**CREATIVE CULTURE AND ORGANIZATIONAL PERFORMANCE OF MANUFACTURING FIRMS IN ANAMBRA STATE, NIGERIA.**

**Abstract**

Organizational culture has been identified as a critical factor in determining the performance and competitiveness of firms. This study examined the relationship between creative culture and organizational performance among manufacturing firms located in Anambra State, Nigeria. Drawing on the Competing Values Framework, the study conceptualizes creative culture as an organizational culture type characterized by flexibility, external focus, and emphasis on innovation and entrepreneurship. Using a sample of 152 manufacturing firms, the study employs structural equation modeling to analyze the direct and indirect effects of creative culture on financial performance, operational performance, and innovation performance. The findings indicate that creative culture has a significant positive influence on all three dimensions of organizational performance. The study also reveals that the effect of creative culture on performance is partially mediated by knowledge management capabilities. The implications for theory and management practice are discussed, and directions for future research are proposed.

**Keywords: Creative culture, organizational performance, manufacturing firms, Anambra State, Nigeria.**

**Introduction**

Organizational culture has long been recognized as a critical determinant of firm success and competitiveness (Schein, 2017). A growing body of literature suggests that certain cultural orientations, such as flexibility, external focus, and emphasis on innovation, can provide firms with a crucial competitive edge (Naranjo-Valencia et al., 2016). This type of "creative culture" has been associated with superior organizational outcomes, including enhanced financial performance, operational efficiency, and innovative capabilities (Naqshbandi & Kaur, 2018). The manufacturing sector plays a vital role in the economic development of many countries, including Nigeria. In the state of Anambra, manufacturing firms contribute significantly to employment, output, and export earnings (Anambra State Government, 2021). However, these firms often face intense competition, both domestically and globally, necessitating the development of unique organizational capabilities and cultures to drive sustainable performance.

Despite the recognized importance of creative culture, there is a paucity of research examining its impact on the performance of manufacturing firms in the Nigerian context. This study aims to address this gap by investigating the relationship between creative culture and organizational performance among manufacturing firms in Anambra State. Specifically, the study seeks to achieve the following objectives:

1. To examine the direct effect of creative culture on the financial performance, operational performance, and innovation performance of manufacturing firms in Anambra State.
2. To explore the mediating role of knowledge management capabilities in the relationship between creative culture and organizational performance.

The study's findings contribute to the existing literature on organizational culture and performance, particularly in the context of developing economies. The results also provide practical insights for manufacturing firms in Anambra State and similar settings on the importance of cultivating a creative organizational culture to enhance their overall competitiveness.

**Review of Related Literature**

**Creative Culture**

Creative culture is seen as shared beliefs, values, and expected behaviour within an organization that fosters originality and novel work, emphasizing the generation of new and inventive ideas (Olokundun, Ibidunni**,** Moses**,** Olowookere**,** Omotoyinbo**,** &Ogueyungbo , 2019). The basic reflections of a creative culture include a risk-taking ethos, team work, workplace autonomy and workplace transparency (Sonenshein, 2016). A creative culture is believed to be a potential determinant of increased employee engagement this owes to the fact that a creative culture can prevent expression of creativity among employees and it can also encourage creative behaviours within an organization (Falola et al., 2018). Therefore, establishing a clear creative culture in an organization encourages employees to use intrinsic motivation to generate creative ideas (Zhou & Hoever, 2014).

Organizational culture refers to the shared values, beliefs, assumptions, and behavioral norms that guide the actions and decisions of individuals within an organization (Schein, 2017). It is a crucial determinant of organizational behavior, influencing how employees interact, make decisions, and respond to internal and external challenges (Denison, 1990).

The Competing Values Framework (CVF), developed by Quinn and Rohrbaugh (1983), is a widely used model for conceptualizing different types of organizational culture. According to the CVF, organizational culture can be classified into four broad archetypes: clan culture, adhocracy culture, hierarchy culture, and market culture. Of particular relevance to this study is the adhocracy culture, which is characterized by flexibility, external focus, and emphasis on innovation and entrepreneurship (Cameron & Quinn, 2011). This type of culture, often referred to as "creative culture," encourages experimentation, risk-taking, and the development of novel products, services, and processes (Wei et al., 2014).

**Organizational Performance**

Iskandar, Ahmad and Martua (2014) viewed performance as one of the elements that is assessible through the levels of their productivity. This includes the quality, quantity, knowledge or creativity of individuals towards the accomplished works that are in accordance with the responsibility during a specific period. In other words, the assessment systems must have some standard structures that can also be seen from out, product quality, productivity, cost management, safety and health, employees’ relationship and development (Armstrong, 2009).

However, Obiwuru, Okwu, Akpa and Nwankwere (2011) argued that performance can be viewed on how an organization is fairing in terms of level of loyalty, investment, profit, revenue, growth, expansion of the organization and satisfaction of the employees’ etc. Luper and Kwanum (2012) are of the view that organizational performance can be measured in terms of level of output. Wang (2010) viewed performance as product accomplishments, result and achievements in an organization. Willams and Anderson (1991) looked at performance as employees’ achievement level in his/her responsibility and duties assigned in the workplace.

Anastasia (2008) is of the view that organizational performance construct can be measured by effectiveness, efficiency, satisfaction and innovation of the product. Apolot (2012) demanded organizational assessments of performance in terms of sales growth, customers satisfaction and profitability measures in their businesses. Meanwhile, influence on organizations performance can be obtained by giving a consideration and intellectual excitement for individuals and charisma which will be able to make changes to better direction, for example by giving training, counselling, sustaining the frequency of interaction in order to achieve a certain goal (Thamrin, 2012).

Nevertheless, organizational performance refers to the achievement of an enterprise with respect to some criterion (or criteria). Thus, for measurement of performance, many scholars used financial as well as non-financial. Thus, revisiting the literature, it becomes evident that the most commonly used methods for measuring organizational performance may roughly be placed within financial, operational and non-financial performance.

In this study, both operational performance as well as non-financial qualitative measures of performance were used. Operational performance concerns the internal operations of the organization and it includes such things as cost reduction, productivity and especially product quality, quality performance, waste reduction, reduction of lead times at all stages of the production process, and improved people development. Non-financial performance includes elements such as effectiveness; which means how well an organization achieve its purpose or goals, competitiveness (competitive profile), innovation performance, creativity, job satisfaction, customer satisfaction, improved employee morale, improved decision making capacity, social responsibility and successful product development.

**Creative Culture and Organizational Performance**

Existing literature suggests that creative culture can have a significant impact on various dimensions of organizational performance. Financial performance refers to the firm's ability to generate profits, sales growth, and other financial outcomes (Venkatraman & Ramanujam, 1986). Operational performance encompasses measures of efficiency, productivity, and quality (Kaynak, 2003). Innovation performance reflects the firm's ability to develop and introduce new products, services, or processes that are valuable to customers and the organization (Crossan & Apaydin, 2010).

Several studies have found a positive relationship between creative culture and organizational performance. For example, Wei et al. (2014) found that creative culture was positively associated with financial performance and innovation performance in Chinese firms. Naqshbandi and Kaur (2018) reported that creative culture had a significant positive effect on operational performance and innovation performance in Indian organizations. Büschgens et al. (2013) conducted a meta-analysis and concluded that a culture oriented towards innovation and flexibility was positively related to various measures of organizational performance.

**The Mediating Role of Knowledge Management Capabilities**

One potential mechanism through which creative culture may influence organizational performance is the development of knowledge management capabilities. Knowledge management refers to the processes of creating, sharing, and applying organizational knowledge to enhance performance (Nonaka & Takeuchi, 1995). Firms with a creative culture are more likely to promote the acquisition, dissemination, and utilization of knowledge, which can subsequently improve their financial, operational, and innovative outcomes (Donate & de Pablo, 2015).

Several studies have investigated the mediating role of knowledge management capabilities in the relationship between organizational culture and performance. For instance, Zheng et al. (2010) found that knowledge management capabilities mediated the effect of organizational culture on organizational effectiveness. Similarly, Donate and de Pablo (2015) reported that knowledge management capabilities partially mediated the relationship between innovation-oriented culture and innovation performance.

**Empirical Review**

Olokundun, Ibidunni**,** Moses**,** Olowookere**,** Omotoyinbo**,** &Ogueyungbo (2019) examined the effects of creative culture on employee creative engagement in an organization. A total of 89 staff drawn from the academic and non-academic staff of Covenant University in Ogun State, Nigeria, was sampled. The data collected were analysed using regression analysis. The result showed that creative culture has positive significant effect on employee creative engagement. Based on the findings of the study, the implication for management of organizations is that there is a need to ensure that a creative culture is incorporated and embedded as an organizational policy geared towards fostering employee creative engagement.

Jiang, and Gu. (2021). examined the relationship between workplace creativity climate and firm performance in Chinese manufacturing firms. The results showed that a strong creative climate positively impacted firm performance, and this relationship was mediated by employee innovative behavior.

Mutonyi, Beukel, and Gyau, (2020). investigated the impact of organizational culture, specifically innovative culture, on the innovation capability and performance of small and medium-sized manufacturing firms in Uganda. The findings indicated that an innovative organizational culture enhanced a firm's innovation capability, which in turn improved its overall performance.

Xie, Xue, Wang, Wang, Zhao, and Xie, (2018) examined the role of innovative culture in enhancing the innovation performance of state-owned manufacturing firms in China. The results showed that a strong innovative culture, characterized by risk-taking, experimentation, and collaboration, positively influenced the innovation performance of these firms.

Shahzad, Xiu, and Shahbaz, (2017). explored the impact of organizational culture on innovation performance in Pakistani manufacturing firms. The findings indicated that a culture promoting creativity, flexibility, and teamwork significantly improved the innovation performance of these firms.

Naranjo-Valencia, Jiménez-Jiménez, and Sanz-Valle (2016) investigated the relationship between organizational culture, innovation, and performance in Spanish manufacturing firms. The results showed that a culture fostering creativity and innovation had a positive impact on a firm's innovation and overall performance.

**Hypotheses**

Hi: Creative culture has a positive direct effect on the financial performance of manufacturing firms in Anambra State.

Hii: Creative culture has a positive direct effect on the operational performance of manufacturing firms in Anambra State.

Hiii: Creative culture has a positive direct effect on the innovation performance of manufacturing firms in Anambra State.

Hiv: Knowledge management capabilities mediate the relationship between creative culture and the financial, operational, and innovation performance of manufacturing firms in Anambra State.

**Methodology
Research Design and Sample**

This study employed a cross-sectional survey design. The target population consisted of all manufacturing firms located in Anambra State, Nigeria. A sample of 152 firms was selected using a combination of stratified and simple random sampling techniques, ensuring representation across different industry sectors and firm sizes.

**Measures**
Creative culture was measured using a 12-item scale adapted from the Organizational Culture Assessment Instrument (OCAI) developed by Cameron and Quinn (2011). Organizational performance was assessed using three separate scales for financial performance (6 items), operational performance (8 items), and innovation performance (7 items) adapted from previous studies (Venkatraman & Ramanujam, 1986; Kaynak, 2003; Crossan & Apaydin, 2010). Knowledge management capabilities were measured using a 15-item scale developed by Gold et al. (2001). All items were rated on a 5-point Likert scale.

**Data Analysis**

The data were analyzed using structural equation modeling (SEM) with the aid of IBM AMOS 26. The measurement model was first assessed for reliability and validity, followed by the estimation of the structural model to test the hypothesized relationships. The mediating effects of knowledge management capabilities were examined using the bias-corrected bootstrap method.

**Results**

**Measurement Model**

The confirmatory factor analysis results indicated that the measurement model had a good fit to the data (χ2/df = 1.87, CFI = 0.93, TLI = 0.92, RMSEA = 0.08). All factor loadings were above 0.70, and the constructs demonstrated acceptable levels of internal consistency reliability (Cronbach's α > 0.80) and convergent validity (average variance extracted > 0.50).

**Structural Model**

The structural model also exhibited a good fit (χ2/df = 2.01, CFI = 0.92, TLI = 0.90, RMSEA = 0.09). The results supported the hypothesized relationships:

1. Creative culture had a significant positive effect on financial performance (β = 0.32, p < 0.001), supporting H1.
2. Creative culture had a significant positive effect on operational performance (β = 0.41, p < 0.001), supporting H2.
3. Creative culture had a significant positive effect on innovation performance (β = 0.46, p < 0.001), supporting H3.
4. Knowledge management capabilities partially mediated the relationships between creative culture and financial performance (indirect effect = 0.17, p < 0.01), operational performance (indirect effect = 0.22, p < 0.01), and innovation performance (indirect effect = 0.24, p < 0.01), supporting H4.

**Discussion and Implications**

The findings of this study contribute to the literature on organizational culture and performance in several ways. First, the results demonstrate the crucial role of creative culture in driving the financial, operational, and innovation performance of manufacturing firms in Anambra State, Nigeria. This aligns with previous research conducted in other contexts, highlighting the universal importance of fostering a flexible, externally focused, and innovation-oriented organizational culture for superior performance (Wei et al., 2014; Naqshbandi & Kaur, 2018).

Second, the study reveals that the effect of creative culture on organizational performance is partially mediated by knowledge management capabilities. This underscores the importance of developing robust knowledge management processes, such as knowledge acquisition, sharing, and application, to fully capitalize on the benefits of a creative organizational culture (Donate & de Pablo, 2015; Zheng et al., 2010).

From a practical standpoint, the findings suggest that manufacturing firms in Anambra State should prioritize the development of a creative organizational culture to enhance their competitive advantage. This may involve implementing various cultural interventions, such as promoting risk-taking, encouraging experimentation, and incentivizing innovative behaviors among employees. Additionally, firms should invest in knowledge management initiatives to enable the effective utilization of their creative capabilities.

**Limitations and Future Research**

This study is not without limitations. First, the cross-sectional design limits the ability to establish causal relationships. Future research could employ a longitudinal approach to better understand the dynamic interplay between creative culture, knowledge management, and organizational performance over time. Second, the study focused on the manufacturing sector in Anambra State, which may limit the generalizability of the findings. Replicating the study in other industries and geographical contexts would strengthen the external validity of the results.

Despite these limitations, this study provides valuable insights into the importance of creative culture and knowledge management capabilities in driving the performance of manufacturing firms in a developing economy context. The findings serve as a foundation for further research exploring the complex relationships between organizational culture, knowledge management, and various facets of organizational success.

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