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The Emergence of Innovation Capability During Firms' Early Stage: Cases from Indonesian Creative Social Enterprise

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ABSTRACT

The article is based on a literature review and empirical analysis of three creative social enterprises that have managed to build their innovation capability and have received numerous international awards for their sustainable impacts. The purpose of this article is to investigate how the "innovation capability perspective" of strategic management theory can be combined with "social innovation theory." By combining both perspectives, we propose a new way to understand and explain the emergence of innovation capability during the early stages of creative social enterprises, which neither "innovation capability" nor "social innovation perspective" can do on their own. The research used a qualitative exploratory study design with multiple case studies. In-depth interviews and literature studies were the data collection methods used in the study. Based on the reccurance patterns in the literature review, we propose creativity, leadership, strategy, knowledge management, and collaboration as determinant factors of innovation capability that are deeply needed for CSEs in their early stage. Through the results of in-depth interviews with 6 top management leaders in the creative social enterprises, it was possible to gain more descriptions that enriched the five determinant factors. We conclude that CSEs' innovation capability can emerge during the early stage if they have the motivation to be creative despite resources limitation, the presence of facilitating leaders supported by local champions, the alignment of business, technology, and social innovation strategy, the use of locality as a strategic asset in knowledge management, and the alignment of goals and expectations for fruitful collaboration. The study contributes to a better understanding of how innovation capability emerges during the early stages of creative social enterprises by combining both strategic management and social innovation theory.

1. INTRODUCTION

In this paper the emergence of innovation capability during the early stages of creative social enterprise is discussed. Innovation capability (IC) is defined as, "the ability to continuously transform knowledge and ideas into new products, processes and systems for the benefit of the firm and its stakeholders [1]. Scholars in the field of innovation have empirically demonstrated that, regardless of firm size or age, innovation capability is a critical component for companies to have, if they want to survive in the long run [2, 3]. Excellent businesses invest in and nurture innovation capability, from which they perform excellent innovation processes, resulting in new product, service, and process innovations that bring superior business performance results. Thus, building innovation capability is an intriguing topic to investigate.

Building innovation capability is influenced by many internal factors like organizational size, vision and strategy, organizational structure, type of organization, resources availability, culture and climate, communication, social structure, people and human resources management, management and leadership, knowledge, teams, incentives and rewards, management of technology, market knowledge; and also several external factors like government regulation, environmental regulation, market, industry, market, competitor and partnership [1, 4, 5]. Therefore, innovation capability is considered a complex idea because it can be affected by internal and external factors.

One of the firms that have successfully built their innovation capability is creative social enterprises because they rely on their innovation capability to deliver their sustainable mission [6]. Creative social enterprises require innovative solutions or approaches because the societal problem would not exist if mainstream approaches could had been used to address it [7].

Creative Social Enterprises (CSEs) are defined as "a type of social enterprise that operates in creative sectors and utilises creative skills towards achieving social or environmental impact in a financially viable manner" [6]. In other words, CSEs are creative enterprises with a social enterprise business model that engages in creative activities or uses creative skills to solve social and environmental problems.

CSEs' ability to bring environmentally and socially responsible sustainable solutions comes because they place greater significance on idea generation, creativity and invest more in internal R & D than traditional social enterprises [6]. The data in

the British Council's study also shows that more innovative CSEs are expanding faster in terms of the number of employees. Regarding to type of innovation created by CSEs, research shows that the majority of CSEs in four countries develop new products and processes that help to achieve the SDGs. We've concluded that creative social businesses are seen as successes in all four countries.

According to existing research, CSEs are more innovative than other social enterprises because they invest in internal R&D to develop new products and processes that contribute to the sustainable development goals [6]. The current studies of innovation management have focused on general context [1-3, 8, 9]. However, creative social enterprises may have different sustainable characteristics that set them apart from traditional businesses. Furthermore, the current studies of creative social enterprises [10-15] haven't fully explained how CSEs have become so innovative; how do they build their innovation capability; What enables them to keep bringing new ideas? Ways of doing things must be born before they can persist. To examine how innovation capability is emerged, we examine the emergence of creative social enterprises' innovation capability during CSEs' early stage. The current article addresses fundamental questions concerning the nature of innovation and its generation in new businesses through strategic management theory with the capability approach of social innovation. Both theories are rarely discussed together. Hence, our study aims to provide some insights and new knowledge on how CSEs build their innovation capability by answering the research question:

(1) What are the factors that enable creative social enterprises to gain knowledge and ideas to create social innovation in their early stages?

(2) What are the factors that enable creative social enterprises to continuously transform knowledge and ideas into social innovation?

The study is structured as follows. Introduction section discusses the research background and the gap the study addressed with the research question. Literature review section provides an overview, a summary, and an analysis ("critique") of the current state of knowledge on the emergence of capability from the perspective of innovation capability and social innovation literature. We contend that the literature on innovation capability provides insight into how innovation capability is typically formed and what factors influence it. Social innovation literature provides the characteristics of innovation in a social context. Then, followed by a deeper dive into the emergence of innovation capability in the creative social enterprise context. Method section presents the research method and the theoretical framework. The research is exploratory in nature because the research questions have not been completely investigated previously. Result section contains an analysis of empirical data. Discussion section debates the findings by comparing them with existing research. The study's findings are the innovation capability determinant factors during the early stage of creative social enterprises along with the descriptions. Section 5 concludes with conclusions, implications, limitations, and future research opportunities.

2. LITERATURE REVIEW

The paper combines the birth of capabilities perspective from strategic management theory with the capability approach of social innovation to explain the emergence of innovation capability during firms' early stages. The birth of capabilities may explain the resources and capabilities required for the conception of innovation capabilities, whereas the capability approach explains specific abilities that are required in social contexts.

2.1 Social innovation

There are different perceptions of social innovation (SI). This paper draws SI from Capability Approach (CA) lens that is defined as new ways of doing things, including the reorganizing of human capital, collective effort, collaboration, and group empowerment, in order to accomplish what people value the most in their lives [16].

Tiwari [16] draws her capability approach on SI from Capability Approach of Sen [17]. According to Sen [17], the capability approach is a people-centered approach to human development. Capability is about providing opportunities for people and creating an environment where they can enjoy what they value in life. The expected outcome of CA is achieved functioning a state in which people can do what they believe in and enjoy doing it at a given point in time. From Sen [17], CA point of view, Tiwari [16] asserts that SI in CA is an innovation that is made in resource-constrained communities; hence she emphasizes the importance of collective effort, collaboration, and group empowerment.

According to another author, SI is about creating new ways to address social needs. It takes allies between creative people with ideas and energy on the one hand and organizations with power and money on the other to make those changes a reality [18]. SI necessitates many allies and collaboration, so another key feature of SI is open social innovation, which is the process of using internal and external ideas to enhance an organization's innovative capability [19].

The nature of SI is also affected by its typologies. Nicholls and Murdock [20] identified three level of SI in which each level has different degrees of social change intensity. The first is incremental SI. Incremental innovation in goods and services, created to address social needs. The typical initiators for this type of SI are charities and not-for-profit commercial firms. The second is institutional SI. Innovation that changes the social and economic structure and generates new social value and results. An example of institutional SI is fair trade that aspires to change the current market structures to create new or additional value. The third is disruptive SI in which the goal is to bring system change. It envisages a change in power relations and the reframing of social hierarchies to benefit the minority group. It is usually initiated by social movements, political actors, groups, and communities.

2.2 Social Enterprise (SE) stage of growth

A firm's stage influences its innovation capability, and each stage has its own set of innovation capability determining factors. Consideration of a firm's stage is especially important for small businesses, because they tend to have fewer resources [21]. Japan Research institute studies about the social enterprise in South East and East Asian countries and defined the three stages of social enterprise as follows [22]:

(1) A start-up stage: at this stage, social entrepreneurs are setting up businesses by developing business ideas, business models, and product or service prototypes that might not be fully developed or tested.

(2) Early stage: at this stage, social entrepreneurs deliver their products or services to the market to evaluate the business model. If the business model is validated, then social enterprise can start operating in a small scale based on the available resources. There are two critical factors in this stage. First is financial support that SE usually gains from grants, public subsidies, and winning prizes from business competitions. The second is knowledge management. SE's ability to gain and diffuse knowledge within SE to improve productivity, product quality, and knowledge from market feedback. At the end of this stage, if everything runs smoothly, social enterprise may reach a breakeven point.

(3) Growth stage: at this stage, social enterprise is scaling up. The indicators that SE has entered this stage are breakeven point has been achieved, increase in terms of sales, number of beneficiaries, and market share. The business model may be refined to sustain and/or expand, and new products and services are also developed.

2.3 Innovation capability of creative social enterprises (CSEs)

CSEs are creative enterprises with social enterprise business model. They have sustainable mission either to alleviate environmental problem and/or social problem. Scholars have defined a more specific IC for sustainable development: social innovation capability and eco innovation capability [16, 23-28]. Social innovation capability (SOCIC) defined by Cavazos-Arroyo [24] as "firms ability to transform social problem into a novel solution that is more effective, efficient and sustainable than existing solutions and for which the value created accrues primarily to society as whole rather than private individuals". Argatu [25] proposed three key components of social innovation capability are: "collaborative social networking, innovation proactivity and social innovation strategy". Tiwari [16] adds another perspective: SOCIC is about how organizations can create novelty with limited resources to address social problems. Resources include materials, humans, and technology. Because of these constraints, SOCIC usually is built based on the principle of collaboration with a wide range of stakeholders defined by other scholar as open social innovation [29].

On the environmental perspective there is eco-innovation capability (EIC). Ceptureanu et al. [23] defines EIC as a capability that focuses on encouraging organizations to make eco-innovation. Arranz et al. [30] describes EIC as the capacity to modify, redesign and create products, processes, procedures that reduce environmental impact. Ben Amara and Chen [26] states that EIC is the capability to convert knowledge into new green products, services and new business models that bring benefits to multiple stakeholders. EIC is a multidimensional construct that includes the right elements of ownership, application, and utilization of resources to reduce ecological impact while creating value and improving company performance. EIC examples are cost reduction, quality improvement, and radical innovation to create new products, resulting in more environmentally friendly processes, collaboration with environmentally concerned stakeholders. We summarize our findings on Table 1 about eco-innovation capability and social innovation capability as follows.

From the first part of literature review we conclude several characteristics about social innovation and creative social enterprises innovation capability. It is an innovation created in resource-constrained communities through collaborative effort, collaboration, and group empowerment [16]. The stage of social enterprise also has an impact on social innovation. The study focuses on the emergence of IC in the early stages of social enterprises, and according to Fumi and Akihisa [22], the factors that play a role in this stage are financial support and a good knowledge management system.

Table 1. Signs of creative social enterprises innovation capability

Innovation capability of CSEs	Signs of capability	Reference
Eco-innovation capability	Modify, redesign, and create products, processes, procedures that reduce environmental impact	[30]
	Responsible resources deployment	[27]
	Collaboration with environmentally concerned stakeholders.	[23]
Social Innovation capability	Create novel solution to society problems	[24]
	Collaborative social networking	[25]
	Group empowerment	[16]

We argue, based on existing literature on innovation capability, that creative social enterprise innovation capability is a high-order capability comprised of various and diverse sub capabilities, and that CSEs have two ICs: Social innovation capability and eco-innovation capability. CSEs have the ability to do social innovation to alleviate social problems as well as eco-innovation to produce environmentally friendly products. By having both innovation capabilities, CSEs are able to create value by finding overlap between customer benefits and sustainable development.

We conclude from the first stage of the literature review that innovation capability is concerned with how companies acquire knowledge and ideas and their ability to continuously transform them into innovation. Previous research has indicated that they require financial support and a good knowledge management system to do so at this early stage [22]. Furthermore, SI theory reveals that SI is an innovation created in resource-constrained communities [16]. As a result, in order to do SI, CSEs must be able to collaborate and initiate collective efforts to foster group empowerment, which will allow them to achieve what people value most in their lives. The research continues through the second stage of the literature review by gathering existing research on the determinants of innovation capability in small and/or sustainable firms. The result of the literature review will be discussed under five categories: creativity, leadership, strategy, knowledge management, and collaboration.

2.4 Creativity

In innovation literature, creativity is defined by Tang [31] as, "the personal ability to recognize unusual patterns, relations, and produce novel ideas or things". Regardless of firm size or type, creativitiy is a prerequisite for innovation. In addition, Saunila and Ukko [21] and Tang [31] elaborate on how to identify creative people in organization:

- Are curious, energetic, and persistent.
- Learn how to ask the proper question (investigative).
- Use a fresh perspective to solve problems.
- Have a high tolerance for ambiguity.
- Willing to take risks to pursue a new opportunity.

- Like to challenge established norms, practices, and beliefs.
- Principles are more important than facts.
- Understand the basic knowledge, tools and procedures of the relevant field.

The presence of creative individuals in the organization is important, but having them perform creative action is critical for innovation [32]. To ensure that creative people can carry out their tasks, the appropriate working culture should be in place. Creative people are intrinsically motivated to do their work and will contribute to the creation of a work environment that encourages innovation [21]. Building the right culture is essential because it fosters a creative working environment that encourages collaboration. It is necessary to make sure the sustainability of creativity in the small firms [10].

On small firms, creativity become so crucial because SI is an innovation that need to be made under resource constraints, hence one of social entrepreneur traits is bricoleur [20]. According to Levi-Strauss [33] the bricoleur, is someone who can put pre-existing things together in novel ways, and making do with whatever is available. The relationship between creativity and bricelour are interesting because they are interdependent. Blankenship [34] asserts that bricolage stimulates creative thinking by encouraging the discovery of new connections between seemingly unconnected objects. Furthermore, England [10], Carter and Carter [11] suggested that creativity are important values for creative social enterprises as it represents the entrepreneurs authenticity in solving the sustainability issues.

2.5 Leadership

It is stated by Helfat and Peteraf [35] that the birth of capability occurs when a group of people organize around an objective, and to make people center around the same objective requires good leadership. Saunila and Ukko [21] suggests that before SMEs aiming for innovation excellence, the leaders' ability to guide and direct employee need to be improved first. Iddris [32] suggets from his systematic review about determinant of IC that leadership is an organizational capability that can significantly contribute to innovation capability building by establishing a structure for coordinating employees, encouraging employees to work collaboratively, generating ideas without fear, and motivating the rest of the company.

Literatures have discussed several styles of leadership for social enterprise: ethical leadership, transformational leadership, empowering leadership, facilitating leadership and participatory leadership [29, 36, 37]. Ethical leadership is characterized by trustworthy leaders who serve as ethical role models and enforce clear standards for ethical behavior among followers while also living an ethical personal life. Ethical leaders also have the best interests of their employees in mind and listen to what they have to say. Transformational leaders inspire their followers with their vision and encourage them to question themselves and their ways of thinking, all while uniting them around a shared vision and core values. Empowering leadership involves components such as encouraging independent action, employee self-development, and mutually agreed-upon performance goals, and is critical to unlocking their followers' potential, engagement, and creativity. Facilitating leadership is distinguished by leaders who can act democratically and facilitating the team to look beyond their own interests and prioritize the needs of society. Participatory leadership is a style of governance distinguished by democratic decision-making based on the one-member/one-vote principle, rather than capital ownership or shareholders.

Aside from leadership style, another component that supports leadership in social enterprise is local champion because social innovation is about the ability to do group empowerment, and to do so it needs the support of the local champion. Tranggono et al. [38] emphasizes the importance of a local champion with a productive personality in terms of community development and empowerment. A local champion is someone with a strong sense of leadership and the ability to mobilize many people to start a community's change process.

2.6 Strategy

In strategic management theory, Porter [39] defined strategy as, "*the creation of a unique and valuable position that involves different set of activities*". Strategy is essential for building innovation capability because it directs SMEs' innovation activities and capability development [8]. Innovation strategy specifies how the company plans to use innovation as a mean to create and capture value [40].

It is suggested by Lawson and Samson [1] that organizations who wants to build its innovation capability should be able to connect its innovation strategies with core technology strategies, and business strategies. The alignment creates powerful mechanism for competitive advantage in the long run. In social enterprise context, there is social innovation strategy. Defined by Argatu [25] as a plan that defines clear and attainable objectives in social and environmental aspects along with its key performance indicators to track progress. The sustainability indicators are needed to enable social enterprises create balance between the three pillars of sustainability (people, profit, planet) throughout their innovation process.

2.7 Knowledge management

To emerge innovation capability requires the right combination of knowledge and skills. Knowledge management is defined by Iddris [32] as the ability to gathers, organizes, analyzes and disseminate knowledge within the organization. Iddris [32] highlights the importance of small businesses using information technology to create, share, store, and use knowledge; generating new knowledge from existing knowledge; acquiring knowledge from suppliers and the market; distributing knowledge within the organization; and exchanging knowledge with various actors. Cohen et al. [41] assert that the purpose of knowledge management is to ensure that the right and reliable information is delivered to the right place and to the right people at the right time to enable them to make informed decisions throughout the business process.

Knowledge management is essential for firms in early stage because they need to learn fast to support their innovation activities. Social enterprises in early-stage social enterprises also constantly seek new knowledge to solve the sustainability issues and to do that it needs a good knowledge system [42]. Furthermore, for knowledge management system to works, Keskin [43] states that it requires certain attitude from the top management such as open-mindedness, commitment, and a shared vision.

Table 2. Summary of Innovation capability determinant factors for CSE in the early stage

Innovation capability determinant factors for CSEs in the early stage	Signs of determinant factors	Description	Reference
Creativity	Motivated creative people	Creative people are motivated to recognize unusual patterns and relations and produce novel ideas or things.	[10, 11, 31, 33, 34]
	Collaborative working culture	Collaboration to sustain creativity	
	Bricoleur	The ability to create innovation with whatever is available	
Leadership	Structure for human resource management	People management to support and motivates innovation	[32]
	Leadership style	Ethical leadership, Transformational leadership, Empowering leadership, and Facilitating leadership	[29, 36]
	Local champion	Local leader with a productive personality in terms of community development and empowerment.	[38]
Strategy	Unique activities	Set of unique activities that bring firms to valuable position	[39]
	Social innovation strategy	Social and environmental goals with measurable KPIs	[25]
	Strategy alignment	Innovation strategies align with core technology strategies, and business strategies	[1]
Knowledge management	IT system for knowledge management	Using IT to create, share, store, and use knowledge.	[32]
	Knowledge gain	Acquiring knowledge from suppliers, market, local atmosphere, and culture	[44]
	Knowledge dissemination	Distributing knowledge within the organization	[42]
	Co-creation	Exchanging knowledge with various actors.	[29]
Collaboration	Social networking	effectively managing and empowering the networks	[25, 45]
	Breadth of collaborative networks	Different actors with whom CSEs collaborate	[46]
	Depth of collaboration	The benefit gained from collaboration.	

In addition for sustainable firms, knowledge also comes from co-creation [29]. It is defined as the collaborative process of creating and developing innovation while also empowering the community [47]. Sebayang et al. [44] further elaborates that co-creation, local atmosphere and culture could be used as a source of knowledge for sustainable firms. Local resources can strengthen their ability to innovate while remaining true to their local identity.

2.8 Collaboration

Developing an innovation capability necessitates both external and internal collaboration because it allows firms to gain knowledge and resources in a field that they lack internally [32]. Collaboration must occur frequently in order to facilitate the shifts in perspective and knowledge required for the growth of innovation capability. Mohannak [48] suggests in his research on innovation capability development in small biotech firms that require high R&D investment can reduce the costs by collaborating with universities and training institutions close to them. So, firms can conduct R&D on a regular basis through collaboration and networking. Collaboration and networking are frequently discussed together in the studies of innovation capability for sustainable firms. Because firms must be able to network in order to collaborate [25, 45]. It is further asserted by Del Río et al. [45] that collaborative networks with research institutes, technological centres, universities, and suppliers are required to stimulate all types of eco-innovation in SMEs.

Social innovation also requires collaborative social networking, because one of SI characteristics is open innovation [19]. To achieve collaboration, social enterprises must be capable of effectively managing and empowering the networks they have established with public and private community actors to achieve a win-win outcome for all parties involved, as well as utilizing the knowledge that has resulted from their collaboration [25]. Scranton [46] elaborates further that the breadth and depth of collaboration are critical for small firms in developing countries. The breadth represents the number of different actors with whom firms collaborate, and the depth represents the benefit of the collaboration. Table 2 summarizes the determinants factor for CSEs in the early stage based on the literature review.

3. METHOD

To discover the emergence of IC during the early stage of CSEs, the research adopts an exploratory qualitative approach employing literature review and multiple case studies on three CSEs. The research is exploratory because the research questions have not been thoroughly investigated previously. The research process is based on building theories from the case study recommended by Eisenhardt [49] (details are elaborated in Table 3).

The research began with a thorough literature review to discover the stages of CSEs, social innovation characteristics, and the innovation capability of creative social enterprises. The second stage of literature review is to conceptualized the determinants of innovation capability during the early stages of creative social enterprise formation. Based on a review of the literature, we develop the indicators of creative social enterprise innovation capability that are used to select cases and develop the IC determinant factors by taking into account early stage situations and social innovation characteristics.

After authors have a solid understanding of CSEs' innovation capability and the factors that influence it. We search for cases that have the signs of IC through news and competitions for social enterprises for 3 months. We found there are five CSEs and we narrowed it down only to three

because we discovered that three CSEs stand out, though they are in the early stages, they have received numerous national and international awards for their innovation, such as the MIT Global Challenge and the UNDP SEED award (see Table 4). The other two CSEs received fewer awards than the three CSEs. Also, based on the criteria in Table 1, the three CSEs show that they are capable of both eco-innovation and social innovation.

After finding the case, we craft our research protocol. Then we go to the field to gather the data from 6 top management leaders in the creative social enterprises. Two from each CSEs. The top management leaders are closely related to the innovation process within the CSEs. The next step is data analysis through cross-case analysis. Finally, the findings are discussed with the existing literature.

The research protocol centered on key themes the emergence of innovation capability during CSEs early stage and are divided into three sections:

General Questions:

1. Name of respondent
2. Positions
3. How many years have you worked in the creative social enterprises?
4. What is your involvement in the innovation process?
5. Tell me the background of your company, when and how is it founded?

Formation phase:

6. Can you describe to me your innovation process from input to output?

Operational phase

7. We explain innovation capability definition "the ability to continuously transform knowledge and ideas into new products, processes and systems for the benefit of the firm and its stakeholders [1]. We ask questions on each determinant factors and the signs to know if they have it or not and probe further for evidence (see Table 2).

Table 3. Research process

No.	Stages	Description
1	Getting Started	Defining research question from the phenomena Keywords: innovation capability, creative social enterprise, social innovation, social enterprise stage, eco-innovation capability, social innovation capability, innovation capability determinant factors in SMEs, innovation capability in sustainable firms.
2	Selecting Cases	Theoretical sampling, cases are selected based on their ability to answer the research questions using the criteria listed in Table 1.
3	Crafting research instruments	IC determinant factors during CSE's early stage: creativity, leadership, stategy, knowledge management and collaboration
4	Entering the field	Primary data collection from social entrepreneurs.
5	Analyzing Data	Cross-case pattern search to see recuring patterns.
6	Discussion	Comparing findings with existing literatures.

Table 4. The profiles of the creative social enterprises

Cases	Main Products	Signs of early Stages	Position Interviewees	Work Experience	Innovation capability validation	Signs of Eco-innovation Capability	Sign of social innovation capability
CSE 1	Biodegradable products 	Grants and competitions provided financial assistance.	Chief Innovation Officer (CSE 1.1) Chief Finance Officer (CSE 1.2)	9 years 9 years	Winner of Shell Live Wire World Innovation Awards 2016, Australia Awards Alumni Grant Scheme, DBS Foundation Social Enterprise Grant Award 2017 and 2018	Utilize mycelium fermentation to create biomaterials from farm waste.	CSE provides employment to mushroom farmers, with 270 farmers currently employed (64 percent are women)
CSE 2	Wicker craft 	Grants and competitions provided financial assistance.	Chief Marketing Officer (CSE 2.1) Chief of Community & Partnership (CSE 2.2)	7 years 7 years	Winner of DBS Foundation Social Enterprise Grant Award 2018 Indonesian Good Design Award 2020	Utilize palmyra leaves to create modern wicker craft	Empower rural Indonesian women to create wicker crafts for the domestic and international markets
CSE 3	Biodegradable food packaging 	Grants and competitions provided financial assistance.	Chief Executive Officer (CSE 3.1) Chief Operating Officer (CSE 3.2)	5 years 5 years	Winner of Good Design Indonesia 2021 Award for Best Design	Create sustainable food containers from areca palm sheath waste to replace single-use plastic food containers.	Employ farmers to encourage them to recycle organic waste in their surroundings.

Throughout the interview sessions, the interviewees are very open about the research because they recognize the importance of eco-design for Indonesia's future sustainable development (see Figure 1). All interviews were carried out using a video-conferencing platform lasted between 1.5-2 hours. To facilitate transcription, all videos were uploaded to YouTube. The data is examined with cross-case analysis, a technique that examines themes, similarities, and differences between cases. The goal of cross-case analysis is to improve validity, generalizability, and theoretical elaboration [50].

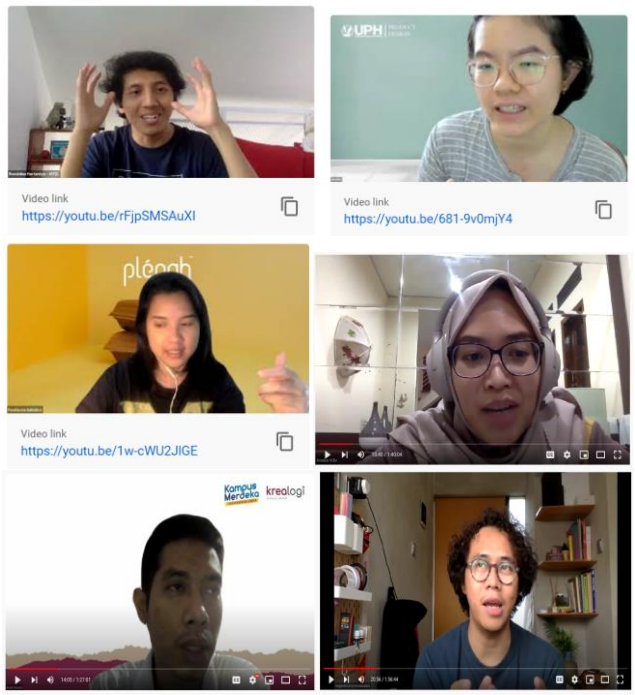

Figure 1. Interview process

4. RESULT AND DISCUSSION

4.1 Cases description

CSE 1

A creative social enterprise, founded in 2015, creates environmentally friendly composite materials by utilizing agricultural waste and mycelium mushroom fermentation techniques. It was founded by five high school friends who decided to work together to start a business. It now employs ±30 people in total. The vision is to provide high-performance and environmentally friendly materials to the global market through biotechnology and community empowerment. The main headquarter of CSE 1 is in Pakuhaji Village, Bandung, Indonesia. It has two product lines: biomaterials board (named as"biobo") and vegetable leather (named as "mylea"). The company has three patents for biomaterial production.

CSE 2

A creative social enterprise produces and sells wicker crafts to empower women, promote indigeneous culture, and improve rural Indonesian livelihoods. It was founded by three friends from high school who decided to work together to start a business. The social mission of Company 2 is to improve maternal health and the economy in rural Indonesia. It sells the weaving craft to business clients to achieve the mission. The weaving crafts are baskets made from lontar leaves that is abundantly available in East Nusa Tenggara. It started its first project with eight mothers in Duntana Village, East Flores County, in 2014. East Nusa Tenggara is one of Indonesia's poorest provinces, with among the world's highest maternal and newborn mortality rates. There, the founders saw an opportunity to address maternal and newborn health issues while also providing alternative employment opportunities through existing woven traditions. CSE 2 now has +30 employees in Jakarta and East Nusa Tenggara and has empowered + 1400 weavers in rural Indonesia.

CSE 3

It started in 2018 when four young people met in a community empowerment program conducted by creative economy agency of Indonesia. From that experience they decided to go business together and founded a creative social enterprise that focuses on developing food containers from areca palm leaves as an alternative to single-use plastic food packaging. The novelty of their product is that it can decompose naturally in the soil within sixty days. The product is waterproof, can withstand temperatures up to 200 degrees Celsius, and is microwave safe. It employs a total of 27 people. The company works with 90 farmers from Mendis Village, Banyuasin, South Sumatra, Indonesia. This location was selected due to the availability of areca palm leaf material. The farmer provides both raw materials and oversees the production. Through training, CSE 3 empowers farmers who live near the material and were previously incapable of producing environmentally friendly food packaging to eventually do so.

In the following, the findings are presented in the following section by juxtaposing snippets of CSE entrepreneurs' transcripts with the determinant factors to see how the data can enrich the literature reviews (see Table 5).

The interview data provides a more specific description of the determinant factors, so we refine the description of the IC determinant factors based on the empirical results.

4.2 Motivation to be creative under limited resources

The study found out that for a creative social enterprise to be innovative, it must be driven to be creative even when it has few resources. The finding enriched the point of view of Tang [31] who already highlighted the importance of having motivated creative people by adding that resource constraints boost creativity which has been defined by literature as bricolage. The relationship bricolage and creativity are an important determinant factor for creative social enterprises that wish to build innovation capability during their early stage. Hence, the study confirms [34] point of view is that bricolage stimulates creativity.

The study also finds that to manage the resource constraints, CSEs collaborate intensely with many stakeholders. The finding is supported by England [10], who found that collaboration is a crucial trait of creative social enterprises. The finding further finds that CSEs form alliances with other individual companies to reduce costs or risk and to enhance mutual profit.

Table 5. Research result

Innovation capability determinant factors for CSEs in their early stage	Signs of determinant factors	Connection to literature review	Selected evidence from three cases
Creativity	Motivated creative people	Curious	"We **try to implement** the tempe fermentation principle (local Indonesian food) to agricultural waste." (CSE1)
		Improved from failures	Early failures were common. Only **through failures, we can improve** our process." (CSE3)
		Pursue opportunity	"We try to **solve the problems through leveraging** the existing weaving culture." (CSE2)
	Collaborative working culture	Collaborate in R&D	"We **collaborate with research** institutes and universities." (CSE1)
		Collaborate in design	"We **collaborate with designers** to elevate the traditional NTT wicker crafts". (CSE2)
		Form alliances	'We **form alliances** with other CSEs to distribute our products." (CSE3)
	Bricoleur	Utilize whatever materials are available.	"We began our research **using our moms' pressure cooker.**" (CSE1)
		Create low-cost tools	"We create **mould from cardboard** to standardize the basket size." (CSE2)
		Tool reconfiguration for resource constraints	"We **reconfigure the existing compression machine to be smaller and require less power to operate**, allowing it to be easily transported to Indonesian rural villages". (CSE3)
Leadership	Structure for resource management	Coordinate employee training	"We **provide plenty opportunities for our employees to grow and learn** variety of new skills." (CSE1)
		Generating ideas freely	"We have town hall meeting once a month, in this meeting every employee can **share his/her insights freely** towards the matter discussed." (CSE2)
		Flexible working policy	"Our flexible working policy allows employees to **work flexible hours** as long as they don't negatively affect others." (CSE3)
	Leadership style	Think holistic	"We need to **think more holistically in every decision and action**, which often means prioritizing larger interests over our own." (CSE1)
		Pay attention to others	"We **pay more attention to others** and learn what they need, how they think, and how they act." (CSE2)
		Empathic	"**Empathic** towards the people and issues." (CSE3)
	Local champion	Local communities	"We **work together with 4 mushroom farmer communities** in and around West Java." (CSE 1)
		Employ local champion	"When we asked Bu Henni to **join us** in 2014, she gladly agreed, and the others soon followed." (CSE2)
			"We **work with the head of local cooperatives** to create micro-production facilities in the rural village." (CSE3)
Strategy	Unique activities	Empower community based on research reccomendation	"Our uniqueness is that we **conduct biotech research** on the material and **train mushroom farmers to produce based on our research recommendations.**" (CSE1)
		Modernize design	"Our uniqueness is we do **product design to modernize traditional wicker crafts** and make them more adaptable to modern lifestyles." (CSE2)
		Design thinking to create contextual solution	"Our distinguishing feature is that we use **design thinking to create sustainable products and solutions that resonate with the local environment.**" (CSE3)
	Social innovation strategy	Low carbon products	"Our strategy is to **produce low-carbon products** while also improving the livelihood of mushroom farmers." (CSE1)
		Community welfare	"We have successfully **increased women's income by 40% and employ 1.400 weavers** while also conserving natural resources." (CSE2)
		Use underutilized resources	"Our social and environmental objectives are to **increase the number of underutilized agricultural waste materials** each year, as well as the number of training opportunities for our farmers." (CSE3)
	Strategy alignment	Alignment by research	"It took us **years of research to find the right technology** to help our process because using biotech to recycle agricultural waste is something new and has never been done before." (CSE1)
		Align technology with social innovation strategy	"We **use technology to improve the quality of the women's weaving**, but it has to be very simple, cheap, and easily operated by them." (CSE2)
			"We tried to **match our technology with our social innovation strategy** by making the compression machine work with the infrastructure in rural areas." (CSE3)

Knowledge management	Knowledge gain	Customer's expectation	"We learn the most during business negotiations with our customers. We learn about their **expectations** and how our products can meet them." (CSE1)
		Local wisdom	"We often do etnographic research to collect data about **the culture, the artefacts and traditions** of the community that we work with." (CSE2)
		Previous knowledge and experience	"From our **previous knowledge and experience** as product designers, we gain knowledge to address sustainability issues." (CSE3)
	IT system for knowledge management	File sharing system	"We use google docs or sheets **sharing system to share data** between division." (CSE1)
		Record real time data	"Currently, our internal IT division is developing a particular website application to **record production**, so the sales team know **the actual stock** for each product" (CSE2)
		File sharing system	"We use the OneDrive cloud system to **share data between divisions** (CSE3)
	Co-creation	Gain trust	"Before exchanging knowledge with the community, we must **gain their trust**, which can be difficult if they're resistant to change." (CSE1)
	Exchanging knowledge	Clear entry point	"Exchanging knowledge with community is good if you have **clear entry point**." (CSE2)
		Participatory	"We **exchange knowledge** with local communities, so that they can **be part of their change**." (CSE3)
	Knowledge dissemination	Brainstorming	"**Brainstorming** is the most effective way for us to distribute knowledge across departments because each division can share their perspectives on the subject discussed." (CSE1)
		Storytelling	"We **create stories** from our knowledge because they foster emotion and togetherness." (CSE2)
		Open office space	"In our company, no one has a private office, and **everyone works in open spaces**, so we are constantly learning from one another." (CSE3)
Collaboration	Social networking	Identify common goals	"When working with any stakeholder, **don't look for a common goals but look for the intersection**" (CSE1)
		Align expectation	"**Align expectations to build collaboration**, but don't set them too high." (CSE2)
		Know limit	"During collaboration, we must know our abilities or **where our current stage is**, and **don't promise things that are beyond our capability.**" (CSE3)
	Breadth of collaborative networks	Engage with different stakeholders	"We just started a new **collaboration** with National **Research and Innovation Agency**. We'll get Rp 1 billion per year under the initiative." (CSE1)
			"We **engage** with a wide range of organizations, from the government to the private sector." (CSE2)
			"We **work intensely** with research institute for our R&D." (CSE3)
	Depth of collaboration	Mutual learning	"What we found most beneficial from collaboration was the networking and **experience to learn from each other**." (CSE1)
		Strengthen the business	"Collaboration is a strategic step to **strengthen the business**."
		Decrease deficiencies	"**Creating sustainable products is much easier** if we work together. (CSE3)

4.3 The presence of facilitating leader ssupported by local champions

According to De Benedicto et al. [29] to do social innovation it requires facilitating leadership style. A leader who can act democratically and help the team look outside of their own interests to prioritize the needs of society. Our findings support this point of view, and we add to this point of view that leaders in CSEs are empathic and able to think holistically when making business decisions.

Leadership in social enterprises require local champion's support [38]. The empiric results revealed that all three cases employ local champion who act as an agent of change in the community. Hence, we suggest that leaders should try to gain the trust of local champions in order to accelerate the development of innovation capability.

4.4 Alignment of business, technology, and social innovation strategies

The alignment between innovation strategy, with core technology strategies, and business strategies is essential [1]. Our results also share the same perspective. The data revealed that CSEs continously try to align their business with technology strategy to create social innovation. On operational level the alignment is visible when CSEs attempt to implement technologies tailored to the needs of the rural community.

The findings show that each CSE has its own unique innovation activities that they believe will give them a unique and valuable position in the market. The unique activities are related to their social innovation strategy. For example: CSE2 focus on modernizing traditional crafts as a mean to increase the community's welfare. The fact that CSEs' social innovation strategy define their unique activities is supported

by Saunila [8], who states that strategies guide innovation activities and capacity development in SMEs.

4.5 Using locality as a strategic asset in knowledge management

The findings show that CSEs can gather, organize, analyze, and disseminate knowledge within the organization by utilizing a variety of open-source software and a supportive working environment. We believe that what distinguishes knowledge management in CSEs from knowledge management in traditional organizations is that they investigate local wisdom of utilizing materials and craftsmanship and co-create with the community to generate social innovation. This finding is supported by Sebayang et al. [44] who state that local culture can inspire innovation and, through a collaborative process community empowerment can be achieved.

Further the data showed that local wisdom is not only about utilizing local resources and knowledge, but also about finding ways of working with local community especially gaining trust from local champion. Local champions are very important because they provide ways for CSEs to enter community. As already stated by Nurgraha and Mulyadi [47] and Tranggono et al. [38] the existence of local leaders that support CSEs vision are key process in innovation capability development.

4.6 Alignment of goals and expectations for fruitful collaboration

The data shows that CSEs collaborate to strengthen the business by networking with various stakeholders. It has also been discovered that the key to successful collaboration is to align both parties' goals and expectations. In any collaboration, CSEs try to find a goal that is important to all stakeholders and knows what expectations can be accommodated by both parties. The finding enriches previous research conducted by Argatu [25], who already states that when social enterprises collaborate they need to find win–win outcomes for all stakeholders involved.

Furthermore, the results also enrich previous research by Scranton [46] who already asserts that small firms in developing countries need collaboration that bring benefit. From our study, we found out that the benefits of collaboration for CSEs are mutual learning and reducing resource constraints. Our study shows that CSEs do open social innovation [19], because they work with a lot of different stakeholders along their supply chain.

5. CONCLUSIONS

The study aimed to investigate the emergence of innovation capability during firms' early stage. The study has two research questions. The study has been able to answer both research questions. From the literature review it can be concluded that the factors that enable CSE to acquire knowledge and ideas at an early stage are creativity, leadership, and strategy. Second, the factors that enable CSE to continuously transform knowledge and ideas into innovation are knowledge management and collaboration. We conclude that the five determinant factors of innovation capability during CSE's early stage are creativity, leadership, strategy, knowledge management and collaboration.

Through the interview results, it was possible to gain more descriptions that enriched the five IC determinant factors. We suggest that CSEs in early stage to build their innovation capability need to have the motivation to be creative under limited resources; the presence of facilitating leaders supported by local champion; alignment of business, technology and social innovation strategy; using locality as strategic asset in knowledge management, and alignment of goal and expectation for fruitful collaboration.

The findings suggest that entrepreneurs should nurture the five determinant factors to continuously develop and mature the innovation capability. The research has tried to bridge two separate fields of research. On one side there is research on innovation capability research from strategic management theory and the other side is research on social innovation. The study has made a modest attempt to provide the combination of both perspective by formulating IC determinants factors that are important from both perspectives. Furthermore, the study focuses on IC determinant factors in the early stages of a firm, a topic that has received little attention in both strategic management and social innovation literature. As a result, the study's findings are critical for both strategic management and social innovation bodies of knowledge development.

Unfortunately, the study has few generalization limitations in the sense that the validity of our conclusions remains largely dependent within the studied organizational environment which is the creative social enterprise context. Further empirical research in larger number of research subjects to increase generalization is required to build on and expand on our findings. Finally, we propose that future research should concentrate on the interactions of between determinant factors and how they influence the emergence of innovation capability through quantitative study or longitudinal study.

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