

The Nexus Between Idea Management, Innovation Accounting and Firm Value: A theoretical perspective

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Abstract

In today's rapidly evolving business landscape, many companies are confronted with an urgent necessity to harness new ideas and opportunities. This imperative arises from mounting competitive pressures and shifting customer demands that require organizations to adapt swiftly and effectively. The recent economic downturn has further intensified this need for innovation, transcending industries and geographical boundaries. In such an environment, businesses that fail to innovate risk falling behind their competitors, losing market share, and alienating their customer base. The critical question for many organizations becomes: where can they discover the groundbreaking ideas essential for driving growth, enhancing productivity, and fostering value creation? As innovation takes center stage in organizational strategies, the significance of collaborative idea management cannot be overstated. This approach not only facilitates the generation of fresh concepts but also allows for the refinement of these ideas, ensuring they are vetted and directed to the appropriate stakeholders within the organization.

Additionally, this innovative framework enables organizations to measure and incentivize creative activity. By establishing clear metrics and rewards for innovative contributions, companies can create a culture that celebrates and promotes continuous improvement. This, in turn, leads to a more open and collaborative innovation culture, where employees feel safe to share their ideas without fear of criticism.

Key Words: Idea Management, Innovation Accounting, Firm Value

1. Introduction.

Companies are constantly looking for ways to improve their business model, products, customer relationships, efficiency and ultimately their profits. They want their businesses to grow. However, it has become a challenge for companies to stay relevant. Markets are changing more than ever, and large companies are often disrupted by innovative organizations and thus lose their competitive advantage. For companies to survive in a competitive market, it is important for them to be innovative. Therefore, they must manage their innovations effectively to ensure their businesses grow and remain relevant (Jacobs, 2022).

Idea management represents the stage that comes at the beginning of innovation management, so it is considered a fundamental pillar of corporate management and can be viewed as a sub-process of innovation management that aims to produce, evaluate and classify ideas efficiently and effectively. Therefore, the company must innovate to become more competitive considering globalization, as thinking is a vital stage of innovation and an integral part of design. It is very important for business success. Conceptual ideas are the basis of the product that continuously determines the success of design solutions and has the greatest impact on the cost of product development. From a business perspective, improved design ideas can change the criteria for purchasing decisions, which benefits the competitiveness of companies. Therefore, the idea represents the potential starting point for innovation that enhances the company's individual and innovative capacity (Zhu, Al Mahmud, & Liu, 2023).

Given the large number of ideas generated, it is expected that companies with an idea management program will have more successful innovative behavior. Idea management components, such as organization or incentive system, are constantly adapted to changing contextual conditions. It is an administrative device designed to empower and motivate employees to provide suggestions on how to improve the company's operations and products. The suggestions submitted are evaluated by expert reviewers, and if they are found to be appropriate, they are put into effect. Idea management is therefore an important pillar of corporate management and is at the forefront of innovation management. It uses employee

creativity and provides the basic pillar of innovation, which are ideas. Therefore, ignoring this diverse source of ideas would be a waste of organizational resources. An effective idea management program can contribute to the success of the company, if it is strategically planned and operated (Gerlach & Brem, 2017). Therefore, the current research seeks to know the role of idea management in corporate innovation, due to the scarcity of Arab studies in this field.

According to previous literature that addressed the research variables, it was concluded that there are several dimensions of idea management that differ from each other in terms of certain areas more than others, and also the degree of suitability of each style varies according to the circumstances surrounding the work, and there are several aspects of innovation for companies, and due to the rapid development witnessed by the global and local market, there has become an urgent need to manage ideas in corporate innovation, so more research and scientific analysis is required. Accordingly, the research gap for the study lies in the scarcity of studies that addressed the impact of idea management on corporate innovation, and therefore the current research aims to address these variables from a new angle, which adds value to the research

2. Theoretical Framework

2/1 Idea management Concept

Idea management is a key tool in innovation management. It is a structured approach through which companies can manage new ideas from stakeholders. It can be defined as a sub-process of innovation management that aims to generate, evaluate, and select ideas effectively and efficiently. However, it differs from the process of thinking and idea generation. Idea generation and thinking are the same thing, which is the process of creating new ideas, while idea management is present throughout the innovation process in the company. Therefore, companies that have idea management systems enjoy successful innovation management behavior, as it is the mainstay of innovation management (Jacobs, 2022).

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While the study (Shani & Divyapriya, 2011) stated that idea management is an organized process of collecting, dealing with, selecting, and distributing ideas. This may include support for collecting, storing, improving, evaluating, and prioritizing ideas by providing methods and tools such as templates and guidelines. Therefore, idea management is an integral part of the innovation process. Idea management is relevant to all types of ideas, from incremental improvements to new and innovative business opportunities.

According to a study by (Gerlach & Brem, 2017), one of the biggest challenges companies face in managing ideas arises during the post-evaluation or idea selection stage. They learned in their research that the speed and accuracy with which the idea selection team performs its task plays a crucial role in motivating potential thinkers within the idea management program. Poor evaluation of the submitted ideas can discourage employees. The main reason for poor evaluation of ideas may be that idea evaluators are afraid of failure. Therefore, the idea management program implemented in the company must be well planned and must fit into the innovation strategy. It is not about the type of idea management model that is implemented, but rather the successful implementation of this model. Therefore, it is important for the company to design the idea management program well and all stakeholders involved in the process.

Companies that want to be successful and innovative must have an effective idea generation system where potential thinkers feel motivated to express their ideas. These companies must also have a process that allows them to process ideas quickly, so that thinkers can get quick

recognition for participating in the idea management program. An effective evaluation process that ensures that the right ideas are selected for the next stage of idea management or innovation process is another requirement for organizations to be innovative. Companies must also ensure that ideas are implemented and that those who played a role in the success of the ideas should be recognized and rewarded for sharing their efforts (Mikelsone & Liela, 2017).

All businesses are created with ideas first and then once they are in business they need ideas for design, engineering, manufacturing, marketing, advertising, creative problem solving, customer retention, etc. The difference between success or failure in a business can be just one idea. Idea management systems and processes can help a company achieve innovation. They can help in finding new possibilities for each department's business, as well as broader and more enthusiastic engagement between managers and employees. The purpose of innovative idea management is that you can send ideas. This can be done by regular employees by creating idea groups. This can be done by innovation managers or innovation experts by refining and enhancing ideas.

Then comes the role of the innovation manager who is responsible for this output, whether by approving or rejecting ideas. This process has major benefits: good ideas are not lost, but can be identified and made available to the appropriate parties. Bad ideas are quickly eliminated and the idea generation workflow is then streamlined and made more transparent to integrate the innovative idea management system, so that the management system integrates with other systems deployed in their companies.

2/3 Innovation Accounting

The terms entrepreneurship and creativity can be used interchangeably for corporate innovation, and while this is understandable, it can be misleading. Creativity and innovation are very similar concepts, but there are some differences. Creativity is usually described as the process of generating new ideas, while innovation takes creativity a step further by being the process of turning those ideas into reality. Innovation is often the foundation upon which

entrepreneurship is built because of the competitive advantage it provides. Innovation is a core function of the entrepreneurial process.

Corporate innovation is the means by which an entrepreneur can either create new wealth-producing resources or give existing resources enhanced wealth-creating potential. Innovation is thus the process by which entrepreneurs transform opportunities (ideas) into marketable solutions. That is, innovation is the process of transforming ideas into outputs, and thus it is the means by which entrepreneurs become catalysts for change (Boone, Lokshin, Guenter, & Belderbos, 2019). Innovation can be defined as the process of making changes, large and small, radical and incremental, to products, processes, and services that result in something new for the company that adds value to customers and contributes to the company's store of knowledge. Innovation can also be viewed as the systematic approach to creating an environment based on creative discovery, invention, and commercial exploitation of ideas that meet unmet needs. However, there are millions of innovations that are often much smaller in scale, do not contain an invention, or are not necessarily exploited in the same commercial sense (Yang & Han, 2021). In this sense, innovation becomes the formation of creative ideas and the determination to implement those ideas into a marketable concept because there are many ways in which individuals apply creative ideas to exploit opportunities, and there are also many ways to classify innovation.

3. The theoretical perspective

(Mikelsone, E.; Uvarova, I.; Segers, J. P., 2022) tested the idea management sequence framework for reinventing or redefining the value proposition. Therefore, the study proposed a new approach for a four-step idea management sequence to redefine or reinvent the value proposition in the business model, which was validated through a work-based research method that included 20 managers from practice by applying the proposed framework. The results of the study showed that the four-step idea management approach is useful for virtual group sessions because it increases the quality of results, individual participation, collaborative openness, and trust.

(Wang, Farag, & Ahmad, 2021) investigated the impact of corporate culture on innovation using a unique data set from listed Chinese companies during the period 2008-2017 using the competitive value framework. The study measured corporate culture using textual analysis of financial reports. The results of the study showed a positive and significant impact of creativity culture on innovation measured by patent applications and citations, as well as innovation efficiency. The study also found that differences in culture have a significant impact on innovation at the company level, and that a strong creativity culture can stimulate innovation in companies in more competitive product markets and companies subject to higher administrative functional concerns. Finally, the study confirmed that corporate culture is a key driver of innovation.

The study (Pertuz & Pérez, 2021) aimed to identify the innovation management practices used by companies around the world. The study analyzed 19 articles in depth. The study identified the innovation management practices used by different types of companies, with a focus on small and medium-sized enterprises. The study revealed a total of 116 practices, grouped into 13 categories. These categories were classified based on the innovation management process. The practices most frequently mentioned by the authors were the application of project management fundamentals, product changes and process improvements, idea generation and management techniques, and practices related to managing human talent for innovation. This article provides a framework of good practices for companies that want to improve their idea management process.

(Yang & Han, 2021) investigated user behaviors in online innovation communities enabled by digital technologies to gain an understanding of the relationship between user social interaction and their contribution to innovation. The new type of innovation communities enables companies to mobilize and manage ideas from their users to develop new products and improve existing products and facilitate interactions between users. The results of the study showed that the amount of user interaction is positively related to the number of ideas implemented but has an inverted U-shaped relationship with the number of ideas. Moreover,

diverse user interaction encourages the dissemination of ideas but is negatively related to the number of ideas implemented. The results should provide management guidance for companies on stimulating and managing user interaction in online communities to improve the development of innovation in companies.

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