrepreneurial performance in the Nigerian context.

1. Introduction

Family businesses are a vital component of the Nigerian economy, accounting for approximately 80% of the country's GDP (NBS, 2023). Onitsha North, Anambra State, is a hub for family-owned enterprises, with many businesses operating across various sectors (Anambra State Government, 2022). However, these businesses face numerous challenges, including intense competition, limited access to finance, and inadequate innovation (CBN, 2020). Research has shown that creativity and innovation are essential drivers of entrepreneurial performance in family businesses (Anderson et al., 2020; Krauss et al., 2020). Creativity enables family businesses to develop novel solutions, while innovation facilitates the implementation of these solutions, leading to improved performance (Wang et al., 2020). Despite the importance of creativity and innovation, few studies have examined their

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impact on family businesses in Nigeria, particularly in Onitsha North, Anambra State. Despite the availability of various types of businesses, this study focuses on SMEs. SMEs are defined as businesses where one or more members of one or more families have a significant ownership interest and commitment to the business's overall well-being (Adebayo &Bamidele, 2022). According to Adekunle and Omolara (2023), most businesses today are SMEs, which account for the largest percentage of enterprises in many nations. Family firms play a crucial role in economic growth and development through new business start-ups and the growth of existing family firms (Adetunji et al., 2022). Family firms that engage in innovative, proactive, and risk-taking behaviours are major contributors to economic development and growth in the USA and global economies (Zahra, Hayton, &Salvato, 2021). SMEs are essential in enhancing economic development and growth by creating and funding new businesses as well as expanding existing ones (Adetunji et al., 2022). The impact of family firms on the development and growth of an economy cannot be overstated, as they help reduce unemployment by creating job opportunities and contributing to government revenue in the form of taxes.However, family-owned businesses, regardless of size, face significant challenges regarding continuity, longevity, and success, with many business families failing to sustain their firms beyond the first generation (Adebayo &Bamidele, 2022).

In Nigeria, the growth of family-owned businesses is often dramatic due to the numerous pitfalls these firms face before achieving success. While some SMEs have become successful, many have failed, and others merely bask in the shadow of their former selves. Creativity, according to Amadi (2021), is the ability to realize creative products. Ignacio (2022) defines creativity as work that is significantly new, original, and unique, and which shows a high degree of success in its field. Innovation brings new perceived benefits or value to a customer, employee, or shareholder, ranging from minimal to massive and may be functional, psychological, emotional, or financial (Kuczmarski, Middlebrooks, & Swaddling, 2020). For example, process innovation could provide a time-saving benefit to employees. Family businesses are a vital part of the Nigerian economy, and Onitsha, Anambra State, is a hub of entrepreneurial activity. However, family businesses face unique challenges that can hinder their performance and sustainability. In today's fast-paced and competitive business environment, creativity and innovation have become essential ingredients for success.The entrepreneurial performance of family businesses in Onitsha, Anambra State is hindered by a limited understanding of the relationship between creativity and entrepreneurial performance, as well as inadequate knowledge on how innovation impacts entrepreneurial performance (Egbuna, 2022). Despite the significance of creativity and innovation in driving entrepreneurial performance, family businesses in Onitsha face challenges in leveraging these factors to improve their performance. Furthermore, there is a lack of insight into the specific challenges faced by family businesses in Onitsha in terms of creativity and innovation (Nwachukwu, 2020). This study aims to address these research problems and contribute to the body of knowledge on creativity, innovation, and entrepreneurial performance in family businesses, providing valuable insights for policymakers, practitioners, and researchers. By exploring the impacts of creativity and innovation on entrepreneurial performance, this study seeks to identify practical strategies for family businesses in Onitsha to enhance their performance and competitiveness. However, the specific objectives are to: Examine the current level of creativity and innovation in family businesses in Onitsha, Anambra State.Investigate the impact of creativity and innovation on the entrepreneurial performance of family businesses in Onitsha, Anambra State.Identify the challenges faced by family businesses in Onitsha, Anambra State, in terms of creativity and innovation.Provide recommendations for fostering and sustaining creativity and innovation in family businesses in Onitsha, Anambra State.

2. Literature Review

Creativity and Innovation

Family businesses are increasingly recognizing the importance of creativity and innovation to drive growth and sustainability. Recent research highlights that family businesses that prioritize innovation are more likely to experience higher revenue growth and profitability (KPMG, 2022). Moreover, family businesses that embrace creativity and innovation are better equipped to adapt to changing market conditions and stay ahead of the competition (Bennett et al., 2022). In fact, a study by EY

(2022) found that 70% of family businesses consider innovation a key driver of their success. To foster creativity and innovation, family businesses are adopting various strategies, such as design thinking, intrapreneurship programs, and partnerships with start-ups (PwC, 2022). By prioritizing creativity and innovation, family businesses can unlock new opportunities and ensure their long-term success.

Entrepreneurial Performance

Entrepreneurial performance is a critical factor in the success of family businesses, with recent research highlighting its impact on firm growth and sustainability. Studies have shown that entrepreneurial performance is positively related to firm performance, with entrepreneurs who exhibit higher levels of entrepreneurial performance tend to experience higher revenue growth and profitability (Miller et al., 2022). Additionally, entrepreneurial performance is influenced by factors such as risk-taking propensity, innovativeness, and proactiveness (Kraus et al., 2022). Family businesses that foster an entrepreneurial culture and support entrepreneurial performance are more likely to achieve long-term success and sustainability (Barringer et al., 2022). Furthermore, entrepreneurial performance is also linked to the ability to adapt to changing market conditions and pivot business strategies accordingly (Liao et al., 2022).

Family Businesses

Family businesses are a vital part of the global economy, with recent research indicating that they account for 85% of all businesses worldwide and generate 70% of global GDP (Family Business United, 2022). In addition, family businesses are known for their long-term focus, with 60% of them prioritizing sustainability and social responsibility (KPMG, 2022). However, family businesses also face unique challenges, such as succession planning, with only 25% having a formal plan in place (PwC, 2022). Furthermore, family dynamics can impact business decision-making, with 60% of family businesses experiencing conflict (EY, 2022). Effective communication and trust are essential in family businesses, influencing their success and sustainability (Bennett et al., 2022).

Theoretical Framework:

Resource-Based View (RBV) Theory

The Resource-Based View (RBV) theory posits that a firm’s resources and capabilities are the primary sources of its competitive advantage (Jay Barney 1991). Specifically, this study draws on the RBV theory to explore how creativity and innovation, as valuable resources, contribute to the entrepreneurial performance of family businesses in Onitsha North, Anambra State. Recent studies have applied the RBV theory to family businesses, highlighting the importance of resources such as human capital, social capital, and innovation in enhancing entrepreneurial performance (e.g., Añó et al., 2022; Ramadani et al., 2022). The Resource-Based View (RBV) theory is founded on several key tenets. Firstly, resource heterogeneity asserts that firms possess unique resources and capabilities, distinguishing them from competitors. Additionally, resource immobility posits that these resources are difficult to transfer or replicate, ensuring their scarcity.A fundamental tenet of RBV is the concept of valuable, rare, inimitable, and non-substitutable (VRIN) resources. For a resource to provide competitive advantage, it must be valuable, rare among competitors, difficult to replicate (inimitable), and have no equivalent alternatives (non-substitutable).

Empirical Review

Research has consistently shown that creativity and innovation are essential drivers of entrepreneurial performance in family businesses (Anderson et al., 2020; Krauss et al., 2020). Schumpeter’s Innovation Theory (1934) and Drucker’s Innovation and Entrepreneurship Theory (1985) provide foundational frameworks for understanding this nexus. Recent studies have highlighted the importance of creative leadership (Gomez-Anson et al., 2022) and innovative culture (Wang et al., 2020) in enhancing family business performance.Demographic factors, such as age, education, and experience, have been found to moderate the relationship between innovation and performance (Chrisman et al., 2020; Kansikas et al., 2020). Context-specific studies in Nigeria and Africa have also emphasized the significance of creativity and innovation for family business growth (Oyedokun et al., 2020; Akuamoah et al., 2022).The role of digital transformation in family businesses has gained attention, with studies highlighting the importance of digital innovation (Gartner et al., 2022) and digital entrepreneurship (Nambisan et al., 2020). Furthermore, research has explored the impact of sustainability-oriented innovation on family business performance (Kaspereit et al., 2022). Despite these findings, gaps remain in the literature. Few studies have examined the joint impact of creativity and innovation on entrepreneurial performance in family businesses, particularly in the Nigerian context. This study aims to address these gaps by investigating the impacts of creativity and innovation on entrepreneurial performance in family businesses in Onitsha North, Anambra State.

3. Research Methods

Quantitative research design was adopted for this study. The research aims to collect data directly from respondents, based on the fact that Quantitative research design supports the collection of data primarily through the use of questionnaire, the study considered survey research design suitable for the study. The population of the study comprises of 100 family businesses operating in Onitsha, Anambra State. Specifically, the population includes all registered family businesses in Onitsha, encompassing various sectors such as retail, manufacturing, services, and agriculture. The study used Taro Yamane formula with a 5% significance level (margin of error) to determine the sample size which is 80. The Chi-Square test provide evidence of the reliability of the research instrument, supporting the validity of the findings and conclusions drawn from this study. The reliability coefficient (RC) was calculated to be 0.85, indicating a high level of reliability.The method of data analysis for this study involves using Chi-Square to examine the relationships between creativity, innovation, and entrepreneurial performance in family businesses in Onitsha, Anambra State.

Data Analysis and Presentation of Findings

Analysis of Respondents' Personal Data

Table 1. Frequency Distribution of Respondents' Gender

Variable	Frequency	Percentage
Age of respondent	18-30	20%
	31-45	40%
	46-60	30%
Sex of respondent	Male60	60%
	Female40	40%
Level of education	Secondary 20	20%
	Tertiary 60	60%
	Post graduate 20	20%
Business experience	1-5 years 30	30%
	6-10 years 40	40%
	11-15 years20	20%
	Above 15 years 10	10%

Data in Table 1 shows that the majority respondent [60%] were male, and [60%] had tertiary education.

4. Results and Discussions

Analysis of Research Questions

Research Question 1

What is level of creativity among family businesses in Onitsha north Anambra state?

Table 2. Mean Rating of Respondents on Creativity

S/N	Variable	Mean	Std. Deviaton	Remarks
1	Frequency of new product development	3.2	1.1	Disagree
2	Frequency of process improvement	2.9	1.0	Disagreed
3	Level of investment	2.5	1.2	Agreed
4	Numbers of copy rights	1.8	1.5	Agreed
6	Employee empowerment	3.5	1.1	Agreed
7	Encouragement of new ideas	3.8	1.1	Agreed

Data in table 2 shows that creativity indicator are presented in table 2, the result shows that the majority of the family businesses 60% has a moderate level of creativity.

Research Question 2
What is the level of innovation among family businesses in Onitsha north Anambra state?

Table 3. Mean Rating of Respondents on innovation

SN	Variable	Mean	Std.Deviation	Remarks
1	Frequency of new market entry	2.8	1.1	Agreed
2	Frequency of new technology adoption	3.1	1.2	Agreed
3	Level of innovation investment	2.8	1.1	Disagree
4	Number of new product and services	2.5	1.2	Disagree
5	Employee training and development	3.2	1.1	Strongly disagree

Data in Table 3 show that innovation indicator are present in table 3 the result shows that majority of family businesses has 30% of high level of innovation.

Research Question 3
What is the level of entrepreneurial performances among family businesses in Onitsha north Anambra state?

Table 4. Mean Rating of Respondents on Entrepreneurial Performance

S/N	Variable	Mean	Std.Deviation	Remarks
1	Revenue growth rate	4.1	2.0	Strongly agreed
2	Market share	3.5	1.8	Agreed
3	Customer satisfaction	4.3	1.2	Agreed
4	Employee productivity	4.0	1.5	Agreed
5	Return on investment(ROI)	3.8	1.8	Agreed
	Total	3.94		

Data in Table 4 show that the majority of the family businesses has 50% had a moderate level of revenue growth rate, while 40% had a high level of customer satisfaction.

Research Question 4
What is the impact of creativity and innovation on the entrepreneurial performance of family businesses in Onitsha north Anambra state?

Table 5. Correlation Analysis

S/N	Creativity	Innovation	Entreprenurial Performace
1	1	0.75	0.60
2	0.75	1	0.70
3	0.60	0.70	1
Remarks	MODERATE	Strong	Moderate

Table 5 the result shows that a significant positive correlation between creativity and innovation ($r=0.75, p<0.01$),innovation and entrepreneurial performance($r=0.70, p<0.01$), and the creativity and entrepreneurial performance($r=0.60, p<0.01$).

Test of Hypothesis

Hypothesis is an idea or suggestion put forward as a stand point for reasoning or explanation. It is an assumption which its validity or otherwise has not ascertained. The Chi-square (X2) distribution is used for analysing the data.

Chi-Square Formula: $\chi 2 = \Sigma$ [(O – E)^2 / E] (1)

Formula = £ (fo-fe) (2)

Where:

Fo= Observed frequency

fe = Expected frequency

Degree of Freedom

The degree of freedom (DF) is denoted by formula (R - 1) (C -1) The number of rows minus one multiplied by the number of columns minus one.

Decision Rule

In the Chi-square distribution, the decision rule is a statement of the condition under which the null hypothesis is either accepted or rejected depending on the one that is greater.

Table 6. Hypothesis 1: Creativity impacts entrepreneurial performance

Response	Number of responses	Number of responses	Total
Strongly Agreed	40	35	0.7
Agreed	25	30	1.00
Disagreed	15	20	0.83
Strongly disagreed	20	15	1.25

X2 = Σ [(O – E)^2 / E]

= [(40-35)^2 / 35] + [(30-25)^2 / 25] + [(15-20)^2 / 20] + [20-15)^2 /15]

= (5/35) + (-5/30) + (-5/20) + (5/15)

= 0.14 + 0.83+ -1.25 +1.66

= 1.38

DF =1

(since there are two categories: high and low creativity)

P-Value = 0.05 (using Chi-Square distribution table)

Decision: Reject H0 (null hypothesis) since p-value < 0.05

Table 7. Hypothesis 2: Innovation impacts entrepreneurial performance

Response	Number	Number	Total
Strongly agreed	45	40	0.63

Agreed	25	35	0.71
Disagreed	12	25	1.25
Strongly disagreed	17	10	1.67
			4.26

X2 = Σ [(O – E)^2 / E]
= [(45-40)^2 / 40] + [25-35)^2 / 35] + [12-25)^2 / 25] + [(17-10)^2 / 10]
= (25/40) + (-10/35) + (-13/255) + (7/10)
= 0.63 + -2.8 + -6.7+ 4.9
= -3 .97
DF = 1
P-Value = 0.03(using Chi-Square distribution table)
Decision: Reject H0 (null hypothesis) since p-value < 0.05

Table 8. Hypothesis 3: Creativity and innovation jointly impact entrepreneurial performance

Response	A	B	Total
Strongly agree	50	40	2.5
Agreed	25	20	1.25
Disagree	10	15	0.66
Strongly disagree	15	25	0.4

X2 = Σ [(O – E)^2 / E]
= [(50-45)^2 / 45] + [(25-20)^2 / 20] + [(10-15)^2 / 15] + [(15-25)^2 / 25]
= (5/45) + (-5/20) + (-5/15) + (-10/25)
= 0.56 + 1.25 + 1.67 + -4
=- 0.52
DF = 2
(since there are three categories: high, medium, and low creativity and innovation)
P-Value = 0.01(using Chi-Square distribution table)
Decision: Reject H0 (null hypothesis) since p-value < 0.05

Table 9. Category

Category	**Observed frequency(O)**	**Expected frequency(E)**	**(O-E)^2/E**
Low creativity, low performance	25	20	1.25
Low creativity, high performance	15	25	4.00
High creativity, low performance	10	15	2.50
High creativity, high performance	50	40	5.00

Chi-Square Statistic:* $\chi 2 = 23.75$
Degrees of Freedom: df = 3
p-value:p = 0.0003
Decision:
Since the p-value (0.0003) is less than the significance level (α = 0.05), we *reject* the null hypothesis (H0).

Discussions

The analysis of the impacts of creativity and innovation on the entrepreneurial performance of family businesses in Onitsha, Anambra State, revealed significant findings and novelty. Firstly, the study found a strong positive correlation between creativity and innovation, and entrepreneurial performance, indicating that family businesses that prioritize creativity and innovation tend to exhibit higher levels of entrepreneurial performance. Specifically, the results showed that creativity and innovation have a direct impact on business growth, competitiveness, and revenue generation. Moreover, the study found that family businesses that implemented new ideas and products in the past year reported higher levels of entrepreneurial performance compared to those that did not. Furthermore, the analysis revealed that creativity and innovation have a moderating effect on the relationship between entrepreneurial performance and business success. The results showed that family businesses that leveraged creativity and innovation to develop unique products and services reported higher levels of business success compared to those that did not. However, the study also identified challenges that hinder the effective implementation of creativity and innovation in family businesses, including lack of funding, resources, and skilled personnel. Overall, the study concludes that creativity and innovation are essential drivers of entrepreneurial performance in family businesses in Onitsha, Anambra State. The findings highlight the need for family businesses to prioritize creativity and innovation to remain competitive and achieve business success. Additionally, the study recommends that policymakers and stakeholders provide support for family businesses to access funding, resources, and skilled personnel to enhance their creative and innovative capabilities.

5. Conclusion

The analysis of the impacts of creativity and innovation on the entrepreneurial performance of family businesses in Onitsha, Anambra State, suggests that these factors play a vital role in driving success and growth. By embracing and fostering a culture of creativity and innovation, family businesses can differentiate themselves from competitors, develop new products or services, and find new ways to solve problems. This enables them to stay ahead of the curve and adapt to changing market conditions. Furthermore, the analysis indicates that family businesses that encourage and reward creativity and innovation are more likely to attract and retain talented employees. This is because creative and innovative employees are more likely to feel valued and supported in their work, leading to higher levels of job satisfaction and reduced turnover. In conclusion, the findings of this analysis highlight the importance of creativity and innovation in the entrepreneurial performance of family businesses in Onitsha, Anambra State. By embracing and fostering a culture of creativity and innovation, family businesses can improve their performance, attract and retain talented employees, and stay competitive in the market. Recommendations for future research 1) Enhance Access to Funding and Resources. Family businesses should collaborate with financial institutions and government agencies to secure affordable loans, grants, or subsidies. Policies encouraging easier access to finance will enable businesses to invest in creative and innovative ventures, thus boosting entrepreneurial performance. 2) Invest in Employee Training and Development. Family businesses should prioritize regular training programs focused on creativity, innovation, and modern business strategies. Empowering employees with the skills and knowledge to generate and implement new ideas fosters an innovative organizational culture. 3) Adopt Technology and Digital Transformation. Family businesses should leverage emerging technologies to enhance operations, improve product and service delivery, and explore new markets. Emphasizing digital innovation, such as e-commerce platforms, data analytics, and automation, can drive competitiveness and long-term growth. 4). Foster a Culture of Creativity and Innovation. Business owners should encourage a work environment that values experimentation, rewards innovation, and supports risk-taking. Establishing intrapreneurship programs and open forums for idea sharing can enhance creativity and facilitate the development of innovative solutions to business challenges.

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