The link between creativity and credibility with sustainable growth of entrepreneurial firms: evidence from Sri Lanka

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Abstract: This paper shows how creativity and credibility of entrepreneurial firms in Sri Lanka contribute to sustained growth in constantly turbulent and hostile emerging market conditions characterised by high uncertainty and risk owing to political and economic instability, internal ethnic conflicts and changes in social values. This is a suitable context to test the significance of individual and corporate credibility on the survival and growth of entrepreneurial firms operating in different market environments. This study applied a mixed research methodology by combining case research and a questionnaire based large survey on the owners and top managers of 158 successful entrepreneurial firms operating in Sri Lanka. This research found that in a turbulent and hostile emerging market context, creativity and credibility significantly influence entrepreneurial firm growth. The findings offer entrepreneurs in emerging markets important insights into growth strategies for surviving and thriving in often-hostile market conditions.

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The link between creativity and credibility

Keywords: creativity; credibility; entrepreneurial firm growth; survival factors; emerging economy markets.


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Barbara Igel is an Associate Professor and former Dean at the School of Management, Asian Institute of Technology, and has been several times Visiting Professor at the Helsinki University of Technology where she conducted executive management courses. Her research projects deal with the management of innovation in complex product systems, knowledge management, and entrepreneurship in new, technology-based firms in Asia. Her papers have been published in international peer-reviewed journals such as Technovation, International Journal of Technology Management, International Journal of Learning and Intellectual Capital, International Journal of Production Research, International Journal of Quality and Reliability Management and Journal of Asian Business, among others.

Geetika Goel is a well-known researcher and academic in Asia and currently affiliated with the School of Management Studies, Motilal Nehru, National Institute of Technology Allahabad, India. She is also a Visiting Professor at the School of Management, Asian Institute of Technology, Thailand. She has published many scholarly papers and research papers in international journals.

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This paper is a revised and expanded version of a paper entitled ‘The link between creativity and credibility with sustainable growth of entrepreneurial firms evidence from Sri Lanka’ presented at the AGBA’s 12th Annual World Congress, University of Malaysia, Pahang, 16–18 November, 2015.
1 Introduction

Literature provide evidence that creativity (Eaton et al., 2006; Manseau, 2005; Panuwatwanich et al., 2008) and credibility (Preston, 1997; Watson et al., 1998; Rose et al., 2006; Abimbola and Kocak, 2007; Eikebrokk and Olsen, 2007) are extremely important factors for sustainable growth of entrepreneurial firms, and help them to achieve competitive edge in the market. The performance of entrepreneurial firms can be influenced by creativity and credibility (Mishra, 1996; Sculley, 1987; Gompers et al., 2008), including at start-up stage of the firm (Abimbola and Kocak, 2007). Thus, creativity and credibility play an important role in achieving corporate success and growth in many cases (Rowley, 2011; Gielnik et al., 2011; Eikebrokk and Olsen, 2007; Prahalad and Hamel, 1990; Preston, 1997; Rose et al., 2006; Watson et al., 1998).

Despite the significant influence of credibility and creativity on the corporate success evident in relation to developed countries, only limited evidence is available for entrepreneurial firms operating in constantly turbulent and hostile emerging markets. Therefore, this research attempts to explore the nature and significance of creativity and credibility in relation to the sustainable growth of entrepreneurial firms operating in Sri Lanka, which is a hostile emerging market.

This research was conducted on entrepreneurial firms in Sri Lanka, which has experienced one of the most volatile and turbulent business environments in Asia. As emerging markets tend to be more hostile, and therefore more challenging (Lawton et al., 2012), it is essential for entrepreneurs to understand how specific market dynamics and strategic options affect the management of a potential business crisis. While the market environment is clearly a critical attribute that influences growth, some entrepreneurial ventures have achieved high growth performance in hostile markets (Smallbone et al., 1995; Awais et al., 2011).

2 Influence of creativity on firm performance

Many studies show that the key to achieving success in hostile business environments would be continuous innovation (Lawton et al., 2012; Panuwatwanich et al., 2008; Rowley, 2011; Roffe, 1999) and creativity (Baron and Tang, 2009; Gielnik et al., 2011; Goldsmith and Mechiing, 2008; Harrington et al., 2005; Rose et al., 2006), thus innovation and creativity have a positive impact on firm performance (Eaton et al., 2006; Manseau, 2005; Panuwatwanich et al., 2008). Without a strong and continuing supply of creative ideas, innovation could not happen and without innovation, most firms' survival would be more uncertain (Panuwatwanich et al., 2008; Roffe, 1999; Rowley, 2011).

Many researchers argue that creativity is an extremely important ingredient especially for entrepreneurial firm survival and in order to be competitive in the markets against the large corporate organisations. The long-term success of companies depends on a focused strategy with soft diversification, continuous innovation through close relationships with customers and employees, and providing quality products and services than their competitors (Roffe, 1999; Rowley, 2011). Keizer et al. (2002) in their research identify two categories of factors that influence innovations efforts in entrepreneurial firms: the internal variables that refer to the characteristics and policies of the organisation and the external variables that refer to opportunities that the firm can exploit from its environment.
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3 Influence of credibility on firm performance

Credibility has also been cited as a key success factor (Preston, 1997; Watson et al., 1998; Rose et al., 2006; Abimbola and Kocak, 2007; Eikebrokk and Olsen, 2007) that helps new businesses to survive and sustain growth. When an entrepreneurial firm attains corporate credibility as a business, and when its employees and management are perceived to be credible, it has a positive impact on the firms' performance (Gompers et al., 2008; Jin and Yeo, 2011; Moon, 2011), and in turns it becomes a fundamental asset though it cannot be reliably measured in terms of finance, in achieving organisational goals (Maathuis et al., 2004). Even though the influence of credibility has not been well studied in emerging markets (Lawton et al., 2012), it has been found that credibility positively correlates with trust, embedded with brand loyalty of a product, positively affects the buying decisions of customers (Sichtmann, 2007; Mishra, 1996, Sculley, 1987; Gompers et al., 2008).

Credibility has been explained in many ways. An individual’s credibility can refer to the perception of a person’s trustworthiness, plausibility, believability, or, to the reliability of an entity or a product (Belonax et al., 2013), and the reliability and sympathy (attractiveness) and expertise (competencies) of a person (Maathuis et al., 2004). It has also been defined as a belief that a person will perform actions resulting in positive outcomes for another person, and will avoid actions that can result in a negative outcome for others (Anderson and Narus, 1990). These definitions point to the human factor involved in building credibility. A belief that the other person will have the ability to perform what is expected is also a fundamental notion embedded in these definitions.

Previous research has confirmed that the credibility of a business, including that of the entrepreneur(s)/founder(s), top management team, customer relations staff and products, can affect performance, mainly by influencing customer and employee loyalty and trust. Customers who believe their suppliers are credible are likely to engage in long-term business relations and to make important purchases even when they are uncertain or unfamiliar with the product. Employees who trust their leaders tend to remain in the company longer and demonstrate higher levels of motivation and commitment compared to those who question their employer’s credibility. However, none of the published studies have attempted to measure the direct impact of credibility on a new firm’s overall business performance (Maathuis et al., 2004; Moon, 2011).

The overall credibility of a firm is influenced by many factors including the reputation of the owners, the organisation and the other stakeholders. Hence, the perception of good performance, persistence and ethical business conduct, and good image of the entrepreneurs will have a higher chance of attracting needed investments (Gompers et al., 2008; Raurrayen and Miller, 2007). This attribute of credibility could further help create the brand loyalty to attract more customers as well. Higher the level of brand loyalty and credibility, greater the possibility of reducing risks, thus increasing the trust of customers in the firm (Matzler et al., 2008).

4 Challenges in emerging markets

Emerging markets in developing countries tend to experience more turbulent business environments, which make the survival and growth of entrepreneurial firms more
challenging than in the mature markets of developed economies. Hostile markets typically consist of hostilities such as precarious industry settings, intense competition, harsh business climates, and a relative lack of exploitable opportunities (Casillas et al., 2011). In such operating environments, entrepreneurs are exposed to high risks and uncertainties. This makes potential investors cautious and often means that fewer resources are available for business operations. This means that entrepreneurs trying to conduct business in hostile emerging markets are severely restricted by threatening conditions (Lawton et al., 2012). These conditions include rapid inflation, wide swings in business cycles, changes in social values and a multitude of other dynamic forces that radically alter the industry's operating environment and discourage entrepreneurs from investing in new ventures (Ward and Lewandowska, 2005).

Sri Lanka is an emerging market in Southeast Asia that endured economic threats first from a 26-year-long civil war that ended only in 2009, coinciding with the Great Recession, and then from other internal political crises between 2000 and 2004. Inflation rose from 4.69% in 1999, to 14.15% in 2001 and then to 18% in 2008 (http://www.worldbank.org/en/country/srilanka). Gross domestic product (GDP) recorded negative growth in 2001 for the first time since independence in 1948. And industries suffered from the credit crunch that resulted from tough policies imposed by the Central Bank. Rapidly rising prime lending rates and bank interest rates were regarded as the highest in the region and exports began to decline in 2007. These challenges were exacerbated by the rising cost of imported war-related goods and trade deficits that increased demand for foreign exchange and depreciated the local currency. Industries suffered from diverse hostilities and when the country's bad debts accumulated to an unprecedented 5.3% of the GDP in 2008 (Central Bank of Sri Lanka, 2011). The proportion of non-performing loans in 2009 was as high as half of the total loans granted (Daily Mirror, 2012), so it was extremely difficult for entrepreneurs to source investment funds for business development.

The growth of an organisation is important for its long-term survival and sustainability. Among other variables, the revenue growth show how best its operations are in action to generate value and cash flows. The revenue growth, in turn, will have a positive impact on profitability. The growth of entrepreneurs is crucial for the growth of the national economy as well. Therefore, organisational sustainability and growth have high significance on overall economic stability in the country.

5 Hypotheses tested

According to the evidence found during the qualitative case research part, the entrepreneurs were of the view that both creativity and credibility were associated with their strategic decisions in achieving growth and maintaining sustainability. Four different dimensions included in both creativity and credibility were hypothesised in order to investigate how each dimension influence performance and growth of entrepreneurial firms in hostile emerging markets.

5.1 Hypotheses of the influence of creativity for growth

HI: Creativity in product differentiation positively influences the growth of entrepreneurial firms in hostile markets.
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H2: Creativity in customer service positively influences the growth of entrepreneurial firms in hostile markets.

H3: Creativity in product and service delivery positively influences the growth of entrepreneurial firms in hostile markets.

H4: Overall creativity of the organisation positively influences the growth of entrepreneurial firms in hostile markets.

5.2 Hypotheses of the influence of credibility for the growth of entrepreneurial firms

H5: Credibility of the owners/directors positively influences the growth of entrepreneurial firms in hostile markets.

H6: Credibility of sales and customer relationship staff positively influences the growth of entrepreneurial firms in hostile markets.

H7: Credibility of products and service offerings positively influences the growth of entrepreneurial firms in hostile markets.

H8: Corporate image/brand credibility of the organisation positively influences the growth of entrepreneurial firms in hostile markets.

6 Research design and methodology

As suggested by Molina-Azorin et al. (2012), mixed (quantitative and qualitative) methods of research, which are heavily used in social research (Johnson and Onwuegbuzie, 2004; Hanson et al., 2005; Johnson et al., 2007), were used in this study in order to give a better understanding from both qualitative and quantitative perspectives. It is also argued that the use of a qualitative approach permits us to understand the specific context well, and the development or extension of the theory can be tested with the quantitative approach later (Molina-Azorin et al., 2012). Thus, we have conducted a qualitative case research approach pertaining to 12 entrepreneurs who were interviewed in connection with the research issue, and the data from 146 respondents were analysed by using statistical applications. Theoretical support was obtained through adequate literature survey, to compare the findings of other scholarly studies showing how creativity and credibility have influenced the growth of entrepreneurial firms.

The mode of explorative and descriptive-interpretive inquiry was adopted with regard to the first part of the research. The interviews conducted were semi-structured and recorded on magnetic tape and transcribed for descriptive coding. It was explored what strategic actions and activities had been carried out by these companies to promote creativity and credibility. These actions and activities were then categorised appropriately using undergound norms in order to understand the different dimensions of creativity and credibility, which were in effect at their firms. Identified dimensions of creativity and credibility were then used to develop hypothetical models describing the possible relationships and the linkage between creativity, credibility and the growth of entrepreneurial firms.
Twelve companies studied are leading firms in Sri Lanka that survived and have been growing over time even when facing difficult times where the country happened to wage a civil war, and economic instability and global economic recession prevailed. Subjective personal experiences and perceptions of the 12 respondents were also reconciled with secondary information gathered from public information available. Detailed discussions were held with them to gather information on strategic actions that had been taken and how the creativity and credibility supported their growth drives.

For the quantitative aspects of the research, data was collected from 146 firms through a questionnaire. All the respondent firms had started their businesses prior to 2009 so that each has a reasonable experience in the marketplace. A convenient sample was set consisting of seven out of nine administrative provinces in Sri Lanka whereby at least 15 firms from each province were included in the sample. Two provinces, the Northern and Eastern, which were the most affected by the civil war, were excluded on the ground that there were no significant businesses established in those war-torn provinces yet.

Data on perception pertaining to creativity was obtained on a five-point scale by referring to four dimensions; product differentiation, customer service, product/service delivery, and overall creativity whereas the perception of credibility was obtained on another four dimensions namely credibility of the owner/directors, sales and customer relations staff, products and service offerings and corporate brand image. Data was analysed by using SPSS statistical application package to see whether the sustainable growth is influenced by credibility and creativity.

7 Data analysis and interpretation referring to interviews

All 12 respondent entrepreneurs who were extensively interviewed provided satisfactory evidence that creativity and credibility have helped them to grow in the hostile market conditions and were of the view that they agree on the same facts in general. Further, it was noted that there were other factors too that contributed to maintaining a sustainable growth. Among them, 10 respondents mentioned that the capability of and investment in competent human resources that possess creative and innovative skills were very significant in strategising and achieving sustainable growth. The competencies of human resources have further helped them to identify and engage various business opportunities availed from time to time in turbulent market conditions. One of the strategies, commonly used by those respondents was to shift to niche markets when the business contexts were disturbed by uncontrollable environmental factors and changes in the business environment. Therefore, entrepreneurs were able to gain significant profits with high margins but less competition. The creativity of human resources played a key role in identifying such niche markets and catering to them by diversifying both products and markets while sticking core competencies of the firms.

With respect to credibility, the opinion of most respondents was that the credibility, which was gradually built over time through brand loyalty, is well connected with their growth and sustainability in hostile market conditions. Most agreed that brand loyalty based on credibility is an important ingredient to retain customers and get their continuous patronage as well.
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Table 1  Strategies adopted using creativity and credibility as critical survival factors

<table>
<thead>
<tr>
<th>Strategic decisions incorporated with creativity</th>
<th>Strategic decisions incorporated with credibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Diversified into new market domains with more business and less competition</td>
<td>• Used brand strength of multi-national principals to reach decision makers and convince to buy using brand credibility as an influencing factor</td>
</tr>
<tr>
<td>• Created new and premium markets by developing innovative products, and invested in exploiting new opportunities</td>
<td>• Used personal credibility and trust of the owner and the top management to win new businesses through relationships</td>
</tr>
<tr>
<td>• Converted crisis into opportunities by showing and educating struggling customers how they can secure new business by diversification and differentiation using affordable technology</td>
<td>• Utilised the credibility built in the market as a trustworthy service provider to reach potential customers and win new business</td>
</tr>
<tr>
<td>• Offered new and superior product designs and features to differentiate products in the market and to win more customers and business</td>
<td>• Used the credibility and trust of the sales team to win new businesses</td>
</tr>
<tr>
<td>• Increased revenue channels through diversifying into new niche markets and market expansion (but within the core business area)</td>
<td>• Positioned as a superior product (higher quality) compared to competitors' products through publicity, promotions and word of mouth</td>
</tr>
<tr>
<td>• Offered creative products and service delivery channels for easy customer experience as a strategy to increase sales</td>
<td>• Increased brand building and promotion activities</td>
</tr>
<tr>
<td>• Implemented creative customer service programs to increase customer satisfaction as a mean to increase sales</td>
<td>• Used the reputation and the goodwill of the top managers and the staff to convince customers and win business</td>
</tr>
<tr>
<td>• Increased multiple product offerings to cater to larger and differentiated markets so that more sales could be assured</td>
<td>• Increased product awareness through publicity, promotions and word of mouth</td>
</tr>
<tr>
<td>• Developed innovative products and creatively differentiated them from other competitors in order to secure more business</td>
<td>• Implemented creative internal management and control systems that motivated utilisation of innovative ideas of employees for process innovations, and to improve the quality while reducing cost</td>
</tr>
<tr>
<td>• Made more efforts on developing creative products with higher quality to attract more customers by offering quality as a differentiator</td>
<td>• Started new business ventures with new products that could use existing products as input raw materials/resources to ensure business opportunities</td>
</tr>
<tr>
<td>• Used creative skills to design specific need-oriented products and design production processes to produce them cost effectively</td>
<td>• Encouraged employees to be more innovative by offering rewards and incentives</td>
</tr>
<tr>
<td>• Implemented creative internal management and control systems that motivated utilisation of innovative ideas of employees for process innovations, and to improve the quality while reducing cost</td>
<td>• Increased product awareness through publicity, promotions and word of mouth</td>
</tr>
</tbody>
</table>

Further, it was found that creativity and credibility have also been considered relevant to survival and the growth relation decisions. Different dimensions of both creativity and
credibility described before have been used in a strategic decision at varying degrees. 
A summary of some identified strategic decisions, which aimed growth and sustainability 
and also blended with credibility and creativity is given in Table 1.

It was further found, based on the outcome of qualitative data, which were coded, 
conceptualised and categorised in line with case research data analysis techniques, 
that entrepreneurs have extensively used resources and skills related to creativity and 
credibility, in building survival strategies. Table 2 gives the details of such resources and 
skills related to creativity and credibility used by the entrepreneurs to drive their firms to 
success amidst diverse hostilities existed in the market. Thus, it is evident that firms have 
used creativity and credibility as critical strategic factors to sustain in the emerging 
market.

<table>
<thead>
<tr>
<th>Coded skill/resource</th>
<th>Concept of resources and skills</th>
<th>Category</th>
<th>Weight (available at least one factor)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Creativity and innovativeness in product development</td>
<td>Creativity</td>
<td>92% (II)</td>
</tr>
<tr>
<td>92% (II)</td>
<td>Product differentiation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Creativity and innovativeness in market development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Creativity of employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Opportunity creation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Business Innovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Resources to support creativity and product innovativeness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Market/customer orientation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Creativity in management and control systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Skills:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Creative skills/thinking of the employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Superior and creative designing skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Developing customer-market-centric pricing propositions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Ability to design creative systems for customer service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Ability to create new market opportunities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Ability to identify new niche markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>92% (II)</td>
<td>Ability of product differentiation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The link between creativity and credibility

Table 2  Strategic resources and skills used related to creativity and credibility (continued)

<table>
<thead>
<tr>
<th>Coded skill/resource</th>
<th>Concept of resources and skills</th>
<th>Category</th>
<th>Weight (available at least one factor)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Personal credibility and market acceptance of the owner/entrepreneur</td>
<td>Credibility and Trustworthiness of the corporate brand, products, personalities (employees and owners) in the minds of customers</td>
<td>Credibility</td>
<td>100% (12)</td>
</tr>
<tr>
<td>• Credibility and trustworthiness of the top management</td>
<td>Trust and confidence that customer expectations could be met</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Brand strength of foreign suppliers and the principals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Corporate credibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Credibility based on commitment to quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Brand strength and market acceptance of products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Trust in technical and after sales service delivery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Brand credibility of products and services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Trustworthiness of products and services built in the market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Skills:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Use credibility and trust of the sales and business development staff to win new business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Use distinct competencies of the technical staff to offer extraordinary service to build service credibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Offering superior technical and after sales service compared to competitors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Ability to use relationships and networks to secure new business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Past experience and credentials</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
8 Outcome of the large survey

Tables 3 and 4 present the outcome of the Pearson’s correlation analyses conducted on the empirical data:

**Table 3** Correlation summary: creativity with growth

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Growth Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Creativity in product differentiation vs. growth</td>
<td>0.703 (0.000)</td>
</tr>
<tr>
<td>H2: Creativity in customer service vs. growth</td>
<td>0.760 (0.000)</td>
</tr>
<tr>
<td>H3: Creativity in product/service delivery vs. growth</td>
<td>0.704 (0.000)</td>
</tr>
<tr>
<td>H4: Overall creativity vs. growth</td>
<td>0.765 (0.000)</td>
</tr>
</tbody>
</table>

**Table 4** Correlation summary: credibility with growth

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Growth Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>H5: Credibility of owner/directors vs. growth</td>
<td>0.158 (0.047)</td>
</tr>
<tr>
<td>H6: Credibility of sales and customer service vs. growth</td>
<td>0.791 (0.000)</td>
</tr>
<tr>
<td>H7: Credibility of product and services vs. growth</td>
<td>0.163 (0.041)</td>
</tr>
<tr>
<td>H8: Credibility of corporate image/brand vs. growth</td>
<td>0.790 (0.000)</td>
</tr>
</tbody>
</table>

All four dimensions pertaining to creativity provided strong positive correlation with firm growth. Pearson correlations calculated at the 0.05 confidence level (2-tailed) revealed that the overall creativity of the firm had the highest positive relation with the growth of the firm showing a correlation coefficient of 0.765. Creativity in customer service, creativity in product/service delivery and creativity in product differentiation also showed a strong positive relation with growth by showing correlation coefficients of 0.760, 0.703 and 0.704 respectively. All those four dimensions were statistically significant as the corresponding p-value were zeros.

The four dimensions included under the element of credibility with growth also provided interesting results. The Pearson’s correlation analysis showed that brand (corporate) credibility and the credibility of the sales/customer service staff of entrepreneurial firms strongly and positively influence growth. The coefficient correlations of brand (corporate) credibility (H8) and the credibility of the sales/customer service staff (H6) were 0.790 and 0.791 respectively. These positive associations were significant at 100% confidence level as the significance coefficients received were zero for both dimensions. However, with respect to the other two dimensions – credibility of the owner/directors and credibility of products and service, the relationships with growth were not significant thus showing weak positive association with growth.
Interpretation of evidence

The most resounding outcome in this research is that creativity and credibility act as significantly influential ingredients for entrepreneurial growth in constantly turbulent and hostile market conditions. It was found that when a firm maintains a high level of creativity and credibility, this would lead to achieving and sustaining higher growth in the market. Thus, we recommend that when entrepreneurs operate in hostile markets often found in emerging economies they should pay extra attention to building, developing and maintaining a high level of creativity and credibility in order to achieve growth objectives.

A model describing the influence of creativity and credibility is proposed in Figure 1 based on the empirical evidence.

Figure 1 Link between creativity, credibility and growth (see online version for colours)

The data analysis of the case research and the large survey generated adequate evidence to conclude that both creativity and credibility are important and influential factors for surviving and growing in constantly turbulent and hostile market environments despite the fact that two dimensions of credibility had weak but positive relations with growth and sustainability. Overall creativity of the firm was seen highly influential for growth and sustainability in constantly turbulent hostile markets. Among the dimensions of creativity tested, product differentiation was found to be an extremely important ability for entrepreneurial firms to achieve growth. Strategising for customer service and product/service delivery too should be done with a higher degree of creativity in order to win a competitive advantage in the market.

The credibility of the brand and the market image of the firm too were proved critical for entrepreneurial firms to sustain and grow in hostile emerging markets. Therefore, the strategies should be adopted to protect and enhance the brand credibility of entrepreneurial firms for surviving in hostile emerging markets. Similarly, the credibility of employees who interact with the customers too was found to be critical for entrepreneurial firms' survival. Another revelation of the case research was that in most small and medium entrepreneurial firms, entrepreneur and directors too are intensely involved in sales. Thus, entrepreneurial firms in hostile markets should pay extra
attention to safeguard, build and develop employee credibility, especially with regards to sales staff and the entrepreneur/directors. Management of entrepreneurial firms should explore the possibilities of promoting such dimensions of both creativity and credibility, which had strong, positive and significant relations with growth. On the other hand, they should also explore that did not have a strong influence on growth and examine these dimensions could be linked to growth strategies of entrepreneurial firms.

10 Suggestion for further research

Contrary to some of the findings from our quantitative survey with regards to two dimensions tested in credibility, the 12 entrepreneurs interviewed in the case research perceived both creativity and credibility as highly influential for entrepreneurial firm growth in hostile emerging markets. In credibility, both corporate and individual credibility were proved very important factors that influenced business success. All respondents of the research have used corporate brand credibility, entrepreneur’s (and directors’) credibility and employee credibility when developing strategies to sustain and grow amidst market hostilities. This revelation confirms the findings of many researchers (Maathuis et al., 2004; Gompers et al., 2008; Jin and Yeo, 2011; Moon, 2011) and suggests that qualitative research could be more appropriate to assess the phenomena of the impact of credibility on entrepreneurial growth, as we found no reliable measures developed so far to measure the impact of credibility on growth through quantitative research. As such we propose that further research is conducted based on qualitative techniques to ascertain the importance of credibility on entrepreneurial venture growth.

Another reason for the weak relationships found in the research on some dimensions of credibility is because strong credibility depends on long-sustained relationships. However, in hostile markets such as Sri Lanka, it is highly likely that ventures will exit markets prematurely due to either the inability to withstand market hostilities or because customers move away from the market’s financial constraints (such as inflation), making it impossible to develop prolonged relationships. As such, the credibility of products and services may not be very influential in hostile markets. However, heavy brand promotions to win market share in shrinking markets and the use of relationships based on direct person-to-person sales by the sales team (including the owner in most entrepreneurial firms) may have resulted in strong positive correlations between brand credibility and sales staff’s credibility and growth. This is another aspect proposed for further research using qualitative techniques.

11 Limitation of the study

This research is limited to investigating ‘creativity’ and ‘credibility’ only as strategic success factors for growth of firms operating in constantly turbulent and hostile emerging markets, though there could be many other factors that influence venture performance. The samples selected for this research were limited to Sri Lankan entrepreneurs that started entrepreneurial start-ups. The number of entrepreneurs and firms considered for the primary empirical survey was limited to 12. This limitation was due to the strategic actions related to development, enhancement and utilisation of creativity and credibility of these firms interviewed tending to be saturated after the 12th organisation.
This resulted in assuming that the strategic actions related to creativity and credibility are definite and thus the sample should be limited to 12 case studies.

Our interviews during the case research stage too were focused on determining the actions that the respondent firms had taken to develop enhance and utilise creativity and credibility as success factors in business. However, the non-availability of statistically verifiable evidence to assess the direct influence of creativity and credibility on the performance of respondent firms was another limiting factor. Though all the respondents stated that creativity and credibility had significantly helped them to build a sustainable business, no tangible evidence was found to validate it.

The large data survey was limited to 146 entrepreneurs and only four questions for each factor with responses to choose from a Likert scale, hence restricting the respondents' freedom to express their full views, which is also a limitation of this study. The respondents in the secondary data survey were limited to top managers of entrepreneurial enterprises.

The main objective of the research was to understand the link between creativity, credibility and the growth of entrepreneurial firms in constantly turbulent and hostile emerging markets. However, only annual revenue was used to measure the growth of ventures, which is the limitation of this research.

12 Findings and concluding notes

The findings of our research suggest that both factors of creativity and credibility are vital and important for entrepreneurial firms to survive and grow in emerging markets. Further, the case research conducted on 12 successful entrepreneurial firms in Sri Lanka provided strong evidence that they used both creativity and credibility when deciding on strategic actions adopted and operating in hostile emerging market conditions.

Subsequent to a comprehensive literature survey on the two phenomena of creativity and credibility, the study revealed strategic actions taken by 12 successful entrepreneurs in Sri Lanka with regards to building, enhancing and utilising creativity and credibility as success factors for survival and growth. Based on the empirical findings, eight hypotheses depicting significance of creativity and credibility on the growth of entrepreneurial firms were developed. Hypotheses focused on four different dimensions for each aspect of creativity and credibility. The hypotheses were then tested based on empirical evidence from 146 entrepreneurial firms operating in Sri Lanka.

We confidently validated six hypotheses regarding the influence of creativity and credibility as strategic success factors to survive and grow in hostile market conditions. The empirical evidence found on 12 entrepreneurs during the first phase of the study suggested with higher confidence that both the creativity and credibility had worked as success factors for the respondents to gain customer acceptance over competitors. Further, strategic actions adopted by the entrepreneurs were well connected with creativity and credibility to gain business success.

The survey study too confirmed that creativity and credibility are vital factors for survival and growth of entrepreneurial firms. Our research found significant evidence to suggest that both creativity and credibility strongly and positively influence the performance of entrepreneurial firms.
In conclusion, we suggest that entrepreneurial firms operating in emerging markets could rely on creativity and credibility as strategic success factors to build resilience to withstand the adverse influence of market hostilities and therefore perform well in hostile markets.

References


The link between creativity and credibility


