

# Knowledge-based approaches to the firm: an idea-driven perspective

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The challenges of the 21st century imply reconsidering the knowledge-based approaches of the firm under idea-led perspectives. We propose to reexamine the limits of the knowledge-based approaches of the firm by integrating the management of ideas as a process into the analysis. Building on the differences between the notions of idea and knowledge, we reconsider in turn the *raison d'être*, boundaries, coordination and incentive mechanisms, and the role of the entrepreneur of the firm. We show that ideas as a process are central to a more actor-inclusive view of the firm, providing a more relevant explanation of how firms can create value and fit into the contemporary world.

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## 1. Introduction

The importance of the theory of the firm emerged in the 1930s, particularly with Coase (1937), who sought to answer this fundamental question: why do firms exist and why can they coordinate economic exchange more efficiently than markets? As Robertson (1923) pointed out, firms exist in the economy as “islands of conscious power in [an] ocean of unconscious cooperation.” Since then, numerous contributions in the literature have attempted to lay the foundations of the theory of the firm as a fundamental conceptualization and model that explains, predicts, and guides the structure and behavior of the firm. According to Casson (2000), a theory of the firm aims to provide a coherent framework to explain the following key questions (i) how to explain the boundaries of the firm, (ii) how to explain the growth of the firm, (iii) what is the role of the entrepreneur, (iv) how to explain the internal organization and related coordination mechanisms of the firm, and (v) what are the incentive mechanisms of the firm. As Grant (1996: 109) emphasized, “there is no single, multipurpose theory of the firm. Every theory of the firm is an abstraction of the real-world business enterprise which is designed to address a particular set of its characteristics and behaviors (Machlup, 1967). As a result, there are many theories of the firm

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which both compete in offering rival explanations of the same phenomena and complement one another in explaining different phenomena.”

The main traditional approaches to the theory of the firm were developed in the 1970s (Alchian and Demsetz, 1972; Williamson, 1979). These approaches view the firm as an institutional device whose *raison d'être* is to correct market failures when the information processing of market mechanisms becomes too costly and to solve a resource allocation problem. Among the traditional theories of the firm, transaction cost theory dominates (Williamson, 1979), arguing that various transaction costs (search and information costs, bargaining and decision costs, monitoring and enforcement costs, etc.) reinforce the principal/agent vision that information is imperfect and that the existence of potential information asymmetries authorizes unproductive rent-seeking behavior. As Fransman (1995) has argued, in all of these traditional theories of the firm, the firm is reduced to an institutional device, an “information processor,” that allows the creation of incentives to correct information biases and prevent the unproductive search for opportunistic rents that can arise due to the imperfect nature of information.

While these traditional approaches were developed primarily by economists, management scholars increasingly paid attention to the debates on the theory of the firm. For example, Porter (1991) emphasized that a theory of the firm underpins any approach to strategy. He emphasized how the field of management could learn from the framework of the theory of the firm in terms of strategy, human resource management, understanding the boundaries of the multinational firm, etc. Gradually, management scholars helped modify economic theories of the firm by incorporating managerial elements. Under the heading of the “knowledge-based view of the firm,” building on the resource-based view of strategy (Penrose, 1959; Barney, 1991; Peteraf, 1993), a number of new approaches developed in the 1990s challenged traditional theories of the firm (Foss, 1993; Dosi and Marengo, 1994; Spender, 1996; Kogut and Zander, 1996; Grant, 1996; Teece *et al.*, 1997). Proponents of the knowledge-based view argue that a theory of the firm should be based on considerations of knowledge rather than opportunism and transaction costs. Viewing knowledge as an important source of competitive advantage for firms, this perspective implies that organizations provide a more effective mechanism than markets for sharing and integrating knowledge among people.

Within the various knowledge-based approaches of the theory of the firm, the firm is conceived as a “knowledge processor” (Fransman, 1995), i.e., as a place for the creation, construction, selection, use, and development of knowledge. The governance of the firm is not focused on the resolution of information asymmetries but on the coordination of distributed knowledge and learning processes. Cognitive mechanisms are essential, and routines play an important role in maintaining the internal coherence of the organization. The focus of the theory is thus clearly on the process of resource creation (“from the inside out”) and not on resource allocation as in traditional approaches.

Both approaches focus on firms as organizations responsible for producing products or services. Firms are seen either as entities producing an output with incentives (“information processor”) or with processes, routines, and competencies (“knowledge processor”) to do so properly.

In this paper, we focus on the literature on knowledge-based approaches to the theory of the firm, which has grown significantly in recent decades. Although the knowledge-based vision has regularly been criticized for being too static (i.e., firms have strategic resources, but the dynamics of how firms build these resources are not explained) or for neglecting the role of the entrepreneur in knowledge-based approaches, there have been significant contributions in the literature to answer these criticisms. For example, Teece (2016) has emphasized the key role of the entrepreneur in a dynamic context (e.g., Teece, 2016).

In the last 5 years, however, critiques of knowledge-based approaches to the firm have become much more vocal. In a recent paper, Alvarez *et al.* (2020) call for a complete revision of the foundations of these theoretical approaches to the firm. According to the authors, there is a growing sense in the literature that these approaches have important and serious limitations with respect to the current economic context, in particular the difficulty of dealing with the issues of open boundaries, increasing stakeholder involvement, and the emergence of disruptive digital technologies.

Indeed, organizations today operate under new conditions from those that prevailed when some of the foundations of the contemporary theory of the firm were laid (i.e., from the 1930s to the 1970s). The acceleration of several industrial, social, technological, and environmental changes, including digitalization and the rise of artificial intelligence, environmental crises, the emergence of forms of co-competition, platforms, and ecosystem work, as well as demands for better stakeholder consideration and the opening up of corporate governance, requires to rethink the foundations of the knowledge-based approaches of the firm.

In this study, we aim to address these issues and overcome some of the major limitations of knowledge-based approaches to the theory of the firm by proposing to introduce a new idea-driven perspective that complements these approaches. We argue that such a perspective, while retaining the key characteristics of knowledge-based approaches, opens the way to a more dynamic vision of the firm that better addresses the criticisms of the current limitations of these approaches. We therefore propose to complement the literature on the knowledge-based view of the firm with a view of the firm as also an idea processor. This idea-driven perspective explicitly introduces goals and intentions that emphasize the firm's ability to generate, nurture, select, and implement ideas, thus better understanding the firm as a place of collective creation. This new perspective is a direct extension of the work of [Fransman \(1995\)](#), [Dosi and Marengo \(1994: 20–23\)](#), [Cohendet and Llerena \(2003\)](#), and [Cohendet et al. \(2014\)](#). From the production process-oriented perspective of the knowledge-based theories, we integrate the coexistence and co-evolution of a process of idea production and development.

Our paper first reviews the knowledge-based approaches to the firm and addresses their limitations ([Section 2](#)). Our proposed idea-driven approach first requires a clarification of the nuances and distinctions between knowledge and ideas ([Section 3](#)), before revisiting the elements of the theory of the firm in an idea-driven perspective ([Section 4](#)) and discussing our proposal ([Section 5](#)).

## 2. Review of literature

### 2.1 Some salient features of the knowledge-based view of the firm

The knowledge-based view of the firm is generally presented as an extension and refinement of the resource-based view ([Barney, 1991](#); [Pereira and Bamel, 2021](#)). Knowledge is a resource of the firm, but it is the most important one as it is the source of its competitive advantage ([Nonaka and Takeuchi, 1995](#)). Material resources are available to all firms on the market and therefore do not distinguish one firm from another. However, the ability to combine and use these resources, i.e., internal knowledge, is unique to each firm and leads to performance differences between firms ([Grant, 1996](#); [Spender, 1996](#)).

An important implication of this premise is that the knowledge-based firm has neat boundaries that separate the inside from the outside for two main reasons. First, since the firm's internal knowledge is the real source of its competitive advantage, it is necessary to protect it from the outside and to erect barriers to protect it ([Grant, 1996](#)). Second, and perhaps more fundamentally, building and exploiting a unique knowledge architecture requires the articulation and coordination of multiple bodies of specialized knowledge. This coordination effort can only be achieved if agents share a common language and a common set of norms and agree to play by the same rules. The firm must therefore establish boundaries within which the language, norms, and rules can be shared by the firm's members ([Kogut and Zander, 1992](#); [Spender, 1996](#)).

Since knowledge is the firm's most important asset, one of the key questions addressed by the theory is how knowledge is created and used within the firm. In this respect, the key processes that support the creation, coordination, and use of knowledge within the firm are mostly formal mechanisms. Thus, the acquisition of external knowledge is achieved through the design of absorptive processes that enable the identification, acquisition, and adaptation of external knowledge to the firm's specific needs ([Cohen and Levinthal, 1990](#)). Similarly, the knowledge management systems that firms need to implement to acquire, store, transfer, and apply knowledge throughout the organization are formal processes that are designed, monitored, and often supported by information technologies ([Alavi and Leidner, 2001](#)). More broadly, the dynamic capabilities needed to

capture, use, and reconfigure the firm's knowledge base are based on formal mechanisms designed and controlled by management (Teece, 2007).

In line with the previous argument, the management of the knowledge-based firm is mostly top-down. Managerial decisions regarding knowledge are driven by the goal of maximizing profits for stakeholders (Nickerson and Zenger, 2004). Thus, managers decide on the type of knowledge to be acquired and used based on the overall strategic direction set at the top management level. The role of lower-level employees, from a knowledge perspective, is simply to operationalize the decisions made at a higher level (Nickerson and Zenger, 2004).

In short, the knowledge-based approaches deal with the way to organize efficiently the production processes with the competencies and capabilities available within the boundaries of the firm in order to fit into the outside environment.

Criticism of these knowledge-based approaches to the firm has been voiced early in the literature. As Pereira and Bamel (2021: 557) point out, "the breadth and degree of diversification has made research on resource-based and knowledge-based views very fragmented." To a large extent, these critiques of knowledge-based theories of the firm address issues related to a passive and static accumulation of knowledge rather than a dynamic vision of the creation of new knowledge. As Foss and Klein (2005) point out, the nature of the central construct (i.e., capabilities) is itself highly ambiguous. The conceptualization, dimensioning, and measurement of capabilities remain unclear, as does the understanding of how these capabilities emerge and change through individual action (Felin and Foss, 2004).

However, the critique of existing theories of the firm has been broadened and strongly radicalized in the last decade. The main critiques focus on various aspects that question, among other things, the boundaries, the role of the entrepreneur, the incentive and coordination mechanisms, and even the *raison d'être* of firms, which can no longer be driven solely by economic considerations (Alvarez *et al.*, 2020; Valentinov *et al.*, 2021; Menz *et al.*, 2021; Grant and Phene, 2022; Felin and Foss, 2023).

## 2.2 Recent criticisms of knowledge-based approaches to the firm and initial responses

### 2.2.1 The question of the boundaries of the firm

Contrary to prevailing theories of the firm, which assume relatively closed boundaries, contemporary organizations operate in an open innovation ecosystem, where structured collaboration emerges through a variety of actors (both formal and informal) in the ecosystem. The context of open innovation has clearly blurred the traditional view of the boundaries of the firm and challenged the existing position of knowledge-based approaches. Several works in the management and strategy literature, in particular the literature on ecosystems, open innovation, or digitization, have tried to show that these boundaries are much less clear and much more malleable than classical theories assume (Jacobides *et al.*, 2018; Zobel and Hagedoorn, 2020; Gawer, 2021; Menz *et al.*, 2021).

One of the central aspects of the ecosystem literature is that many value creation, capture, and delivery processes are situated within collective dynamics that blur organizational boundaries (Adner, 2017; Kapoor and Agarwal, 2017; Hannah and Eisenhardt, 2018). Whether through complementary assets (resources, networks, skills, etc.) or interdependencies, the ecosystem literature shows that value creation relies on a variety of partners, stakeholders, and other third parties (Gómez-Baggethun *et al.*, 2016). This leads to a shift from the traditional make-or-buy decision of transaction cost theory to a make-or-collaborate-or-buy paradigm (Kohtamäki *et al.*, 2019). Moreover, according to this literature, in different configurations, it is no longer only the internal capabilities and competencies of firms that matter, but rather the arrangements and integration of different sets of complementary or interdependent resources, key assets, and competencies between a plurality of firms and actors (Jacobides *et al.*, 2018).

### 2.2.2 The question of the role of the entrepreneur

Shaking the economy out of equilibrium, having an insight that no one else has, or developing a discovery and creative process that is unknown to other market participants are entrepreneurial

activities that do not easily fit into the knowledge-based approach (Alvarez and Barney, 2005). Such problems are related to the difficulty of accounting for Knight's uncertainty and innovation in current theories (Alvarez and Barney, 2017; Teece, 2019). Indeed, transaction cost and agency theory assume a relatively stable environment in which decision-makers can choose among different possible alternatives according to certain probability rules. But when uncertainty replaces risk, neither events nor their probability of occurrence can be known in advance (Alvarez and Barney, 2007). If recent years have taught us anything, it is that the unpredictable nature of many generative innovations means that uncertainty is increasingly present in the world of decision-makers. However, since the early 2000s, several frameworks have been developed to better account for uncertainty and innovation processes in organizations. In particular, the entrepreneurship literature has shown that entrepreneurs are accustomed to dealing with uncertainty and can integrate it into their strategies by relying on the logics of effectuation and bricolage (Fisher, 2012).

From a broader organizational theory perspective, the dynamic capabilities framework (Eisenhardt and Martin, 2000; Teece, 2018) also provides a better understanding of how organizations can cope with uncertainty in a rapidly changing environment by developing sensing, seizing, and reconfiguring capabilities (Teece, 2007) to transform their competencies, routines, and processes. According to Teece (2016), the dynamic capabilities framework can provide the structure to advance economic research on fundamental questions that have hindered a better understanding of firm performance in the innovation economy. However, the underlying logics of the entrepreneurship literature have not yet been well integrated into theories of the firm, and by considering only knowledge as the main unit of analysis, the dynamic capabilities framework tends to underestimate an important part of these processes of creation and transformation, which are based on a flow of decisions, entanglements of multiple intentions, and claims of different actors to build social acceptability (Fallon-Byrne and Harney, 2017; Perry-Smith and Mannucci, 2017).

### 2.2.3 The question of the role of incentive mechanisms (shareholder vs. stakeholder driven)

Existing theories of the knowledge-based firm assume that incentive mechanisms are needed to align the behavior of firm members essentially with the vision and interests of shareholders, while in the current context, the influence of multiple stakeholders is constantly increasing, requiring a drastic reorientation of incentives to align the behavior of firm members. This is related to the fact that these existing theories of the firm tended to emphasize objectives, incentives, and responsibilities of a primarily economic nature, as summed up by Friedman's (2007) maxim "the social responsibility of business is to increase its profits."

In contrast to this vision, a growing number of voices have emerged in parallel to question this overly restrictive approach and to adopt a multidimensional view. As Alvarez *et al.* (2020) point out: "the 21st century is likely to be the century of stakeholder-driven companies, which expect business to help solve problems of environmental degradation, inequality and poverty. Stakeholder ideas need to be incorporated into current economic theories of the firm. These different perspectives include promoting the interests of stakeholders other than shareholders (Barney, 2018; Freeman *et al.*, 2021), recognizing the plurality of purposes that can be pursued by firms through generative and declinable conceptions of purpose (George *et al.*, 2021; Ocasio *et al.*, 2023), and acknowledging that the social dynamics that occur within firms can give meaning and identity to their members and can be included in this broader conception of value generated by organizations (Melé, 2012). These perspectives also challenge traditional incentive mechanisms, such as individual productivity-based rewards, as relevant to mobilizing and motivating members of the organization. To address such issues, Freeman *et al.* (2021) explore the similarities between the resource-based view of the firm and stakeholder theory at the time of their inception and then continue the conversation about what led to the different developmental trajectories of the two theories.

### 2.2.4 The question of the *raison d'être* of the firm

In the 21st century, society not only expects organizations to be more sustainable and to take steps to avoid the negative social and environmental externalities they may generate but also relies on them to help solve major problems such as environmental degradation, inequality, and

the protection of terrestrial ecosystems (Inigo and Albareda, 2019). The business community is beginning to respond to these expectations, as a growing number of companies tend to legitimize their *raison d'être* and existence by pursuing social or environmental goals, with the constraint of making a profit and being viable, rather than the other way around (Alvarez *et al.*, 2020).

The last decade has seen the emergence of new theoretical work in the perspective of knowledge-based approaches, focusing in particular on corporate legal forms that allow the *raison d'être* of the firm to be endorsed in the company's articles of association, such as benefit corporations, social purpose corporations, public benefit corporations, or even profit-with-purpose corporations (Levillain and Segrestin, 2019). A multidimensional objective function, including a broader and more inclusive stakeholder perspective, emerges to ensure the coherence of a renewed theory of the firm integrating an idea-driven perspective.

### 2.3 The perspective of building an idea-driven approach of the firm as an attempt to overcome the criticisms

Regardless of the relevance of the above responses to the criticisms of knowledge-based approaches, we believe that they are still fragmented and insufficient. We believe that the knowledge-based approaches in their current form could be reorganized and expanded to include some key principles that would help to strengthen the relevance of these theories of the firm. To address these issues, we believe that some of the limitations of the knowledge-based theory examined earlier can be overcome by integrating the notion of idea to better understand the micro-process of new knowledge creation and its transformation into the organizational structures of the firm. The importance of the notion of "idea" has recently been advocated by eminent scholars such as Phelps (2013), building on the pioneering work of Romer (1997), who posited that the main issue of competition in today's economies is "idea" rather than the mere accumulation of knowledge: "If we just look, we can see the distinctive stuff that modern economies are made of: it is ideas" (Phelps, 2013).

We therefore propose to complement the literature on the knowledge-based view of the firm by considering the firm also as a processor of ideas. In this paper, we argue that focusing more on ideas than on knowledge opens up a more dynamic vision of the firm by explicitly introducing goals and intentions that emphasize the firm's ability to generate, nurture, select, and implement ideas. Unlike Romer and his followers, this approach views ideas as processes over time rather than as instantaneous phenomena. As such, it allows us to better understand the firm as a place of collective creation. As developed below, an idea can be seen as a combination of three fundamental elements: (i) it conveys an intention to act, (ii) it requires a degree of social acceptance, and (iii) it is equipped with various bodies of knowledge to be feasible and viable. These different elements vary over time, showing a fundamental dynamic process that starts from a more informal state related to the emergence of the idea to the moment when the idea is formalized and equipped with sufficient knowledge to be potentially commercialized. We believe that considering the firm not only as a processor of knowledge but also as a processor of ideas introduces a new approach to the knowledge-based firm. The idea seen as a process is the trigger for the dynamics and of the evolution of the firm. This approach has the advantage of addressing key issues in the current economic and social context and of bringing out the dynamic elements and entrepreneurial dimensions that are often overlooked in accounts of the firm that focuses solely on knowledge accumulation.

Such a perspective requires a clarification of the distinction between knowledge and ideas (Section 3) before revisiting the elements of the theory of the firm in an idea-driven vision (Section 4).

## 3. Toward a more dynamic vision of the firm: characterizing the notion of idea

Ideas have recently been described as the fuel of innovation dynamics in numerous articles in economics and management science (Fleming *et al.*, 2007; Phelps, 2013; Slavich and Svejenova, 2016; Perry-Smith and Mannucci, 2017; Ananth and Harvey, 2023). However, this focus on ideas



is recent: while ideas have always been perceived as elements in the formation of innovation in organizations, with innovation seen as bringing ideas to market, they have generally not been seen as central to conceptual debates. As [Romer \(1997\)](#) argues: “Too often, economists have been willing to treat ideas as a footnote to the rest of economic analysis.”

The modest role of the idea concept in management science could be explained by the fact that, until recently, the literature tended to portray the generation of ideas by a creator or a small informal group of individuals as a special moment (a “spark” or “moment of grace”) that plays a marginal role at the beginning of an innovation project ([Hua et al., 2022](#)). Recent literature has deepened the analysis of the idea concept ([Cohendet et al., 2017](#); [Perry-Smith and Mannucci, 2017](#)). In particular, [Slavich and Svejenova \(2016\)](#) suggested that an idea should be considered as a process rather than a static resource, and [Perry-Smith and Mannucci \(2017\)](#) argued that a new idea should not be limited to a specific moment or attributed to a specific individual. Instead, it should be interpreted as an evolving, open-ended, and collective ideation process or “idea journey” (rather than a “moment of grace”). More specifically, an idea can be defined as a combination of three fundamental components that evolve through an ideation process. This process consists of (i) an intention to act that contributes to the construction of the concept, (ii) a cognitive construction that endows the idea with various complementary forms of knowledge, and (iii) a landing phase in which the idea eventually leads to a new innovative process or, if not implemented in an immediate application, contributes to maintaining the company’s existing repertoire of ideas. It also induces the evolution or disruption of the existing routines in the production processes. In the following sections, we briefly summarize the main steps of an idea journey to better ground this concept theoretically and to develop our vision of an idea-driven company.

### 3.1 Idea generation

First, an idea conveys an intention to act. Immediately after the spark (the “moment of grace”), which usually comes from an individual or small group of individuals, the idea promoters who generated the idea tend to express an intention to act (the usefulness of the idea) and to explain how the new idea “breaks the rules” of previous ways of doing things (the degree of novelty of the idea). Often, promoters create a script or manifesto that describes how rules must be broken to support the new idea. The purpose of this manifesto is not only to define the new rules but also to foster a shared vision, commitment, and willingness to work together. In this phase, therefore, the promoters primarily communicate a desired reality that neither exists nor is defined, which we call an intention to act.

### 3.2 Social and cognitive construction and ideas equipped with bodies of knowledge

Second, an idea needs to be equipped with various bodies of knowledge in order to become commercially viable. After the initial spark, the “social and cognitive construction of the idea” phase becomes crucial in the ideation journey. The goal is to provide the idea with enough knowledge to form an internally consistent set of concepts and ultimately make it commercially viable. Proponents of a new idea typically invest time and effort in orchestrating interactions with various sources of expertise to strengthen the initial idea with complementary forms of knowledge and ensure its incremental viability. These efforts are usually carried out by a tight-knit community gathered around the idea to build and progressively demonstrate its value. Far from being predetermined, the value of the idea is developed through a mosaic of perspectives, contributions, and revisions that contribute to the creation of “a complex set of interdependent options” ([Garud et al., 2013](#)). After repeated interactions, interlocking decisions eventually narrow down the circle of possibilities, occasionally stabilizing hypotheses about outcomes and models for creating value from the idea ([Maniak and Midler, 2014](#)). By the end of this phase, having been nurtured and supported by knowledge emanating from a community, the idea can be considered to have reached a mature state. The idea is then usually equipped with a “codebook,” i.e., a grammar of usage and a dictionary of objects and procedures related to the novelty, enabling its production ([Cowan et al., 2000](#)).

At this stage of social construction, the idea requires not only internal consistency and validity but also a degree of social acceptance. Accordingly, the idea needs to be communicated to a wider audience. The intention should be linked to relevant forms of knowledge in order to attract supporters. To take shape, the idea needs to explore multiple avenues arising from different forms of knowledge and interests. In particular, the idea must validate its hypotheses, demonstrate its feasibility, and verify its value. Thus, both the individuals who generate, support, respond to, and modify ideas and the sociopolitical processes and controversies surrounding them play a crucial role in allowing innovations to emerge, be built, and gradually stabilize (Akrich *et al.*, 2002). This perspective is consistent with Callon's seminal concept of "actor network theory" and the art of "intéressement," which refers to the ability to interest an increasing number of allies and create a set of arrangements that make the idea acceptable to both human (the social world) and non-human (the material world) actors (Akrich *et al.*, 2002). The risk is that ideas that are not sufficiently appropriate to the context, are not well understood, or do not adequately demonstrate their value may be rejected, transformed, or put on hold until a more favorable context emerges (Grimes, 2018).

Above all, it is essential to ensure that the idea can be connected to broader social and technical systems (Perry-Smith and Mannucci, 2017). A shared vision of the new concept, shared also with the stakeholders, is therefore crucial for successful implementation, as is a shared understanding of its relationships with other technical and social components and its impact on the system and its environment (Akrich *et al.*, 2002).

### 3.3 The landing phase

Once socially constructed, equipped with a formal codebook, and supported by a network of adherents, an idea can be used for innovative purposes. The ideation journey enters the landing phase, moving from blueprints and prototypes to two main possibilities: (i) the idea is actually implemented by reconfiguring the formal organization to enrich existing innovative processes (incremental innovation) or by generating a new innovative project (Teece, 2007) or (ii) if not immediately applied, the idea contributes to the nurturing and enrichment of the firm's repertoire of existing ideas, which Cohendet and Simon (2007) refer to as "creative slack." This creative slack includes ideas, insights, and know-how that are deeply rooted in the experiences of individuals and the culture of the communities to which they belong.

In sum, an idea-driven approach to the firm promotes a dynamic vision of how new knowledge is created within the firm and how this knowledge is integrated into the firm's structures to generate new applications. It explicitly introduces a framework that considers the firm's interactions with different stakeholders and the possibility of addressing societal issues such as sustainability or inclusion.

### 3.4 Ideas and dynamic capabilities

The above interpretation of ideas as a process contrasts radically with the traditional management view of new ideas as preformatted "black boxes" that come from outside or inside the firm. In this traditional view, new ideas are given "objects" that are captured by the existing absorptive capacities of the firm and whose meanings are endowed with a grammar of interpretation that is immediately accessible. These new ideas then undergo a funneling process, shaped by the existing dynamic capabilities of the firm, during which most of them are progressively discarded until the most promising idea is selected.

On the contrary, viewing an idea as a process implies that ideas do not "fall from the sky" and are not known *ex ante*. They do not obey the principle of gradual reduction of their complexity, nor are they a finished product. Instead, they evolve through continuous interactions with the dynamic capabilities of the firm. In the social construction phase of the idea, the dynamic capabilities, through repeated feedback, help shape the pace of the idea's evolution, but the idea construction process, in turn, helps shape, modify, and enrich the existing dynamic capabilities. In this phase of interpretive operation, the small group of agents at the origin of the idea makes considerable efforts to alert other organizational actors or communities to convince them of the usefulness and potential of their new idea. From these interactions, the grammar of



interpretation—the codebook that equips the idea at the end of the maturation period—is progressively built, integrating new knowledge, new procedures, new practices, new perceptions, or new routines that have been tested and validated through the process.

In this way, ideas help to nurture and enrich the dynamic capabilities of the firm as it progresses along its journey. The notion of ideas explicitly introduces the firm's intention to act differently from the current state of affairs. Idea generation is not only about seizing opportunities in the sense of recognizing the value of existing but unused knowledge (or a combination thereof) but also about formulating and implementing an intention (Agarwal *et al.*, 2012). It is a process of creating new options, of enriching the set of alternatives. The changes in the dynamic capabilities generated by the processes of ideation are manifested in the last phase of the ideation process, the reconfiguration of the concept, which emphasizes that a new idea always disturbs the existing configuration to a greater or lesser extent. Thus, for a concept to be introduced as a project in the new product and process development phase, the company must reconfigure, modify, or destroy some of its parts. The ideas as processes become the triggers of the dynamics of capabilities.

Rather than simply disseminating knowledge in a formal way, the success of an idea occurs when the concept itself can more or less adapt to the routines and collective understanding of the company's activities. The reconfiguration generated by an idea must be based on an adapted business model that ensures its success and delivers the promised growth. In such a process, the firm has to make room for new ideas: it may have to remove some of its organizational routines or norms (or even change its boundaries) that conflict with the new idea and accept some form of unlearning (Tsang and Zahra, 2008). If the idea involves other stakeholders, the firm must be organized to develop and assemble the more complex business models and get them accepted by all stakeholders.

The case of the Canadian electricity company Hydro-Québec's 735-kV power system illustrates how this dynamic plays out in technological innovation. The same dynamic can be generalized to the various functions of the company. Until the 1960s, Hydro-Québec was an electricity company like any other. It operated hydroelectric plants at a reasonable distance from the load, with a transmission network that met industry standards. The ability to build power plants far from major consumption centers was an important issue. The design of a 315-kV grid proposed by experts would have required the construction of too many lines, making the grid too expensive. Contrary to current practice, engineer Jean-Jacques Archambault proposed the bold idea of designing a higher-voltage network. With this in mind, he developed his idea and documented it sufficiently to convince decision-makers to embark on such an adventure. Thus, a project to design a 735-kV network was launched, leading to significant advances in this scientific field (Bolduc *et al.*, 1984).

In a sense, this has transformed Hydro-Québec. The company's business model now takes advantage of the immense potential of hydroelectric resources to offer clean energy at a good price. As a leader, Hydro-Québec developed partnerships with major transmission and generation equipment manufacturers, contributing to their development and establishing them in Québec. It was not just one big idea. It was a catalyst for many new approaches in development (Huang *et al.*, 2004; Kamwa *et al.*, 2006), operations (Valette *et al.*, 2009), and maintenance (Pouliot *et al.*, 2015). From idea to idea, the business is transformed, and knowledge and technologies are developed in a constantly renewed flow.

#### 4. Revisiting the elements of the theory of the firm from an idea-driven perspective

In the following sections, we will rethink various elements of the theory of the firm (Casson, 2000) through the lens of an idea-driven perspective. This will lead us to rethink, in turn, the *raison d'être* and growth of the firm, the boundaries of the firm, the role of the entrepreneur, the internal organization, and the related coordination and incentive mechanisms of the firm.

#### 4.1 Rethinking the *raison d'être* of the firm

According to standard economic theories of the firm, firms exist to correct market failures when the information processing of market mechanisms becomes too costly. In contrast, knowledge-based approaches suggest that the *raison d'être* of a firm is the continuous creation of knowledge and competencies (Nonaka *et al.*, 2000). As highlighted earlier, a limitation of these theoretical visions is that they focus primarily on the managerial perspective of the firm in a profit-making context and do not adequately incorporate the social missions of the firm or the behaviors and preferences of external stakeholders. The idea-driven perspective invites us to reconsider why firms exist and proposes that the ability to generate, develop, and adopt new ideas relevant to satisfying the needs, desires, and goals of the stakeholders is the *raison d'être* of the firm. From this perspective, what differentiates firms is not just the accumulation of specific strategic knowledge assets or the existence of different routines, but essentially the possession and maintenance of a unique repertoire of relevant ideas that drive the dynamic evolution of the firm.

The roots of firms are usually found in the ideas and vision of an entrepreneur or a collective of entrepreneurs, which then evolve through the gradual incorporation of new ideas in line with the initial vision (Mathias *et al.*, 2015). The early history of an organization is shaped by this vision, which translates into a shared mission, culture, orientations, relationships, behaviors, and practices. As Garud *et al.* (2013: 783) state: “The initial idea must snowball into a collection of assets, resources, and capabilities that, in combination, enable the innovation to be produced, maintained, and sustained.” Over time, new ideas are gradually introduced that may either align with the initial intentions of the firm or take a different path, potentially transforming the goals and mission pursued by the firm (Augsdorfer, 2005). It is this dynamic, resulting from a constant dialogue between the firm’s current production processes and objectives and the ideas that are emerging or gradually being captured within the firm. It allows the firm to avoid being locked into a path-dependent dynamic due to overly rigid skills or capabilities (Goumagias *et al.*, 2022). Instead, driven by the process of ideas production, the firm can explore alternatives and different paths, regularly renewing its skills and networks (Girod and Whittington, 2017) to remain aligned with the evolving interests of stakeholders.

IBM’s transformation in the 1990s exemplifies this interaction between ideas and the company’s *raison d'être*. A pivotal change was driven by a simple yet profound idea: to expand the scope of IBM’s services beyond the maintenance of IBM’s own products and technologies. Dennie Welsh, a key figure in this transformation, firmly believed that IBM’s services should be more than just product maintenance; they should encompass comprehensive IT support for clients. At a time of crisis that required a profound change in the company’s business model, and with a new CEO, Louis Gerstner, this initial idea gradually reshaped IBM’s vision into a predominantly service-oriented company that strategically focused on solving the diverse problems of its customers. By embracing this broader scope, IBM successfully redefined its corporate vision and opened the door to the development of many new ideas that could not have been accommodated within the company’s original scope.

#### 4.2 Rethinking the sources of the growth of the firm

The growth of a firm is the result of the success of its various business orientations and choices, taking into account the company’s value system. This success is based on the activities carried out and the resources that make them possible, including tangible and intangible assets, human capital, financial resources, and partnerships, which must be developed, managed, and maintained to achieve sustainable growth. Regardless of its propensity to innovate, every company needs ideas to optimize its activities, adapt to the evolution of its techno-economic context, anticipate future challenges, or actively participate in societal and market transformations.

The proposition that ideas can be the engine of growth is not new in economics (Romer, 1990; Aghion and Howitt, 1992; Weitzman, 1998). This is due to the non-rival nature of ideas and the fact that ideas are the only type of resource that is constantly expanding (Weitzman, 1998). Growth is driven less by the accumulation of specialized and differentiated knowledge in a particular domain, which may eventually plateau, than by the ability to sustain a process of idea production that continuously improves the organization or offers a radically different range

of products and services. However, our perspective differs drastically from the notion of idea used by Romer (1990) and followers: the idea is not a single random and exogenous event, but a process of development in time with its own duration.

In essence, the ideation process fostered by creative communities revolves around the “creative slack,” which serves as a repertoire of options that contribute to the growth of the firm by guiding the selection of future projects (Cohendet and Simon, 2007). This concept is consistent with Penrose’s analysis, where previously used managerial resources become “slack” and these “unused productive services are at once a challenge to innovation, an incentive to expansion, and a source of competitive advantage for the enterprising firm” (Penrose, 1959). In line with Penrose’s vision, a firm that has accumulated creative slack is better prepared than any other organization to harness the creative potential of this slack. Creative slack, where reflection, observation, learning, anticipation, and ideas flourish, is thus a significant determinant of firm growth.

As noted earlier, the key factor limiting growth is not the ideas the process can generate, but the firm’s ability to turn those ideas into viable projects (Perry-Smith and Mannucci, 2017). This capacity ultimately depends on the firm’s ability to mobilize its creative slack and to infuse ideas throughout its lifecycle. For an idea to contribute to the firm’s growth, it must create value. However, demonstrating the value of an idea is not always easy. To capitalize on their initial idea, promoters can take advantage of the firm’s creative slack (McKelvie and Wiklund, 2010). However, the realization of the intention may also require the mobilization of knowledge that does not yet exist within the firm. Promoters may access external resources as described in the open innovation framework (Chesbrough, 2006; Teece, 2020; Dahlander *et al.*, 2021).

Although this combination and recombination of knowledge may evolve over time as constraints and opportunities are revealed, it is triggered and framed by the initial intention. In this regard, the development of social ties and networks that extend beyond the boundaries of the firm is critical. Social interactions, guided by the intention of the promoters, serve as channels through which knowledge spillovers can occur between firms (Agarwal *et al.*, 2012). Therefore, the idea journey, whether successfully implemented or not, contributes to firm growth through the horizontal circulation and combination of knowledge. Thus, from a managerial perspective, firm growth depends on the firm’s ability to allow informal networks to evolve freely, while at the same time having the capacity to reconfigure its formal structure to implement ideas that have reached the end of their journey.

The case of new product development at the small appliance manufacturer Tefal, vividly described by Le Masson *et al.* (2006), provides a compelling illustration of the dynamic interplay between ideas and knowledge that has driven the company’s growth. Leveraging its core competencies in plastics processing and Teflon embossing techniques, the company initiated the development of several initial products, with a notable example being the waffle iron. The resounding success of the waffle iron served as a catalyst, opening the door to explore new ideas with a new vision: creating informal and convivial meals. The implementation of these innovative ideas, such as the party grill, required the acquisition of new skills in electronics, an area that had been relatively unexplored by the company. This exchange of ideas and the accumulation of knowledge became the driving force behind Tefal’s sustained expansion.

#### 4.3 Rethinking the boundaries of the firm

By emphasizing the central role of ideas in the firm, we can better understand why the boundaries of the organization must be seen as more malleable, fluid, open, and evolving than classical theories of the firm suggest. The logic used by transaction cost economics and the knowledge-based view to define boundaries is consistent with the idea-driven firm. Specifically, the arguments of the knowledge-based view would apply to the strategic core of the firm, while the transaction cost arguments would apply appropriately to peripheral support functions. Within our perspective, however, perhaps the most appropriate justification for the boundaries of the firm is the firm as a specific social community in which members are free to experience and recombine pieces of knowledge (Kogut and Zander, 1992).

In this view, the boundaries of the firm are defined by the set of ideas that members of the firm can generate. The consideration of ideas provides a micro-foundation to account for the dynamism in the delineation of boundaries (Santos and Eisenhardt, 2005). As ideas emerge and

develop, the boundaries of the firm adapt to gather the necessary resources along this developmental path. In addition, the ideas that are ultimately developed and retained by the firm differentiate the set of resources and activities that are to be retained internally from those that are to be outsourced (Brusoni and Prencipe, 2001; Siggelkow, 2002). Note that in the knowledge-based view, the firm is characterized by a strong path dependency, as its future depends in a deterministic way on the knowledge accumulated in the past.

The notion of an idea and the individual intention at its core introduce the possibility of bifurcation and new directions, as the individual intention to create something new supersedes the presence or absence of available resources. Because there is an internal common language, a set of shared experiences, culture and norms, and easy access to cognitive resources, idea promoters will naturally look first to their own firm for knowledge to cognitively equip their idea (Kogut and Zander, 1992). In particular, they must combine the idea with existing productive capabilities and/or introduce new ones in the case of creative destruction. However, when ideas are clearly outside the current activities of the firm, idea promoters may seek complementary knowledge outside the legal boundaries of the firm (Chesbrough, 2003). Since ideas do not have a formal existence at this stage, the preferred channel for accessing complementary knowledge would be the informal ties that cross the formal boundaries of the firm. Moreover, since the required knowledge may not be present in the firm's established knowledge ecosystem, promoters may need to develop new relationships (Berends *et al.*, 2011). Again, the individual's intention to develop the idea is a driver that favors the development of relationships outside the formal boundaries of the firm. It is a major constituent of dynamic capabilities of firms.

In the landing phase, firms can use their internal fungible resources to develop new ideas (Nason and Wiklund, 2018). However, as with knowledge, it may be necessary for managers to seek complementary resources outside the legal boundaries of the firm in the business ecosystem (Adner, 2017; Jacobides *et al.*, 2018). The implementation of ideas may involve participation in partnerships, alliances, joint ventures, and the like (Berends *et al.*, 2011; Clarysse *et al.*, 2014). Ideas developed within a firm may also be sold, delegated, or even donated externally (West and Bogers, 2014). As highlighted by Chesbrough and Bogers (2014: 27), open innovation is “a distributed innovation process based on purposefully managed knowledge flows across organizational boundaries, using financial and non-financial mechanisms in line with each organization's business model.”

This openness can lead to the emergence of ideas whose value does not derive directly from the firm's scope of action, but rather from a combination of external and internal factors whose convergence is beneficial to the firm. From this perspective, ideas provide a micro-foundation to account for the dynamics of boundary delineation (Santos and Eisenhardt, 2005), both through incoming and outgoing processes and through the configurations and reconfigurations of networks that they entail.

Procter & Gamble's (P&G) Connect+Develop initiative is a compelling illustration of these principles. By actively seeking out and incorporating promising ideas from suppliers, inventors, scientists, and entrepreneurs around the world, P&G's initiative emphasizes the importance of accessing external ideas to enhance internal capabilities across its various brands. This strategic initiative has not only facilitated more efficient product development but has also enabled the company to explore alternatives that its internal engineers and scientists had not initially considered. From another perspective, at Ubisoft Montréal, one of the main sources of ideas for conceiving new video games comes from the community of game designers who prefer to propose their ideas internally rather than create their own start-up or go to the competition (Cohendet and Simon, 2007). Members of this community are sources of specialized creative ideas, and they have experienced trustful cooperative frameworks with the company hierarchy that lead them to develop their ideas within the company.

Again, the notion of idea introduces an intention that can force the development and reconfiguration of relationships within the firm's business ecosystem. New ideas can push actors toward the development of more exploratory relationships and network ambidexterity (Lavie and Rosenkopf, 2006). Ideas, and the dynamics of their journey, invite us to consider the notion of the boundary as less clear-cut and more dynamic than traditional accounts. What matters most

are the dynamics of formal and informal relationships, driven by individuals' intentions and the value they can create (Alvarez *et al.*, 2020).

#### 4.4 Rethinking the internal organization of the firm and coordination mechanisms

Viewing the dynamics of ideas as the backbone of the firm implies that the flow of ideas within the firm can continuously circulate and evolve between the formal hierarchical structure of the firm and the informal structure of communities (Cohendet and Llerena, 2003). The continuous interactions between formal hierarchical teams and informal communities nurture and enhance the formation of an idea repository within the firm, thereby creating the core of the firm's creative capacity and the essence of its competitive advantage.

One of the main consequences of viewing ideation as a process rather than a static form of knowledge is to radically challenge the classical sequential principle of the "stage-gate" (Cooper, 2008) on which the traditional representation of the innovation process is based. In a classical stage-gate model, the first stage, the preconception phase, is dedicated to the process of idea generation. At the end of this phase, the ideas generated are put into competition: the "best" idea is selected, and the others that are not selected are definitively discarded and forgotten. Then, through a series of stages and gates, an irreversible process of reducing the number of options available begins: the innovation process follows different phases (design, prototyping, demonstration, production, etc.).

Although the stage-gate approach has proven to be efficient in terms of cost control and meeting deadlines, it has serious drawbacks in terms of creativity: it tends to view the idea-generation process and the project management process as sequential, concentrating thematic creativity in the early stages of the process and discouraging significant creativity in the later stages. For these reasons, we agree with Snyder and Duarte (2008) who view the processes of idea generation and innovation not as sequential processes, but as parallel processes that constantly feed off each other. Exploitation and exploration tend to unfold in an organically complex and complementary way, enriched by the continuous interactions between ideation and innovation processes. Ideation processes ensure the sustainable creativity of the firm, while innovation processes, supported by the firm's formal structures, aim at reliability and efficiency. The generation of new ideas requires a transition from the formal to the informal, while the landing of ideas in projects requires a transition from the informal to the formal.

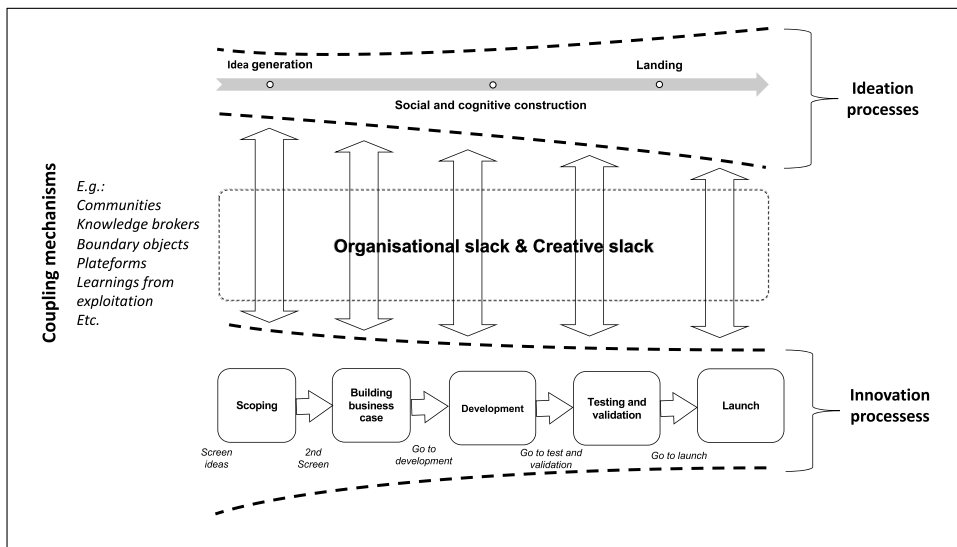
The main consequence at the organizational level is the coexistence and co-evolution of at least two types of processes: the idea process and the structured and routinized innovation and production process.

Such a perspective highlights the central role of knowledge management, which is responsible for implementing various transversal socio-cognitive practices and processes to transform the dynamics of idea generation into innovative projects and to reciprocally feed the idea generation processes with learning experiences in the innovation processes. Figure 1, adapted from the case of Ubisoft Montréal detailed by Cohendet and Simon (2015: 10), illustrates these dynamics and highlights some of the main coupling mechanisms (platforms, communities, boundary objects, knowledge brokers, etc.) that facilitate the interaction between the company's idea generation and innovation and production processes and participate in fostering creative and organizational slack.

#### 4.5 Rethinking incentive mechanisms: from extrinsic incentives to motivation

With regard to incentive mechanisms, we can recall that traditional theories of the firm give priority to extrinsic incentive mechanisms (mostly financial) that reward individual effort with the aim of aligning the behavior of firm members with the vision of the firm's hierarchy, while knowledge-based approaches emphasize more intrinsic incentive mechanisms, such as reputation, to encourage firm members to actively participate in building and consolidating the firm's knowledge base.

An idea-driven perspective to the knowledge-based theory of the firm suggests a different approach to incentive mechanisms: incentives can be targeted at collective effort (rewarding the



**Figure 1.** Coupling and decoupling ideation and innovation processes (adapted from Cohendet and Simon (2015)).

group that develops a potentially useful idea) rather than individual effort. For example, incentive mechanisms could reward adoption of the idea by the firm's hierarchy, as support for the idea by the firm's collective increases. Similarly, management can encourage members of the firm to express their ideas, which can then be rewarded by management, for example through a competition system. More generally, it is important for management to create an environment in which ideas can be shared and discussed, which presupposes that creativity is encouraged and that there is a favorable context in the organization.

The idea of the firm as a bundle of interacting communities is consistent with the vision of Kogut and Zander (1992), who see the firm as a social community that relies on voluntary, cooperative exchanges and informal communication as sources of collective beliefs and corporate culture. The incentive system at work in communities is also collective in nature. Communities are sustained and activated by norms, unwritten rules, and shared beliefs and values. Moreover, as practices, knowledge, and norms are shared within a community, a collective identity emerges. Promoters of new ideas will therefore seek to align themselves with the goals, norms, and identity of their community. The goal is to meet the needs, desires, and goals of the stakeholders involved, and the effectiveness of the idea management system is directly related to its ability to create value for each stakeholder. It would be the main incentive to ensure the creativity of the company.

In addition to putting in place mechanisms to support ideas in their journey, the management of ideas at the Research Institute of Hydro-Québec (IREQ) was based on a value proposition that met the specific aspirations of the different profiles of community members, namely the researcher, the ideator, the entrepreneur, and the innovator (Naggar, 2015). IREQ's vitality in proposing relevant ideas allowed everyone to meaningfully fulfill their mission and passion and thus gain significant recognition for their work.

As Alvarez *et al.*, (2020: 713) emphasize, "firms help people create a sense of identity (Alveson and Robertson, 2006), they continue to help provide people with purpose and direction, and they are a rich source of social contact and exchange." An idea-driven perspective of the firm, beyond classical financial or reputational incentives, provides a rich context for developing intrinsic incentives related to the firm's social role. Members of the firm may be particularly willing to commit to aligning their efforts with the hierarchy's vision if they feel that the firm's missions take into account values or dimensions with which they identify, such as environmental constraints, inclusion, poverty, and other sustainable development goals. Through a dialogue between the intentions of individuals and the mission, which initially frames the desirable or undesirable



intentions of the organization, organizational actors can also feel that they can participate in or even direct collective action and be involved in the development of the organization.

#### 4.6 Rethinking the role of the entrepreneur

By replacing the ideas at the heart of the theory of the firm, we can better understand the place of creative processes, entrepreneurial logics, and dynamics within organizations. Although the entrepreneurship literature has long discussed the fact that the opportunities seized by entrepreneurs and firms preexist or have to be actively created through a process of social construction (Ramoglou and Tsang, 2016), what matters is not only the opportunity discovered and/or created but the way in which specific actors manage to implement an idea capable of responding to it and navigating an increasingly unpredictable environment (Alvarez and Barney, 2020). This is where the idea journeys come in, providing a better explanation of the phenomena of discovery, gradual development in the face of uncertainty, and attempts to involve an increasing number of stakeholders in order to build, validate, and legitimize the value of the idea.

In an idea-driven company, entrepreneurial dynamism is pervasive and not the sole responsibility of top management (Rampa and Agogu , 2021). Because ideas can be generated anywhere in an organization, virtually anyone can become an idea initiator, promoter, or ardent supporter. Whether ideas are initiated on the basis of a strategic plan, deployed by specific organizational forms such as an R&D center (Alexy *et al.*, 2012), or implemented without formal organizational support by a handful of individuals (Criscuolo *et al.*, 2014), they will need to find supporters, allies who will have to navigate to gradually bring these solutions to fruition in the manner of true entrepreneurs. History is full of examples of this. Among the best known are the development of Gmail, Salomon's mini-ski, the famous example of the Post-it note at 3M, or even the first lightweight laptop at Toshiba, all of which have in common the fact that they were "underground projects" developed by a small group of individuals under entrepreneurial logic within large established companies.

But unlike a new firm, which has to start from scratch and put in place all the socio-material support needed to make the idea a reality, the bearers of an idea within a firm are both empowered and constrained by the set of skills, contracts, and commitments that surround the firm (Parker, 2011) and have to overcome political and organizational barriers to develop their projects. The knowledge mobilized around the idea, as well as the network of supporters, will evolve in line with changes in intentions, but will also challenge the original intention and confront it with reality and possible changes in the business context. This double dynamic of interactions between intention, knowledge, and the network of supporters, which is at the heart of the entrepreneurial process, also allows us to better understand how novelty and innovation emerge in firms in the presence of uncertainty.

Finally, entrepreneurial logics can also be applied in the context of incremental implementation of ideas within firms, although they are not necessarily used by all organizations. For example, the effectual logic described by Sarasvathy (2001) shows how resources can shape people's decision-making processes by allowing them to test different alternatives and possible implementation strategies. In projects formalized by the firm, as well as in bootlegging processes (Criscuolo *et al.*, 2014), such a mode of operation facilitates the deployment of innovation.

Similarly, individuals can transform and act on the resources at their disposal in a bricolage logic, making do with what they have in order to realize their ideas more effectively (Baker and Nelson, 2005). Finally, in response to insights and learning gained over the course of the idea's development, idea bearers may also mobilize a "pivot logic" to improve the viability of their project and redirect the original intention based on different types of feedback (Grimes, 2018). The extent to which these logics are used may partly explain why some firms are better than others at bringing novel ideas to market quickly (Berends *et al.*, 2014). Table 1 summarizes the main findings from the above developments.

**Table 1.** Alternative approaches to the theories of the firm

	Traditional theories		Knowledge-based approach	
	Firm as a processor of information	Current perspectives	Idea-driven perspective	
<i>Raison d'être</i> of the firm	Transaction costs	Firm as a processor of knowledge (accumulation of capabilities and routines)	Firm as a processor of knowledge and ideas	
Growth of the firm	Business opportunities (externalities)	Organizational slack (internal)	Organizational and creative slacks (internal and external)	
Boundaries of the firm	Closed boundaries	Mostly closed, but open to long-term partners	Mostly open to nurture and benefit from ideas stemming from diverse ecosystems	
Internal organization: coordination mechanisms	Division of labor within hierarchical structures	Division of knowledge (ambidexterity, dual firm, etc.)	Coordinating ideation processes	
Internal organization: incentive mechanisms	Extrinsic mechanisms (to align self-interest individual action with the firm's goals)	Essentially extrinsic; partially intrinsic (in the core knowledge)	Essentially intrinsic: reputation, alignment with the company's mission and values	
Role of the entrepreneur	Schumpeterian entrepreneur	Opportunities discovery; knowledge brokers	Entrepreneurial dynamics and logics at the core of idea journeys	

## 5. Discussion

### 5.1 Extending the theory of the firm

In our view, an idea-driven perspective to the knowledge-based theory of the firm, as presented in this paper, aims to contribute to the academic literature in many ways: as we have seen, such an approach offers a new conceptual framework for innovative behavior of firms that can complement the existing conceptualization of firm strategy. In particular, we see these proposals as a means to better balance the allocation of roles between individuals and the organization (Felin and Hesterly, 2007). While recent developments in theories of the knowledge-based view have been at the organizational level (notably the dynamic capabilities approach; Teece, 2007, 2019), some voices have called for better recognition of the individual level (Felin and Foss, 2004). The propositions made here respond to this call by emphasizing the key role of individuals in the idea journey. The generation of ideas, but also their social and cognitive endowment, depends critically on people retaining their autonomy, their potential for initiative, and their ability to bend their social neighborhood. We do not claim that the collective dimension is unimportant, and indeed the importance of informal communities and formal procedures is fully recognized in the above account, but we see individuals as retaining their capacity to act upon their environment. This idea has long been recognized but not fully developed. Nonaka and Takeuchi (1995), for example, see the initiative of the knowledge-creating spiral in individuals, but they have not developed this aspect much (Spender, 1996). Or, from another theoretical perspective, taking into account ideas as we have defined them here could provide a more social and embodied account of the mutations in the routines of the evolutionary firm.

The idea-driven perspective outlined here can also be an answer to one of the main drawbacks of the knowledge-based view of the firm identified by its critics, namely the mechanistic and top-down nature of the dynamics and evolution of the firm. The idea-driven firm, in contrast, offers a vision of the firm as much more decentralized and polycentric because of the processual nature of ideas and the fact that anyone in the organization can be at the origin of an idea journey. The idea-driven perspective of the firm thus invites us to adopt a more organic view of the knowledge-based firm. In particular, we think that some fruitful links could be established with the view of the firm as a complex adaptive system. In this framework, the evolution of the firm results, at least in part, from the emergent interactions that take place between individuals (Uhl-Bien and Marion, 2009). These local interactions can sometimes lead to larger-scale transformations, which, in the terminology of this article, would correspond to the development of a successful idea. In this view, one way to empirically study the interplay between dynamic capabilities and the idea journey is to view the firm as a dynamic multiplex network, that is, a network in which nodes are connected to each other through many different types of relationships in evolution (Brennecke and Rank, 2016).

Lastly, the idea-based arguments developed here have implications for our understanding of the boundaries of the firm. In the dominant knowledge-based view of the firm, firms are organized around a stock of knowledge delineated by boundaries. Because the stock is relatively static and stable over time, so are the boundaries of the firm (Santos and Eisenhardt, 2005). The boundary of the firm is mostly seen as a by-product of the constitution of the firm's knowledge repository. With the notion of idea as defined here, agents extend and/or open the boundaries of the firm to incorporate the knowledge and social relationships necessary to the development of their ideas, seen as processes of generation, development, and landing. Boundaries should be considered as more strategic objects that can be manipulated by agents as they develop their ideas (Santos and Eisenhardt, 2005). Ideas are the engine of the growth of the firm. Taking into account this malleability of boundaries, it is not necessary to outsource the idea to see it develop. Indeed, as illustrated by the example of Ubisoft, rather than starting a start-up or a spin-off, agents can develop their ideas within their firms, modifying their boundaries in the process.

### 5.2 Rethinking the social role of firms

We believe that this approach also opens up such new perspectives for understanding the dynamics of firms, in particular by revisiting the notion of organizational mission (Levillain and Segrestin, 2019; Grimes *et al.*, 2020). Indeed, if it is no longer a firm's competencies and

capabilities that make it truly unique and distinctive, then the idea-driven perspective of the firm invites us to revisit the notion of an “organizational mission” for its ability to guide the intentions of its members internally and shape its identity and image externally. As [Grimes \*et al.\* \(2019\)](#): 819) note, “An organization’s mission serves as a socio-cognitive bridge between its identity and its actions by specifying why the organization should exist and how it should act (i.e., its purpose), thereby focusing members’ attention and intentions in such a way that actions flow from the identity.” An organization’s mission can thus serve as a cohesive and coordinating vehicle over time, guiding the intentions of actions that are encouraged to be developed within the organization and that are perceived as legitimate by the organization’s stakeholders.

It is worth noting that an organization’s mission consists of both explicit elements, often articulated through published “mission statements” ([Blair-Loy \*et al.\*, 2011](#)), and implicit elements based on consistent patterns of observable actions and communications ([Grimes \*et al.\*, 2019](#)), which gradually shape, through inference, what is perceived by the organization’s stakeholders and audiences as central and distinctive to the organization. An organization’s mission thus tends to be rather stable, as it refers to the implicit or explicit commitments a firm makes that bind its image and the credibility of its actions over time ([Grimes \*et al.\*, 2020](#)). However, it can evolve through a constant dialogue with the intentions of the actions that the company’s stakeholders wish to deploy. In the face of changing contexts, new expectations, and technological innovations, ideas that go beyond the scope of the initial mission can transform the organization’s mission thanks to a dialogue between the formal and the informal ([Levillain and Segrestin, 2019](#)). This perspective opens up promising avenues for research into new ways of designing missions that are more flexible and generative, while still being compelling, or promoting new ways of codesigning this mission with a wider range of stakeholders (employees, suppliers, customers, partners, beneficiaries, etc.),

## 6. Conclusion

To rebuild the foundations of a theory of the firm that is better adapted to the challenges of the 21st century ([Alvarez \*et al.\*, 2020](#)), our article proposes to rethink the firm as including ideas as processes rather than only as a repository of knowledge. As we have seen in the previous sections, the difference in nature between ideas and knowledge paves the way for a more dynamic, evolving, and actor-inclusive vision of the firm. This renewed approach to the firm as idea-driven has enabled us to begin to lay the main foundations for explaining the growth, limits, incentives, and coordination mechanisms of firms and to better articulate the link between entrepreneurial logics and the dynamics of creation within organizations.

Our view is that the conceptualization of an idea-driven perspective of the firm offers some important theoretical advantages for better explaining, predicting, and guiding the structure and behavior of organizations in today’s economy. In particular, such a perspective opens up many avenues of research, such as: “How do internal and external configurations of actors evolve around specific intentions in an ecosystem perspective? How can organizations develop and formulate more generative missions to reconcile the generation, development, and rapid implementation of new ideas? How do actors maneuver to reconfigure the organization’s capabilities and network as they develop and implement new ideas? What practices, artifacts, and mechanisms are best suited to stimulate, sustain, and leverage parallel ideation and innovation processes? How do stakeholders interact to shape, co-construct, and negotiate the core value aspects of an idea?” All of these questions and many more are important if we are to better understand the central driving force—ideas—for today’s organizations.

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