

# Influence of organizational characteristics and National culture on idea generation between large companies and small-medium enterprises

Seyedeh Khadijeh Taghizadeh, Syed Abidur Rahman, and Noor Hazlina Ahmad

School of Management,  
Universiti Sains Malaysia,  
Pulau Penang, Malaysia.  
{taghizadeh.nastaran, [syedabid728@gmail.com](mailto:syedabid728@gmail.com)}

**Abstract**— LCs and SMEs are the major elements in business. Earlier studies mostly focused on the interaction between LCs and SMEs for the purpose of supply chain management. Nevertheless, the process of creating linkage between Large Companies (LCs) and Small-medium enterprises (SMEs) particularly for idea generation have been unobserved so far in the concerned research fields. In today's competitive business world LCs and SMEs need to be dependent upon each other with some necessary characteristics. Besides, previous research claims that national culture has a significant role in the business and the market. Therefore the objective of the paper is to discuss the influence of organizational characteristics and national culture between LCs and SMEs for the purpose of sourcing new ideas from each other. To conceptualize, an extensive literature review has been carried out. The paper highlights the significance of organizational characteristics and national culture on the idea generation process and thereby proposes a conceptual framework.

**Keywords**- *Idea generation; Interaction; LCs; SMEs; Organizational characteristics; Individualism-collectivism.*

## I. INTRODUCTION

Organizations around the world have observed the escalation of interconnection among each other irrespective of any manner, any situation, or any entities for the business growth. The expansion of connectivity has also waved in the process of idea generation for innovation. Since, innovation is considered as a source of economic growth and also a vital instrument to be competitive in the market. Innovation is the invention of new or the improvement of an existing process or product, which in both cases helps the growth of the business [32]. In the context of innovation in the organizations, it is quite unrealistic to think that they can generate ideas in isolation [5]. In this practice, organizations go beyond their own imaginations to develop self-capacity to get along with current trends. This self-capacity for generating ideas not only can be developed from university, government or industry as a whole, it can also be generated from Small and Medium Enterprises (SMEs).

Hence, it is important to understand the synergy between large companies (LCs) and small and medium enterprises (SMEs) for generating new ideas through the interaction. As noted by scholars, SMEs could be one of the major sources for LCs in getting new ideas through tapping on their local knowledge [12]. It is convincible that if SMEs get ideas from LCs, SMEs can capitalize the LCs' expertise, knowledge, experience, technical competencies or other benefits. In fact, LCs can also source ideas from the SMEs because SMEs are engaged with more in deeper market with localized product, service and experience. Therefore LCs can exploit this opportunity from the SMEs. In addition, it has been highlighted that usually LCs main sources of knowledge sharing for innovation are research & development (R&D) department, clients, competitors, universities, suppliers, consultants, conferences, industrial fairs and exhibitions with cross-industry and cross country variations [3, 27]. Hence, it is important to know whether organizational characteristics play any role in their interaction. Putting this into context, it has been argued that organizational characteristics are influenced by the national culture wherein the organizations are [31]. Individualism-collectivism as a dimension of national culture play an important role to shape up the societal elements including business and market [1]. It is believed that individualistic or collectivist dimension of national culture influence the operation of business organizations such as LCs and SMEs [1].

Against this backdrop, the objective of the paper is firstly to identify the interaction between LCs and SMEs for sourcing new ideas with specific characteristics. Then, it proposes that individualism-collectivism characteristics will play a role in their interaction while generating innovative ideas. It is important to note that a study on the idea generation process between LCs and SMEs with the effect of national culture have been neglected so far.

## II. INTERACTION BETWEEN LCS AND SMES

LCs do interact with the SMEs as part of the supply chain through subcontracting, licensing, joint-venture, and consortium to make the supply chain more effective [16]. However, regarding idea generation, there is a greater need to understand the interaction between LCs and SMEs based on the organizational characteristics and the influence of national culture. The interaction model can be illustrated from the figure below, named as 'TBI' (Fig 1).

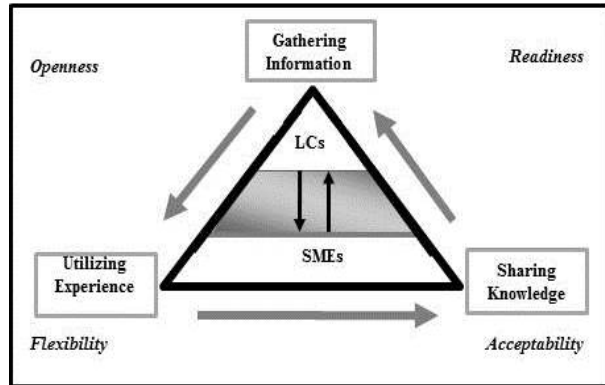


Figure 1: TBI (Top-down-Bottom-up Interaction)

In the interaction from Top-down-Bottom-up approach, sharing knowledge, gathering information and utilizing experience will happen. However organizational characteristics such as: flexibility, openness, acceptability, and readiness to play important roles in this interaction by consideration of individualism and collectivism dimension of national culture.

## III. IDEA GENERATION

Idea generation as the initial stage of Innovation Value Chain which illustrates how to get new innovation ideas for product development [12]. However, idea generation or collaborative process of knowledge sourcing for the creation of innovation can happen inside a unit, cross-unit, or external sourcing [26]. In food industry, consumers as external sources are well-centered in the idea generation process of a German coffee and the consumer goods corporation, Tchibo. The company has set the internet platform for the consumers who can share their ideas regarding the products. This is considered a candid attempt by the company to get ideas from the consumers [23].

SMEs increasingly need to depend on sources for knowledge sharing which can be divided into mainly internal and external sources [2]. Internally, a firm acquires knowledge through in-house R&D activities, employee skills, and learning from continuous improvements. Externally, local, national, and international platforms are the imperative

sources of knowledge for the SMEs. Scholars have noted that in the Cambridge region, 76 percentage of small-medium firms possess close links with other firms which refers to the nature of inter-firm cooperation [30].

During the interaction by gathering information, sharing knowledge, and utilizing experience among the different parties, ideas are generated and eventually contribute to the innovation value chain [24]. The TBI pyramid (Fig. 1), shows that how the interaction between LCs and SMEs can happen to gather information, share knowledge, and utilize experiences. In fact, building interaction proved in several researches as a way to create innovation ideas [16, 18] through the interaction among customers, suppliers, competitors, universities, government [10, 12]. Researchers suggest that some LCs experience a shortage of generating good ideas due to lack of interaction [12]. From the LCs' perspectives, interaction with SMEs can create the scope for adoption of specialized skills and knowledge to develop new products [28]. A study upholds that interaction can be beneficial to SMEs as it provides the possibility of accessing new knowledge, new markets, and the possibility to improve management skills result in getting a new and innovative idea [20]. Though the SMEs have some limitation of resources i.e. technology, skills, knowledge comparable to the LCs. Even though, many exemplary ideas were brought into light from the SMEs. The owners of the SMEs are considered as entrepreneurs and many great ideas have come from entrepreneurs, which later transferred them to position in a bigger platform. For instance, the great idea from a British engineer and entrepreneur Tim-Berners Lee, World Wide Web on which the internet now runs, another entrepreneur Matt Wilson who pioneered Cloud based Communication, which has now been adopted by information and technology based companies. The bottom line is, ideas are generated from different sources and companies, but whether LCs or SMEs could capitalize the ideas through appropriate way of interaction is an important issue.

## IV. LCS AND SMES CHARACTERISTICS

To ensure interaction happens, it is believed that both LCs and SMEs need to have certain characteristics. Characteristics such as openness, readiness, flexibility, and acceptability will enable them to source ideas for new product development from each other. Idea generation mainly stems from organizational characteristics [9]. This is indeed an important notion where scholars started to find the characteristics of the organization for innovation, idea generation. Actually, idea generation requires organizational characteristics like flexibility and openness [15]. Flexibility denotes the ability to respond and adapt to change as well as inflict change on others. It manifests itself in divergent thinking [6]. Flexibility also brings about the adaptation of external ideas from any source. Previous study supported the prerequisite of flexibility among LCs and SMEs to have linkage for generating innovation ideas [7, 35]. In the context of new product development, there is a need for flexibility in process which

facilitates the fine-tuning in line with need and desires of companies [22].

Openness allows individual and organization to think and accept beyond any limitation. It enables individuals to search and generate new ideas [17, 25]. Moreover, openness has been suggested to be crucial for idea generation in SMEs [34] and also in LCs [17]. In a study, openness facilitates inter-organizational knowledge transfer and company performance [33]. Flexibility and openness have been discussed in different literatures as two important characteristics for both the LCs and SMEs to get linked to each other.

In addition to these two characteristics the paper also proposes that the acceptability and the readiness of LCs and SMEs are crucial for having interaction. Acceptability is the degree to which idea is socially, legally, or politically acceptable [4]. Therefore, it can be argued that in the context of business, acceptability can play a vital role in relation to ideas generation from different sources. Even with openness, flexibility, and acceptability organizations sometimes are not prepared for any changes. Readiness of the organization opens up the sharing of knowledge with others. Readiness refers to the organizational member's receptiveness to imminent change [14]. It is a behavioral preparedness for forthcoming change [29]. Considering the definitions and the possible implication of such behavioral distinctiveness, the authors believe that readiness could be embraced by both LCs and SMEs in order to have linkage with each other. Therefore altogether it is expected that the characteristics of LCs and SMEs will make the interaction process easier and open up the scope of idea generation.

## V. INDIVIDUALISM AND COLLECTIVISM

Scholars outlined top-down process which states that global environment influences the national culture, which further affects the organizations and different groups of a particular nation [8]. National culture plays a focal role in shaping identity and social referents. Daily activities, patterns, and practices of the elements (e.g. Organizations) of a country portrays the concerning culture [1]. Individualism and collectivism as a national cultural dimension ought to shape up the societal elements including business and market. It is believed that individualistic or collectivist dimension of national culture influence the operation of business organizations such as LCs and SMEs.

Literature defines individualism and collectivism as the relation between an individual and his/her fellow [13]. Societies, where ties between individuals found unattached, are considered as influenced by the concept of individualism. This kind of thought influence to look after the individual's own interest and at the best interest of immediate kin. On the other hand, ties that are found to be very strong among family, extended family, neighbors, tribes, and groups are considered as outcome of collectivism. Everybody looks after each other interest with common opinion and beliefs [13]. Both the

individualist and the collectivist society are integrated as a whole, but the individualistic society is loosely integrated, compare to the firmly integrated of collectivist society [13].

Individualism and collectivism reflect the collective meaning system that symbolizes a culture [8]. Scholars conceptualize individualism and collectivism of culture as overtly bondage to values that are shared by individuals and groups within a society [21]. Individualism and collectivism are considered as a cultural characteristic of societies [21]. It is important to note that culture is not static; rather it is dynamic as it may change by coming into contact with another culture. According to the scholars, this dynamism occurs through international trade, migration, incursion [21] and recently through the widespread of media and information technology. It has been suggested that being in a collective society; an individual may behave individualistically if there is no group equilibrium and social harmony [36]. The structure of individualism and collectivism molds the organization of the society, which also impact the economic and market structure of a country.

A study describes individualistic culture as the inclination of people towards their own place or people ahead of the interest of any other stakeholders, while collectivist culture portrays strong, cohesive groups, and care for each other [1].

It has been noted that it is often more convenient to congregate maximum number of people for any kind of decision making or process in a highly collectivistic country [1]. On the other hand, people, organizations in the individualistic culture are less concerned with achieving highest benefit from a greater number of people.

Though some scholars argue that individualism culture foster the high rate of technological innovation. In a study, the authors found that high-level of cultural individualism correlates with national innovation rates [31]. Conversely, collectivist societies tend to inhibit communication upwards through the social hierarchy, over-centralize authority, and rely on rules and procedures. In addition, collectivist seemed to resist the radical social changes those often accompany innovation.

## VI. CONCLUSION

Previous literature has drawn a conclusion that LCs and SMEs interact with each other mainly for the purpose of supply chain. Given that the success of the innovation agenda depends upon the systemic integration between both spheres (as indicated in the triple helix paradigm), it is important to know whether LCs and SMEs interacts to source for ideas on innovation (both process and products).. Based on this premise, the paper proposes a conceptual framework that demonstrates how LCs and SMEs can interact effectively with each other for idea generation. Besides it is also important to understand the role of individualism and collectivism national culture in the process of idea generation. In the model (Fig. 2),

the paper tries to illustrate the possible situation for idea generation.

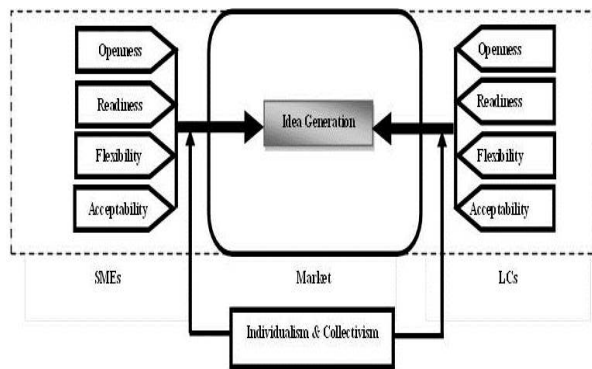


Figure 2: Proposed model for current study

Past studies state that the interaction of firms with external parties generate ideas which bring potentiality for innovation [10]. This interaction may happen in the market place among customers, suppliers, competitors, universities, or government [10, 12]. In the sourcing of knowledge and information, many firms are trying to have such an interaction that may generate new and innovative ideas [11, 19]. However, each of these sources has own limitations since the sources always scout for their own interest.

Interaction between LCs and SMEs will be the most appropriate way for gathering information, sharing knowledge and utilizing experience. In the case of LCs, though having the resources, perhaps due to lack of appropriate interaction they are not able to source ideas from surrounding localities where SMEs are present. Localized knowledge is very crucial for LCs sustainability in the long run. On the other hand, SMEs also faces impediments to source idea from LCs mainly due to the size of the business operation and also due to the lack of appropriate channel of interaction. Nevertheless, the literature demonstrates that there are other reasons which impede the interaction for idea generation between LCs and SMEs.

Clearly, it is purported that the overall process of the idea sourcing depends on the characteristics of both LCs and SMEs. The appropriate characteristics for idea generation are flexibility, openness, acceptability, and readiness. These characteristics believed to pave the way for creating linkage for interaction between these two types of organizations. Flexibility brings the ability to react and adapt to change, openness allows organization to think and accept beyond any restraint, acceptability enables the firms to accept ideas, and readiness facilitates organizations to be receptive to necessary change. Combining all these characteristics both LCs and SMEs would be able to source ideas from each other. It has been well established fact that business organizations like LCs

and SMEs have strong influence from the culture of the particular country, which refers to the concept of national culture.

National culture is important to greater extent as it affects the business activities in a particular country. SMEs are related to an extent with innovation that improves the social and national resources [31]. Researchers argue that depending on the culture of individualism and collectivism, SMEs and large companies carry out research & development activities, share knowledge, develop product, create linkage in context of business operation [31]. Individualism and collectivism shape up the nature, mode, and process of businesses among LCs and SMEs. It is convincible that if both the LCs and SMEs possess the characteristics of openness, readiness, flexibility, and acceptability, can generate new ideas from each other based on the extent of influence by the dimension of individualism and collectivism national culture.

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