

# **CREATIVITY IN FINANCIALLY CONSTRAINED ORGANIZATIONS: THE ROLE OF ORGANIZATIONAL SEARCH AND BRICOLAGE**

## **ABSTRACT**

The relationship between resources and creativity is ambiguous. Organizations are found to be creative when resources are in abundance as well as when they are constrained. Despite studies on both aspects, creativity is mostly associated with resource abundance rather than resource constraints. However, many organizations especially in an emerging economy like India are resource constrained. Hence, I explore more on this relevant but less explored phenomenon; creativity in resource-constrained organizations, specifically, financially constrained organizations.

Organizations with abundant resources manage creativity by utilizing their idle resources. But what about resource constrained organizations? Resource constrained organizations create new resources by combining their existing ones. Extant literature operationalizes this act of resource combination by constrained firms as bricolage. How do organizations engage in resource combinations when they have limited resources? Extant literature explains the resource combinations involved in bricolage with the help of resource based theory (Baker & Nelson, 2005; Penrose, 1959). Bricolage is built on assumptions of resource heterogeneity, wherein each resource is assumed to be capable of generating multiple applications. Thus, the heterogeneous nature of resources enables organizations to identify new resource combinations involved in bricolage (Baker & Nelson, 2005). Resource based theory and extant studies on bricolage consider resource heterogeneity as a given assumption without examining the attendant question of how organizations discover the heterogeneity within their existing resources. Studies in the past have not looked at the underlying mechanisms that enable organizations to identify the multiple services generated by resources and their unique combination possibilities. Drawing on the behavioral theory of firms, I address this research gap by suggesting search as the underlying mechanism driving bricolage. Specifically, I examine the following research question:

*Research question 1: Do search activities in the organization influence the impact of financial constraints on bricolage?*

My study further proceeds to examine the influence of other resources on the pursuit of search and bricolage in influencing the creative outcomes of organizations. I argue that human capital, which relates to the knowledge, skills and abilities of human resources, influences the scope of search activities in the organization. According to Penrose (1959), services derived from resources depend on the capacity of human resources using them. Hence, the human capital in organizations may influence the search activities as well as the combination of resources. The present study seeks to examine how human capital, precisely, specific human capital, influences the mechanisms (here search and bricolage) driving organizational creativity and performance.

*Research question 2: Does human capital influence the mechanisms driving organizational creativity and performance?*

Social capital relates to the resources embedded in relationships amongst employees in organizations. It provides access to key information and thus is found to influence search activities in the organization. It also enables organizations in maintaining a shared vision. Shared vision acts as a bonding mechanism which brings in collective action among employees and thus makes

resource combination more plausible. Thus, the social capital within organizations is found to be associated with search behavior as well as bricolage in organizations. The present study thereby seeks to examine how social capital, specifically, in two forms – relational and cognitive - influences the mechanisms (here search and bricolage) driving organizational creativity and performance

*Research question 3: Does social capital influence the mechanisms driving organizational creativity and performance?*

The study develops a framework for constraint driven creativity in organizations. I propose local search (searching for alternatives in existing search domains) and bricolage as the two mechanisms that explain creativity and performance of financially constrained organizations. The study also examines the influence of other resources (human capital and social capital) on the mechanisms that drive organizational creativity and performance. The proposed research model was tested among small and medium enterprises in manufacturing industry in India. Of the 711 firms, 349 surveys were collected from 105 firms. After the data cleaning procedures, 274 surveys from 102 firms were found to be usable.

Data analysis supported hypotheses linking search and bricolage as the underlying mechanisms that encourage creativity in financially constrained firms. However, in contrast to what was proposed, financially constrained firms were found to pursue non-local search (searching for alternatives in distant unfamiliar search domains) for engaging in bricolage. Relational social capital and specific human capital were found to dampen the pursuit of non-local search in financially constrained organizations. However, specific human capital and cognitive human capital had no significant impact on the firms engaging in bricolage. Bricolage was found to enhance the creativity and performance of organizations.

The present study makes several contributions to research and practice. Firstly, it contributes to the literature on constraints and creativity by presenting a framework of the underlying mechanisms at play in constraint-driven creativity in organizations. Secondly, the study adds to the literature on bricolage by specifically delineating search as one of the underlying mechanisms that enables financially constrained organizations to pursue bricolage. Thirdly, the study combines two streams of previously unrelated literature - bricolage and the behavioral theory of firms. Fourthly, the study enhances the understanding of heterogeneity within resources, which would have wider implications to resource based theory. To conclude, the study findings are expected to help organizations manage their creativity when faced with financial constraints. Organizations are advised to have a local combination of existing resources by searching for ideas non-locally. Contrary to intuitive expectations, organisations also need to be wary about the high levels of specific human capital and relational social capital for their potential role in dampening non-local search behaviour.