



THE EFFECT OF EMPLOYEE CREATIVITY ON ORGANIZATIONAL PERFORMANCE: A CASE STUDY OF TILE AND CARPET CENTRE

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Abstract

Human capital management today is managing every facet of employee talent and creativity, and labor which requires a detailed examination of all segments of the workforce against every area of operational detail. This study aimed at investigating the effect of employee creativity and organization performance at Tile and Carpet Centre (T&C) in Kenya. The human resource management theory anchored the variables of the study. The study adopted descriptive research design. The study population was 750 staff working in 3 T&C locations while stratified random sampling technique was used to sample 100 respondents. The pilot testing was conducted using the questionnaire on 10 staff from ICD warehouse, Nairobi County. The measure of reliability was tested using Cronbach's alpha at 0.7. The study was a descriptive research and primary data was collected using a questionnaire. Frequency distribution tables and figures were used to present the findings where interpretation was done in prose form. The researcher conducted simple regression analysis to find out the relationship between employee creativity and organizational performance of T&C. The inferential results on effect of employee creativity on organization performance show $R=0.588$ indicating a strong positive correlation and $R^2=0.346$ and there was a significant effect between employee creativity and organization performance ($t=6.866$, $p<0.05$). The study established and provided evidence that work well being positively affects employee creativity and organization innovation capability thus having a positive influence on organizational performance. The study recommends that T&C should take the issue of employee creativity seriously to facilitate effective job delivery and performance.

Keywords: *Employee creativity, Organization performance, Tile and Carpet Centre (T&C)*

1. INTRODUCTION

In an organizational context, HCM is considered as a process by which organizations help their employees in a continuous and planned way to acquire or sharpen the abilities. This is based on the facts that employees are required to perform various functions associated with their present or expected future roles. Employees develop their general skills as individuals, discover and utilize their inner potential for their own and/or organizational development purposes (Rastgoo, 2016). Human capital represents the human factor in the organization which includes the combined intelligence, skills and expertise that gives the organization its distinctive character.

Employee creativity has been proved important to organizational success. Employee's creativity can be enhanced in the organization by empowering the employee and giving feedback on how they achieved their goals, giving them free hand how they want to achieve those goals which will result to enhance performance beyond imagination (Dvir, Eden, Avolio, & Shamir, 2012). Firms need creative employees to initiate organizational innovation. Employee creativity is recognized as the key factor for generating a competitive advantage. Employee creativity gives an edge over the competitors and in turn helps a company succeed in terms of multiple measures of firm-level financial performance. Organizations that exhibit creative behaviors generate competitive advantages and better performances (Shelley, Hogan, Unnithan, & Stretesky, 2013). Organizations that encourage creativity experience increase in profit growth, and subsequently firm performance.

1.1 Problem statement

A survey conducted in T&C for the need assessment in 2022, organizational performance challenges were revealed that were lack of qualified staff and low sense of responsibility among T&C staff are key performance issues. Therefore, there was an urgent need for cultural adjustment regarding staff development to enable them to perform to expected standards. In addition, there was need for adjustments within the organization on matters such as cooperation among staff/employee, usage of working time, self-confidence, responsibility, and own initiative. This is expected to reduce and eventually eliminate negative work attitudes and practices that lead to poor organizational performance. This perspective is detrimental to T&C and is evident as the organization is unable to compete in the larger East African market due to challenges such

as technical and institutional incapability. Therefore, there is a need to understand the effect of employee creativity on organizational performance at T&C. The study will help T&C to develop a more strategic and modern approach to the management of people and their attributes that translate to the sustainable improvement of the organization's overall performance and counter the performance challenges.

1.2 Specific objective

- i. To identify and rank various employee creativity factors that affect organization performance of T&C
- ii. To establish the effect of employee creativity on organization performance of T&C.

1.3 Conceptual Framework

In this study, the dependent variable is organization performance while the independent variable is employee creativity.



Figure 1 Conceptual Framework

2. LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Human Resource Management Theory

The theory of human resource management theory was developed by Raymond Miles in 1965. It directs that labor force has untapped resources. Miles argued that every employee come into a firm with several different resources that can be tapped by the management to increase overall production. This includes physical energy and skills self-direction, capabilities, and creativity to enable the organization to maximize employee performance. The main purpose of the manager is to focus on controlling and directing employees and make major decision based on the human resource skills and capabilities in the organization. Communication was treading to be crucial and bidirectional between the employee and the employer. It also should provide inclusiveness in decision making and encourage participation. It explained further that most firms have untapped

human resource and encouraged participation to achieve organizational performance and productivity (Miles & Ritchie, 1971).

However, there is criticism to this theory that could be argued here based on assumption that education in fact guarantees employee retention. The theorists clearly did not consider the transfer of learning. Does the duration of education and training really be assurance of retaining the employee in the organization? Certainly, this notion is ideal, but questionable. A highly skilled employee could as well look for a much more paying job. This theory is relevant to the study as the organization needs to appreciate the fact that the employees' who are human resources are reservoirs of untapped resources and therefore the need to invest heavily on their development using a variety of strategies to tap out the resources contained in them and thus improve the performance of the organization.

2.2 Empirical Review

2.2.1 Employee Creativity and Organizational Performance

Creativity refers to original and novel work, emphasizing the generation of new and original ideas (Madjar, 2011). Amabile (2013) defined creativity as the process of idea generation or problem solving and the actual idea or solution. Creativity has vital impact on organizational performance and when it is the case of service firms, the creativity of frontline employees become more crucial. Firms need creative competition especially after the challenging capital employees to initiate organizational innovation. Lee and Tan (2012) did a study on the influences of antecedents on employee creativity and employee performance in Taiwan. This study attempts to integrate the results of 57 related studies that have examined in cross-level organizations from the year 1990-2011 by using the Meta analytic technique. Employee creativity and performance are good, when there are high quality relationships between the employee and his/her supervisor. Likewise, psychological empowerment contributes significantly to employee creativity and performance. Additionally, organizational support and innovative climate moderate the effect of leader and psychological empowerment on employee creativity and employee performance.

Stradinger (2020) conducted a study on creativity in the workplace and its effect on employee retention in USA. This study was conducted with a sample of 99 employees from the Midwestern manufacturing company. Results demonstrate there is a strong relationship between participation in creativity in the workplace and retention. No statistically significant support was

found for the relationship between participation in creativity in the workplace and the employee - supervisor relationship. This study has extensive academic and practical implications, suggesting creative participation significantly increases employees' retention rates.

Gong, Zhou, and Chang (2013) conducted a study core knowledge employee creativity and firm performance. The moderating role of riskiness orientation, firm size, and realized absorptive capacity. Data were collected from 761 core knowledge employees, 148 CEOs, and 148 HR executives from 148 high-technology firms. The results indicated that core knowledge employee creativity was negatively related to firm performance when riskiness orientation was high. The relationship was positive when realized absorptive capacity was high. Finally, the relationship was more positive in small firms than in large firms.

Miao and Cao (2019) did a survey on high-performance work system, work well-being, and employee creativity with focus to cross-level moderating role of transformational leadership in China. Using a sample of large and medium-sized enterprises in China, collected data using questionnaire, which are time-lagged and multilevel, from 266 employees in 61 departments. Results of the hierarchical linear model found that high-performance work system is positively related to employee creativity. High-performance work system positively affects employee work well-being. Work well-being positively affects employee creativity. Employee work well-being partially mediates the relationship between high-performance work system and creativity. Transformational leadership, which represents an important contextual variable in the workplace, moderates the relationship between work well-being and employee creativity. Moreover, the study also revealed that transformational leadership can moderate the indirect effect of high-performance work system on employee creativity.

Hassan, Malik, Hasnain, Faiz, and Abbas (2013) did a study on measuring employee creativity and its impact on organization innovation capability and performance in the banking sector of Pakistan. Data were collected through convenient sampling from banking employees working in different branches of seven Pakistani banks operating in Multan city through 164 questionnaires which then analyzed using SPSS 16. The results showed the direct relationship of job complexity and supervisory relationship with employee creativity keeping the mediating variable unaffected. Furthermore, employee creativity has shown significant positive relation with organization innovation capability and firm performance.

3. RESEARCH METHODOLOGY

3.1 Research Design

A research design is a plan or blueprint of how the researcher intends to conduct the research (Babbie & Mouton, 2021). This study applied descriptive studies design because its purpose was to explain the impact of employee creativity on organization performance in T&C. Descriptive approach was used to describe the nature of the relationship between the independent variable and the dependent variable.

3.2 Target Population

Population is a whole institution of individuals, objects, or occasions with comparable observable characteristics (Mugenda & Mugenda, 2003). The target population of the study was derived from the employees of T&C as shown in Table 3.1. The research used a target population of 750 employees working at the three locations namely: T&C head office at Parkside Towers and ICD Warehouse in Nairobi County and Toptank Production Plant in Machakos county.

Table 3. 1 Target Population

Category	Target Population	Percentage
Top Management	18	2.4
Middle Management	281	37.5
Support Staff	451	60.1
Total	750	100

3.3 Sampling Method and Sample Size

Sampling is a fundamental component of data collection or part of a population chosen for a study (Sekeran, 2020). The study employed stratified random sampling technique in producing a sample size of 100 respondents from a total of specific departments in three T&C plants, this represents 13.3% of the total population as seen in Table 3.2

Table 3. 2 Sample Size

Category	Target Population	Sample of the Data	Percentage
Top Management	18	18	18
Middle Management	281	40	40
Support Staff	451	42	42
Total	750	100	100

3.4 Research Instruments

Primary data was used in this study which was collected from the selected sample respondents using a questionnaire.

3.5. Pilot Study

According to Cooper and Schindler (2020), a pilot test is conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. This pilot study enabled the researcher to determine the reliability and validity of the instrument. The study conducted a pilot study using 10% of the sample population. The subjects included in the pilot study were not included in the final study.

3.5.1 Validity and Reliability of the Research Instrument

Validity is the quality of instruments used in gathering data that makes it possible to measure what it intends to measure. Drawing meaningful and beneficial inferences from scores on the instrument is what validity is ready as said through Creswell (2008). The study supervisor reviewed the instrument to ensure content validity. Logical judgment as to whether the instruments covered what they were supposed to cover was gotten from content validity. Reliability is explained as the measure of the extent to which a research instrument gives consistent output or data after repeated tests. The study adopted Cronbach Alpha to test reliability of the studies units. The values ranged from zero to 1 wherein values among 0.7 to 1 indicate significant and suitable reliability whereas values underneath 0.7 have been unacceptable and much less dependable.

3.6. Data Analysis and Presentation

The quantitative data collected was coded using Statistical Packages for Social Scientists tool (SPSS Version 23) and analyzed through the use descriptive and inferential statistics.

4. DATA ANALYSIS AND RESULTS

4.1 Response Rate

A total of 100 questionnaires were distributed to the target respondents (top management, middle management, and support staff), from which 91 respondents gave their responses in all the questions asked. The questionnaire response rate was 91% (see table 4.1) which is satisfactory

and substantial going by Mugenda (2003) affirmations that a response rate that exceeds more than half is both acceptable and significant.

Table 4.1 Response Rate of Respondents

Response	Frequency	Percentage
Returned	91	91%
Unreturned	9	9%
Total	100	100%

4.2 Demographic Profile

The respondents were requested to provide the study with demographic information as seen in table 4.2 on demographic profile. The table shows that, it is evident that more than half of the respondents at 58.2% were male and 41.8% being female. This implies that T&C staffing was male dominated, however, the female pool was not far behind. This is an encouraging implication particularly because traditionally most organizations were male dominated. On age distribution of the respondents, it is evident that majority of the respondents at 37.3% had their ages ranging from 36-45 years, then 29.7% ranging from 26-35 years, then 15.4% ranging from 18-25 years, then 12.1% ranging from 46-55 years and 5.5% above 55 years. This is a clear indication that majority of the respondents were clearly exposed and had experienced issues of the relationship between human capital management and organizational performance at T&C.

Table 4.2 Demographic Profile

Demographic profile		Frequency	%
Gender	Male	53	58.2%
	Female	38	41.8%
Age (years)	18-25	14	15.4%
	26-35	27	29.7%
	36-45	34	37.3
	46-55	11	12.1
	Over 55	5	5.5%
Work Experience	1-5	9	9.9%
	6-10	26	28.6%
	11-15	35	38.4%
	Over 16	21	23.1%
	High School	12	13.2%

Education Level	Tertiary/Diploma	45	49.4%
	Undergraduate	31	34.1%
	Postgraduate	3	3.3%
Total		91	100%

On work experience, it is evident that majority of the respondents at 38.4% had worked for T&C for 11-15 years, then 28.6% had worked for 6-10 years, then 23.1% had worked for over 16 years and 9.9% for 1-5 years. This is a clear indication that majority of the respondents were significantly experienced and worked for many years at T&C. It is also evident that majority of the respondents at 49.4% were Tertiary / Diploma holders, then 34.1% were undergraduate degree holders, then 13.2% had high school certificates and 3.3% had post graduate certificates of various courses. This is a clear indication that majority of the respondents had made considerable effort to further their education levels having worked for many years at T&C.

4.3 Descriptive Statistics

4.3.1 Ranking of various employee creativity factors that affect organization performance

The objective required the establishment of employee creativity on organizational performance at T&C. Respondents were requested to rate employee creativity on a scale of 1 to 5 where 5 represented 'Strongly Agree' and 1 'Strongly Disagree'. The summary of the results was enumerated as seen in Table 4.9

Table 4. 1 Effect of Employee Creativity on Organizational Performance

	Low	High	Mean	Std. Deviation
Management support and innovative climate moderate the effect of leader and psychological empowerment on employee creativity in our organization.	2	5	4.19	.893
In our organization, work well-being positively affects employee creativity.	1	5	4.04	1.074
In our organization, employee creativity has shown significant positive relation with organization innovation capability and organization performance.	2	5	4.01	1.005

In our organization, there are high quality relationships between the employee and his/her supervisor which enhances Employee creativity. 5 3.85 1.064

In our organization, employee creativity is related to firm performance when risk orientation is high. 1 5 3.78 1.104

In our organization, there is direct relationship of job complexity and supervisory relationship with employee creativity. 1 5 3.78 1.209

Valid N (list wise) = 91

Aggregate Score 3.94 1.058

The overall aggregate mean score for the third objective is 3.94 and the standard deviation is 1.058. This on average affirmed that the respondents acknowledged that creativity was relevant to ensure employees are innovative on the job, and this was aimed at improving organizational performance. This supported the statement suggesting that ‘management support and innovative climate moderate the effect of leader and psychological empowerment on employee creativity in our organization’ with the highest mean score of 4.19 and a standard deviation of 0.893. The statement of ‘in our organization, there is direct relationship of job complexity and supervisory relationship with employee creativity’ with the lowest mean score of 3.78 and a standard deviation of 1.209. This implied that most of the respondents at T&C did not experience any link between job complexity and supervisor relationship. The findings agree with the assertion by Shelley *et al.*, (2013) that organizations that exhibit creative behaviors generate competitive advantages and better performances.

4.3.2 Ranking of Organizational Performance factors

The dependent variable was organizational performance at T&C. Respondents were requested to rate organizational performance on a scale of 1 to 5 where 5 represented ‘Strongly Agree’ and 1 ‘Strongly Disagree’. The summary of the results was enumerated as seen in Table 4.4

Table 4.4 Organizational Performance

	Low	High	Mean	Std. Deviation
In our organization, human capital management is key in driving long-term operation effectiveness.	1	5	4.33	.920

In our organization, how human capital utilization is done has affected effectiveness in our operations.	1	5	4.27	.932
Through human capital management, there has been great increase in sales in our organization.	1	5	3.97	1.178
There is increased profitability since the introduction of an independent HR department in our organization.	1	5	3.66	1.301
In our organization, human capital management has affected relevant skills that are required to enhance organization performance. Valid N (list wise) = 91	1	5	3.58	1.221
Aggregate Score			3.96	1.110

The overall aggregate mean score for the dependent variable is 3.96 and the standard deviation is 1.110. This on average affirmed that the respondents acknowledged that the performance of T&C was efficient, effective, relevant, and financially profitable. The aggregate parameters for the variables are employee creativity with a mean score of 3.96 and a standard deviation of 1.110.

4.4 Inferential Statistics

4.4.1 Influence of Employee creativity on Organizational Performance

The study sought to investigate the effect of employee creativity on organizational performance. Regression analysis (see table 4.18) was done with organizational performance as the dependent variable and employee creativity as the predictor factor. The regression analysis revealed a relationship $R = 0.588$ which showed a strong positive correlation and revealed that employee creativity and organizational performance are fundamentally related, and $R^2 = 0.346$ which meant that 34.6% of variation in organizational performance can be explained by a unit change in employee creativity. The results were enumerated as seen in Table 4.18

Table 4. 2 Model Fitness for Employee Creativity

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate
1	.588 ^a	.346	.339	.70336

Predictors: (Constant), Employee Creativity

The values of $F = 47.140$ show that employee creativity statistically and significantly affects organizational performance which means the regression model is a good fit of the data and that employee creativity significantly influences the performance of T&C. The level of significance is 0.000 which is less than 0.05 hence the regression model significantly predicts the dependent variable. The results were enumerated as seen in Table 4.19

Table 4. 3 ANOVA^a Results for Employee Creativity

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.321	1	23.321	47.140	.000 ^b
	Residual	44.030	89	.495		
	Total	67.350	90			

a. Dependent Variable: Organization Performance

b. Predictors: (Constant), Employee Creativity

The study outcome indicated that addition of employee creativity to T&C has a significant positive impact on organizational performance. The results indicate that there is significant relationship between employee creativity and organizational performance; $p < 0.05$ ($P = 0.01$). Thus, the values of employee creativity are statistically significant ($t = 6.866$, $p < .05$) which means an increase in mean index of employee creativity will increase organizational performance by a positive unit mean index value of .716 (71.6 percent). The regression model explaining the results enumerated in Table 4.20 is given by: *Organizational Performance = 1.202 + 0.716 (Employee Creativity)*. The model shows that employee creativity positively affects organizational performance at T&C.

Table 4. 4 Regression Coefficients^a for Employee Creativity

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error				L.B	U.B
	(Constant)	1.202	.395		3.046	.003	.418
Employee Creativity	.716	.104	.588	6.866	.000	.508	.923

a. Dependent Variable: Organization Performance

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of findings

The objective of this study was to determine the effect of employee creativity on organizational performance at T&C. From the study it was found that there is a significant relationship between employee creativity and organizational performance; $p < 0.05$ ($P = 0.01$). Thus, the values of employee creativity are statistically significant ($t = 6.866$, $p < .05$) which means an increase in mean index of employee creativity will increase organizational performance by a positive unit mean index value of 71.6 percent. The study findings revealed an overall aggregate mean score for the objective is 3.94 and the standard deviation is 1.058. This on average affirmed that the respondents acknowledged that creativity was relevant to ensure employees are innovative on the job, and this was aimed at improving organizational performance. The regression analysis revealed a relationship $R = 0.588$ which showed a strong positive correlation and revealed that employee creativity and organizational performance are fundamentally related, and $R^2 = 0.346$ which meant that 34.6% of variation in organizational performance can be explained by a unit change in employee creativity.

These findings agree with those of Stradinger (2020) who revealed that creative participation significantly increased employees' retention rates. Hassan *et al.*, (2013) showed the direct relationship of job complexity and supervisory relationship with employee creativity keeping the mediating variable unaffected. Furthermore, the findings revealed that employee creativity had shown significant positive relation with organization innovation capability and firm performance. Gong, Zhou, and Chang (2013) indicated that core knowledge employee creativity was negatively related to firm performance when riskiness orientation was high. Finally, Miao and Cao (2019) revealed that transformational leadership can moderate the indirect effect of high-performance work system on employee creativity. Furthermore, the findings showed that high-performance work systems positively affect employee work well-being which positively affects employee creativity.

5.2 Conclusions

The study established a significant positive relationship with organizational performance. Based on the results, the study concludes that there is a significant positive effect of employee creativity on organizational performance. The study established and provided evidence that work well being positively affects employee creativity and organization innovation capability thus having a positive influence on organizational performance.

5.3 Recommendations

Based on the findings and conclusions, it is recommended that T&C should take the issue of employee creativity seriously to facilitate creative participation that will increase employees' retention rates to ensure significant contribution to organization performance. The study revealed that transformational leadership can moderate the indirect effect of high-performance work systems on employee creativity and enable performance of T&C to improve. Furthermore, employee creativity has shown significant positive relation with organization innovation capability and firm performance.

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