

Critical Analysis of the Obstacles to Business Creativity among Small and Medium Enterprises in Rwanda

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Abstract

Many scholars see creativity at the heart of business. In the business world, entrepreneurs use creativity to solve everyday problems to provide products and services, and to make use of limited resources. Rwanda has a mixed economy, is faced with a major challenge of low creativity and entrepreneurial capacity, high unemployment and poverty in the country. Developing countries including Rwanda need to encourage creativity in order to improve the quality of life of people. The respondents who are small business owners and in operation between 2004 and 2014 in Kigali, Gitarama, Butare were considered. A mixed method of both qualitative and quantitative was employed, and a total of 300 respondents were selected for this paper. Data collected was analyzed using SPSS Version 17. The purpose of this paper is to critically analyse obstacles to business creativity among Small and Medium Enterprises (SME) owners in Rwanda.

Keywords: Entrepreneurship, small and medium enterprises (SME), business creativity

1. Introduction

Globally, entrepreneurship is seen as important to small and medium enterprises (SMEs) since it is critical to the well-being of society and development (Nangoli, Turinawe, Kituyi, Kusemererwa & Jaaza, 2013; Bosma, Wennekers & Amoros, 2011; Bosma, & Amoros, 2011). Many academics have cited the definition of entrepreneurship differently; according to (Liang & Dunn, 2011; Refaat, 2009) entrepreneurship involves recognizing emerging business opportunities and the presence of enterprising individuals. This view is supported by (Nguyen, Bryant, Rose, Tseng & Kapasuwan, 2009) who define entrepreneurship as the creation of new ventures. Entrepreneurship involves starting new businesses which is risky and filled with uncertainty.

Moving the argument along, Naude (2010) suggests that entrepreneurship is the resource and process whereby individuals utilize opportunities in the market through the creation of new business firms. Thus, entrepreneurship is the emergence and growth of new enterprises. It is evident from the different definitions therefore that entrepreneurship is one of the drivers of the economy (Stephens & Partridge, 2011). It is recognized that entrepreneurship plays an important, if not critical, role in the economic and social development of a country (CDE Research, 2004; Kumar & Liu, 2005; Timmons & Spinelli, 2004; Minniti, 2008). Business owners have a role in an economy by creating SMEs and creativity is catalyst.

There are many obstacles to business creativity among SMEs; such obstacles may include fear of failure, business competition, lack of self-confidence, a sterile environment, beliefs, and demand for quick production. Today's highly competitive business environment, enterprises need to be creative. Creativity is essential to entrepreneurship (Amabile & Khaire, 2008).

The paper consists of a fundamental research question regarding: What are the obstacles facilitating or hindering business creativity among Small and Medium Enterprises in Rwanda? According to Cooper & Schindler (2011) a research question states the objective of research under study.

The main focus is the contribution of creativity and SMEs as drivers of business growth in Rwanda. It has been argued that relatively low levels of creativity result in slow growth of SMEs around the world. A high level of entrepreneurship activity in any country has the propensity to make a direct and positive impact on elevation of unemployment (Van Vuuren, 2005). It is of great importance to note that the combination of businesses for example SMEs with creativity enables business owners to enter markets by introducing important new products which increases competition among enterprises.

2. Literature Review

The realisation that a sufficient level of entrepreneurial activity enhances development has caused many governments to pay special attention to entrepreneurship (Minniti & Levesque, 2008). There has also been a realisation and acknowledgement that SMEs have a role to play in any economy. The role that the government plays is to create an environment conducive for the uptake of small businesses. The Rwandan government has also recognised the value of entrepreneurship as an engine for creativity. The economy is mainly dependent on agriculture; industries mainly process agricultural products like sugar, tea and coffee (Haba, 2004). According to the World Bank (2010) agricultural sector contributed 85% of revenue. In order for SMEs to thrive and perform to their full potential, business creativity has to operate in harmony.

Definition of small and medium enterprises has changed over the years. According to 2010 baseline survey of SMEs in East Africa community, Rwanda base on number of employees, annual turnover and capital investment in differentiating SMEs (Nshaho, 2011) as shown in table 1 below;

Table 1: SMEs definition in Rwanda

	Number of Employees	Turnover (Frw)	Capital investments (Frw)
Micro	< 3	< 0.3m	< 0.5m
Small	3 - 30	0.3 - 12m	0.5m - 15m
Medium	31 - 100	12m - 50m	15m - 75m
Source: Nshaho (2011)			

Therefore the definition of SMEs is a subject of debate considering the size and turnover tend to vary depending on the sector they operate in. It should be noted that there is no single or clear definition of SMEs in both developed and developing countries. Therefore, it is very difficult to formulate a universal definition.

Hisrich *et al.* (2005) believe that small businesses lead to per capita output increase and income. Most Rwandan SMEs operate in business environment with low capital and high failure rates therefore SMEs survival will depend on the creativity of business owners. Creativity is imperative to enterprises to determine competitive edge (Rwigema & Venture, 2004).

Creativity is the ability to produce work that is both unique and appropriate (Amabile & Khaire, 2008) while (Wang, Zhang & Martocchio, 2011; Allen & Thomas, 2011) state that creativity is the creation of a useful new product, service or idea. Many enterprises have made efforts to raise productivity by stimulating business creativity (Sohn & Jung, 2010).

According to Sohn & Jung (2010) many businesses are emphasizing the role of creativity so as to create a sustainable competitive advantage. Further adds that creativity is hindered by the genetic ability of the business owner and by the external environment. Based on the research question, obstacles to creativity are illustrated in figure 1 below:

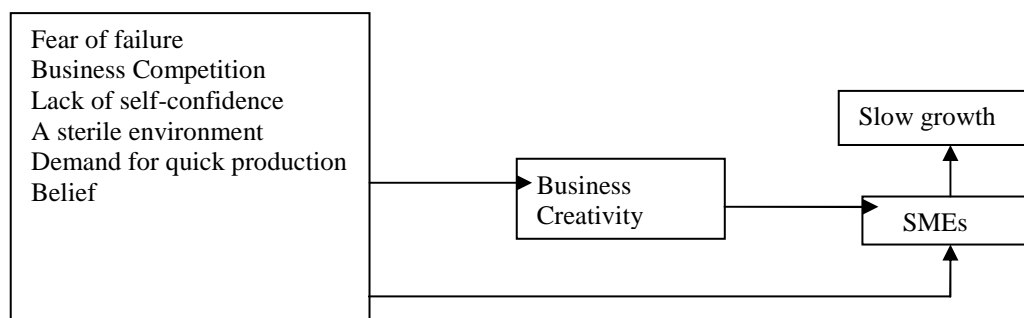


Figure 1: Proposed Obstacles to business creativity

Creativity is hindered by obstacles of different nature, as a result slow growth affects developing new products, profitability, job creation and poverty alleviation thus fostering creativity among SMEs is considered important.

This is possible through a supportive environment in which emerging entrepreneurs can function (Adams, 2009) and government can establish the entrepreneurial environment through availing business networks, access to information, business training, advisory and counseling services to SMEs owners. This argument is supported by (Higgins, 2013:5) since access to information and business networks are critical for business success, business networks will provide opportunities for information exchange. This will be possible through government encouraging the use of business development services (BDS).

In order for SMEs to grow and thrive, government plays a great role in enabling entrepreneurship through creative frameworks and institutional infrastructure that support SME development (Smallbone, Walter, Voytch & Egorov, 2008; Harold, 2011).

3. Methodology

The section describes the geographical area where the study was conducted, how the data was processed and analyzed, it involved the research design, research population and sample size, data collection methods as discussed below;

3.1 Research Design

The research design provides a framework for the collection, measurement and analysis of data (Cooper & Schindler, 2011). In attempting to answer the research question, a mixed method of both qualitative and quantitative was used for data collection. Statistical measures were applied to categorize qualitative information using SPSS.

3.2 Research Population and Sample Size

The population for this paper comprised of Small and Medium Enterprises owners from Kigali, Gitarama and Butare. This particular sample size was selected because it would be easier to manage and it is enough to generate findings as well as to generalize the findings to a bigger population. Convenience sampling was done with the selection of accessible respondents for questionnaires. Convenience sampling selects any readily available individuals as respondents, normally the cheapest and easiest to conduct (Cooper & Schindler, 2011).

3.3 Data Collection Instruments

The questionnaires were used to obtain the quantitative information. The questionnaire consisted of two parts, namely: a biographic part with questions concerning the biographical data of SME owners and second part with questions regarding obstacles to business creativity. The selected regions and number of respondents are illustrated in table 2 below;

Table 2: Selected regions that were considered

Selected regions	Number of Respondents
1. Kigali	150
2. Gitarama	100
3. Butare	50
Total number of respondents	300

The questionnaire was translated to Kinyarwanda. Unstructured interviews guided the discussion with the respondents and thus needed to elaborate on several issues. Each interview lasted for 45 minutes.

3.4 Data Analysis

According Cooper & Schindler (2011) data analysis involves reducing accumulated data into a manageable size. After collecting data from the field, it was edited to check for accuracy and consistency to ease analysis. The data was put in tables for easy interpretation with aid of specialised computer package known as SPSS Version 17.

3.5 Measurement Scale

The Likert scale was used for the paper because they are convenient, more applicable and easy to interpret

(Cooper & Schindler, 2011). Respondents chose from a scale of option. This was to ensure effectiveness as shown in the table 3;

Table 3: Summaries likert scale used

Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5
Source: Cooper & Schindler (2011)				

4. Results

This paper sought to critically analyse obstacles to business creativity among Small and Medium Enterprises (SME) owners in Rwanda. Descriptive statistics were used to describe the responses of the sample.

The descriptive statistics shows that there were 195 male (65%) and 105 females (35%), with the majority belong to the 30 - 40 age bracket (F=40%; M=60%). The majority of the respondents (65%) had secondary school qualification, followed by 17% with primary qualification, 17% with no education and 1%. High levels of education contribute greatly to high levels of creativity. In terms of business operation, majority of respondents (60%) had been in operation between 2 to 5 years; 30% between 6 to 9 years and 10% for more than 10 years.

The following are Obstacles to business creativity: Fear of failure, Competition, Lack of self-confidence, a sterile environment, Beliefs, Demand for quick production as discussed below;

Fear of failure: creativity has changed the market environment in which SMEs operate. This has created new ways of offering products to customers so most business owners have failed to evolve due to fear. 174(or 58%) of the respondents strongly agreed that fear of failure was hindering business creativity; 60(or 20%) of the respondents agreed; 36(or 12%) was natural and 24(or 8%) disagreed as summarized in table 3 below.

Table 3: Fear of failure as an obstacle to creativity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	174	58	58	58
	DISAGREE	60	20	20	78
	NEUTRAL	36	12	12	90
	AGREE	24	8	8	98
	STRONGLY AGREE	6	2	2	100
Total		300	100.0	100.0	
Source: Primary Data 2014					

The table 3 above indicates that SMEs owners are afford in creating new products. According to Amabile & Khaire (2008) fear of failure a raise with the scale of a business, SMEs should use creative skills while embarking on risky ventures so failure is a stepping stone to success.

Business Competition: most of the businesses start with limited or no capital thus affecting performance. 84 respondents representing 28% strongly agreed that low competition leads to less creativity among SMEs, while 62% of the respondents agreed, 5% were natural and 5% disagreed. This implies that SMEs need to be of competitive in nature to enable creativity since high levels of competition creates new products, for example Apple's new product development has been attributed to creativity.

Lack of self-confidence: self confidence creates positive thinking that leads to business performance. The majority (198 or 66%) of respondents agreed that SMEs owners lacked self-confidence yet confidence is rated

high in business operations, while 24% strongly agreed and 9% were natural. None of the respondents strongly disagreed. This is attributed to low entrepreneurial capacity in the country, therefore regardless of the business size (small or medium), owners need to be confident to take initiatives in creating new products for customers.

A sterile environment: creativity is hampered by a too hectic entrepreneurial environment that doesn't provide quite enough access to business conditions. 15% of the respondents strongly agreed while 225 (or 75%) of the respondents agreed that environment was not encouraging creativity. Also 6% were uncertain, 4% disagreed and whereas none strongly disagreed. The findings show that the environment in which businesses operate contributes greatly to levels of creativity in their offerings. This calls for government in assisting to provide a support environment for SMEs to develop unique products.

Beliefs: 30% of the respondents strongly agreed that beliefs were an obstacle to creativity; most business owners had a strong belief that imported products were better than locally produced goods, whereas 48% agreed, 10% were natural and 12 disagreed. The findings therefore indicate that government needs to do more in supporting local producers or manufactures as to discourage imported products that flood the local markets.

Demand for quick production: most of SMEs owners focused on quick production rather crating valve or unique products, this was attributed to SMEs owner wanting to make quick abnormal profits in the short run hence affecting efficiency and business profitability. 36 respondents representing 12% strongly agreed, 34% agreed, 36% were natural while 18% disagreed. The findings therefore indicate that quality production will require high levels of creativity in order to be competitive both local and international markets.

5. Conclusion and limitation

The findings and discussion above leads to the conclusion that obstacles to creativity can be minimized by encouraging business education among SMEs owners, through creativity; business owners will be able to come up with new ways of improving existing products or develop new products that are on high demand in the region market. Thus, creativity is important for entrepreneurship therefore SMEs survival will depend on how business owners are creative. There is no doubt that SMEs contribute tremendously to Rwanda's development. There is a need to enhance development of entrepreneurship and small business by fostering small business cluster development and entrepreneurial networking.

Limitation: The findings are based on a relatively small sample therefore a larger sample is needed to confirm the findings.

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