

# Has the Innovation Process in Small Business Been Completely Explained? A Study Through Social Capital Theory

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## Abstract

Currently, the innovation process in small businesses faces a huge challenge due to the low level of success of innovation ideas and products. This study aims to discover the missing aspects of building the innovation process by conducting an inductive study of small businesses in Indonesia. This study employs a qualitative approach with seven case studies using in-depth interviews and observations. The novelty of this study is discovering three main themes in the successful innovation process in small businesses, namely personal values, which create leadership style, organizational values, and culture adoption. Following that, the findings may complement the previous innovation process model and enrich the innovation literature.. This paper draws on social capital theory to discuss the theoretical implications, and on the practical side, the findings can assist entrepreneurs in what basic elements to understand and what to do before starting the innovation process. This study contributes to the ongoing debates on suitable innovation processes for small businesses.

**Keywords:** small business; innovation process; social capital theory; culture adoption; personal values; organizational values; leadership style;

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## Introduction

Small businesses always face great challenges in pursuing innovation due to their natural characteristics in resource, skill, education, network, and capital limitation (Bachtiar, 2020a; Forsman, 2011). Hence, research in innovation and small business is a well-developed topic, mostly to discover a suitable strategy to enable innovation in small business. Previous literature has highlighted various innovation strategies for small businesses, namely organizational culture (Gudmundson et al., 2003), organizational resilience (Carvalho et al., 2016) sustainable innovation (Bos-Brouwers, 2010), business model innovation (Müller et al., 2018), technology adoption (Martínez-Román & Romero, 2017) so on. More updated studies explore the possibility of co-innovation (Ciasullo et al., 2022), open innovation (Mei et al., 2019), digital innovation (Dilyard et al., 2021), temporary business models in responding to certain crises (Clauss et al., 2021), and networks (Surangi, 2022). Up to date, both practitioners and scholars believe that those strategies positively impact the business, and at some points, they benefit small businesses' growth and survival (Li et al., 2022; Love & Roper, 2015). However, Telegraph (2019) indicates that there is still a high declining number of SMEs throughout the years, the data shows the number of SMEs decreases to around 20% in their first year and the number keeps increasing until it reaches 48% of SMEs closure in their first five years (Telegraph, 2019). Moreover, previous studies discover that small businesses face and experience more crises, obstacles, and shocks that impact their growth and survival (Alcalde-Heras et al., 2019; Ciasullo et al., 2022; Miklian & Hoelscher, 2022). With these challenges, small businesses must commit to a continuous innovation process to build a continuous innovation to tackle those hardships. Following the

challenges in practice, the literature also shows a significant gap where innovation literature focuses on creating innovation culture (Dobni & Klassen, 2015) but ignoring the fact that innovation should adopt to the culture.

Hence, this study will explore the innovation process from the internal and external sides of the businesses which can either support or hinder the success of the process. We argue that cultural adoption and personal and organizational values hold major contributions to building an innovation process, which has been ignored by small businesses up to this date due to their lack of understanding of these matters (Bachtiar et al., 2020; Ketprapakorn & Kantabutra, 2019). Meanwhile, research on innovation processes commonly focuses on the idea and product development but fails to see the core aspects that businesses must adjust and adapt before developing the idea. For example, research on Sharp tooth Catfish Small Businesses in Africa reveals the identification of markets and potential customers as part of the innovation process (Moroasui et al., 2022). Another research applies a longitudinal study to five small firms focusing on resource maximization, project planning, and market probing as part of the innovation process (Berends et al., 2016), yet the context in which culture adoption and values are ignored.

Underpinned by social capital theory, this study focuses on small businesses in Indonesia as the major economic growth contributor in the country. We interview the participants and code their responses to identify emerging themes and develop a proposed model for the innovation process. By aiming to discover the missing link to build the innovation process, we form research questions as follows:

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RQ1. When mostly your innovation initiatives fail, what is missing in the process?

RQ2. What role do personal values carry in the innovation process?

RQ3. What relationship is built between personal values, organizational values, and the innovation process?

RQ4. How do cultural adoption and values complement the current innovation process?

We engage in an inductive theory-building approach to reveal the phenomenon and explore entrepreneurs' experiences and perspectives in developing a proper innovation process and finally answering the above research questions by allowing realistic patterns to emerge (Wolny & Charoensuksai, 2014). Our findings offer two contributions to the innovation literature. Firstly, it develops the innovation process to enrich and expand the literature. We argue that the current innovation process cannot be implemented to the most due to the missing phase in the process which primarily only focuses on idea and [Click or tap here to enter text.product](#) (Berends et al., 2016; Moroasui et al., 2022). Secondly, the finding of this research can assist entrepreneurs in conducting their innovation process by elaborating on two basic phases in the innovation process. This study is essential for small businesses before they conduct their innovation process or their reconfiguration process.

The rest of this paper will be as follows: the literature reviews section will start to build the theoretical underpinning of the study. Next, the methodology part will explain further the research context, design, and method of the study. Following that, in the discussion section, we discuss the in-depth discovery of the patterns and themes based on our line-in-line coding from the interview results. Finally, the conclusion part will indicate the implications, limitations, and suggestions for further study.

## Literature Review

### 2.1. Social Capital Theory

Social Capital theory is defined as "the institutions, relationships, attitudes, and values governing interactions amongst people and contributing to economic and social development", (Iyer et al., 2005). It is also can be defined as the formal and informal ties that help facilitate the resources available through these networks to achieve specific or various outcomes (Elliott et al., 2010). At the end of the day, social capital leads people to act to provide information, and technological knowledge (Danes et al., 2008), helps people acquire and develop their valuable skills (H. Chen & Beaudoin, 2016), promotes technological innovation (V. H. Lee et al., 2018), and enhances the competitiveness of innovation (Ng & Law, 2015). Apart from affecting corporate value (Laforet, 2013), social capital is also closely linked to culture through establishing social activities (Setini et al., 2020), and, at the same time building a social network (Neumeyer et al., 2019). Therefore, utilizing social capital can help people or organizations acquire crucial resources internally (Laforet, 2013), and externally that foster innovation and improve performance (Wang et al., 2021).

Moreover, according to social capital theory, people or organizations that have a high level of social capital easily stimulate innovation (Thompson, 2018) tend to collaborate, and are willing to take chances on novel ideas (Akçomak & Weel, 2008). Therefore, high social capital drives innovation (Christa et al., 2020; Rogers et al., 2017). Despite the vast research on social capital and innovation, the process of innovation that is influenced by social capital is not fully explained. This is the gap that the research will attempt to address so that existing innovation may assist organizations in becoming more sustainable (Kerneck et al., 2021).

### 2.2. Entrepreneurship

Entrepreneurship functions as a catalyst for innovation through a range of social, cultural, and organizational mechanisms. The existing literature highlights the complex relationship between entrepreneurship and innovation (Yunis et al., 2018). Entrepreneurs introduce fresh perspectives, embrace risk, and challenge conventional norms, all of which are essential for the innovation process. In addition, entrepreneurial orientation (EO) is recognized as a key factor in promoting innovation within organizations (Al-Jinini et al., 2019; Madhoushi et al., 2011). Companies that exhibit a strong entrepreneurial orientation are more likely to pursue novel ideas, adapt to market dynamics, and drive growth through innovative practices. EO emphasizes the importance of innovativeness, encouraging firms to explore unconventional ideas, develop alternative solutions, and tap into emerging market opportunities (Anser et al., 2021). Moreover, EO significantly influences the creation of new or improved products by motivating organizations to invest in research and development (R&D) and remain attuned to technological advancements (Y. Lee & Kreiser, 2018). As a result, firms with a high EO are better positioned to launch innovative products that meet evolving consumer demands. Furthermore, EO fosters business model innovation by allowing organizations to uncover new ways to deliver value and enhancing innovation within internal processes (Saraswati et al., 2022). Consequently, the [Click or tap here to enter text.](#) impact of entrepreneurship on innovation not only mobilizes resources but also instills flexibility within organizations, empowering them to navigate uncertainty and seize transformative opportunities.

### 2.4. Value Theory

Values Theory (VT) provides a crucial framework for understanding the factors that shape and drive innovation within organizations. By applying VT, organizations can create environments that align their values with innovation goals, fostering both a supportive culture and a strategic focus on new ideas. Schwartz's VT identifies universal values that influence motivation and behavior (Schwartz, 2007). When applied to organizational settings, these values shape the approach, direction, and depth of innovation. A key element in this context is the openness to change and values such as self-direction and stimulation are linked to a higher propensity for innovation. The researchers demonstrated that organizations that prioritize openness encourage creativity and risk-taking, which can lead to both incremental and radical innovation. Literature suggests that firms embodying these values are more adaptable and flexible, allowing them to respond effectively to dynamic market conditions (Johnson, 2020; Lennon, 2022). Conversely, more

conservative values, such as security, tradition, and conformity, are typically associated with incremental rather than radical innovation. More organizations with conservation values tend to minimize risk and prioritize stability, focusing on incremental improvements to existing processes and products. These firms prioritize customer trust and security, which are crucial in industries where consistency is highly valued.

The literature shows that Schwartz's Values Theory offers a strong framework for understanding how values influence organizational innovation. Organizations that align their values with their innovation strategies be it toward radical transformation, competitive advantage, social responsibility, or stability are better equipped to cultivate a cohesive, purpose-driven culture (Trevor, 2019). However, managing conflicting values, particularly in sectors with competing demands, remains a significant challenge that requires further exploration.

## 2.5. Culture and Values in Innovation

In a broader sense, Hofstede (1980) explained culture as the beliefs and value systems held by a group of people, which are learned and frequently difficult to modify. A couple of years later, Hofstede (2003) complemented his definition of national culture as a collective developmental process of the mind in a country setting (Hofstede, 2003). Therefore, each country has distinct qualities of culture that influence organizational decisions (Pagell, 2004). Moreover, the authors created a cultural dimension framework that illustrates how culture influences the values of its members and how these values influence behavior through four dimensions: power distance, individualism-collectivism, masculinity-femininity, and uncertainty avoidance (Hofstede, 1980) as well as two later dimensions: long-term orientation (formerly known as Confucian dynamism) and indulgence vs. restraint (Hofstede et al., 2011).

To overcome cultural barriers such as creativity, curiosity, variety, and adaptability that are hard to measure (Matricano, 2018), organizations must nurture innovation (Bhabha, 2012). Studies found the importance of familiarizing with national culture to successfully gain important resources externally (Zwikael, 2009) and building relationships with stakeholders because culture affects stakeholders' perception, thinking, and communication (Huang, 2016); (Fellows & Liu, 2016). A lack of proper cultural and values awareness hampers organizational collaboration activities that will hinder innovation (Marco et al., 2012); (Okhuyesen & Bechky, 2009). However, it is important to pinpoint that the role of culture and values has not clearly explained the role of culture in innovation. Therefore, this study will try to elaborate on the essentials of culture and values to explain the characteristics of innovation.

## 2.6. Innovation Culture

Innovation culture refers to a set of shared values, beliefs, and practices within an organization that promotes and sustains innovation (Bendak et al., 2020; Naranjo-Valencia et al., 2016). It emphasizes open communication, creativity, collaboration, and a tolerance for risk and failure. An organization with a strong innovation culture sees innovation not as a one-time goal but as an integral part of its identity and opera-

tions. Such an innovation culture encourages employees at all levels to contribute ideas and feel empowered to pursue new opportunities (Lam et al., 2021). This openness and fearlessness lead to a greater variety and quantity of ideas. More the strong teams and connections among individuals within the organization facilitates, created of shared, creative, and innovative concepts (Klaic et al., 2020). Moreover, an innovative culture plays a significant role in supporting the process of change implementation. In organizations with such a culture, both leaders and employees embrace change, which helps reduce resistance and fosters commitment to new solutions (Naveed et al., 2022). Organizational culture also influences the creation of products and services that align with customer needs, achieved through a continuous examination of stakeholder demands.

Innovation culture fundamentally impacts the development of innovation within an organization by promoting creativity, collaboration, and flexibility. When innovation becomes an essential aspect of an organization, it naturally leads to innovative outcomes, contributing to its long-term success, competitiveness, and adaptability (Arsawan et al., 2022). Although building and maintaining an innovative culture can be challenging for companies but the advantages of ongoing innovation make it one of the most critical objectives for modern organizations.

## 2.7. Innovation Process

The innovation process is significant in leading businesses to perform their innovative idea. Hence, it is strongly related to the product development process (R. G. Cooper & Kleinschmidt, 1995). To measure and evaluate the effectiveness and success of the process, the innovation process is divided into some stages, where each stage is equipped with each success factor (Dziallas & Blind, 2019; Heredia Pérez et al., 2019; Meng et al., 2023).

Commonly, the innovation process starts with product strategy which is conducted to achieve a unique selling point of the innovative product. The success factor of these stages is product generation and evaluation (Flanckegård et al., 2023). The next stage which is product concept is where the actual product development begins. In this stage, businesses must consider the potential costs and required resources as calculations of innovative ideas (Dziallas & Blind, 2019). This stage then continues with the testing and validation phase, where the innovation team needs to develop a prototype and test it to validate the idea and fulfill the diverse requirements. Based on the result of the previous stage, the production stage is then started and finally, the last phase of the innovation process covers the market launch and commercialization stage (R. Cooper, 1990) (Hart et al., 2003).

Apart from the above framework, more updated literature shares a similar linear model in the innovation process which consists of R&D dedicated input (X. Chen et al., 2020), government intervention (Meng et al., 2023), and development and diffusion (Salerno et al., 2015). Along with these frameworks and alignment with previous literature, this study tends to develop the stages specifically to the basic or early phase of the innovation process.

## Research Methods

### 3.1. Research Context and Design

Over the past twenty years, Indonesia has experienced several crises. These include the Covid-19 epidemic, the Bali bombing in 2002, the global financial crisis in 2008, and the monetary crisis in 1998. During those periods, SMEs always have been milestones for Indonesia's economic recovery. With more than 90% of 65.47 million businesses in Indonesia are SMEs (Mahdi, 2022), the economic recovery is running quite well. However, the reverse happened in this most current crisis, the Covid-19 pandemic. SMEs were the first to be affected by the pandemic, as seen by the high percentage of SMEs that have closed over the previous two years, starting with the pandemic's initial outbreak in 2019. This study focuses on SMEs in Magelang City and regency in Indonesia which are famous for their characteristics of having rich natural resources -which cause diverse kinds of SMEs to emerge in the area, being home to the widely known UNESCO heritage-Borobudur temple that captures a lot of interest from domestic and international tourists and having more than 200 thousand SMEs (Kusuma, 2022).

### 3.2. Research Method

This study applies an inductive qualitative approach due to its advantage in capturing participants' attitudes, opinions, behaviors, and feelings (Kothari, 2004; Yin, 2009). We follow an interpretivism paradigm to deliver an in-depth understanding of the phenomenon (Creswell, J., 2007). For the methodology, this research adopts a case study method to answer research questions and phenomena within a natural setting. To support the methodology, we conduct interviews and observations. We started the interview on April – June 2023, where small businesses were still running their post

Covid-19 strategy. Hence, our set of questions focused on their current strategies. The second interview ran several months after the first interview to reconfirm and recheck their answers and adding more questions to enrich our findings. At the same time, we also conducted observations to the research locations where we conducted non-participatory observation and fully experience the research site as external party.

Finally, this study employs triangulation processes to ensure the alignment between theories and methodology. At first, data sources are conducted in more than one way and adopt more than one source. Next, acknowledge the bias possibility due to the consequences of researchers' views and interpretation process. Lastly, we reach our rigor by analyzing the findings' dependability, credibility, confirmability, and transferability (Bhattacharjee, 2012).

This study selects seven case studies that continuously innovate and consider innovation as their business value. To choose the participants, we perform a purposive sampling method, where this method can group the participants according to selected characteristics by researchers (Karmaker et al., 2021). For the cases, we categorize the sample as follows: small businesses with 5 to 20 employees, each case study represents a different industry and have a regular innovation process.

The data collection process was performed between April – June 2023, where the first semi-structured interview was held between April-May 2023 and the second semi-structured interview was held on June 2023. Following that, we also conducted a non-participatory observation at a different time from our interview process. Table 1 below demonstrates the characteristics of the cases:

**Table 1.** Case Characteristics

Case	Type of business	Size of business	Established from	Number of interviews
1	Mushroom Farming	Small	2021	2
2	Tempeh Production	Small	1993	2
3	Clothing Production	Small	2019	2
4	Printing/Design	Small	2018	2
5	Handcraft traditional face mask	Small	2017	2
6	Traditional Snack Production	Small	2010	2
7	Tourism service (Adventure trip and camping tools renting)	Small	2021	2

We informed the study's aims, and requirements, confidentially and asked for their consent before starting the interview, this step was taken to maintain ethical considerations. We also shared the list of questions before conducting the interview and informed the participants that the questions could develop during the interview process. Additionally, we used NVivo for data analysis and adopted Gioia method in first and second-order concepts, patterns, and themes to interpret the data into significant findings (Gioia et al., 2013). Finally, we created an empirical framework to elevate previous theories and apply them to practice.

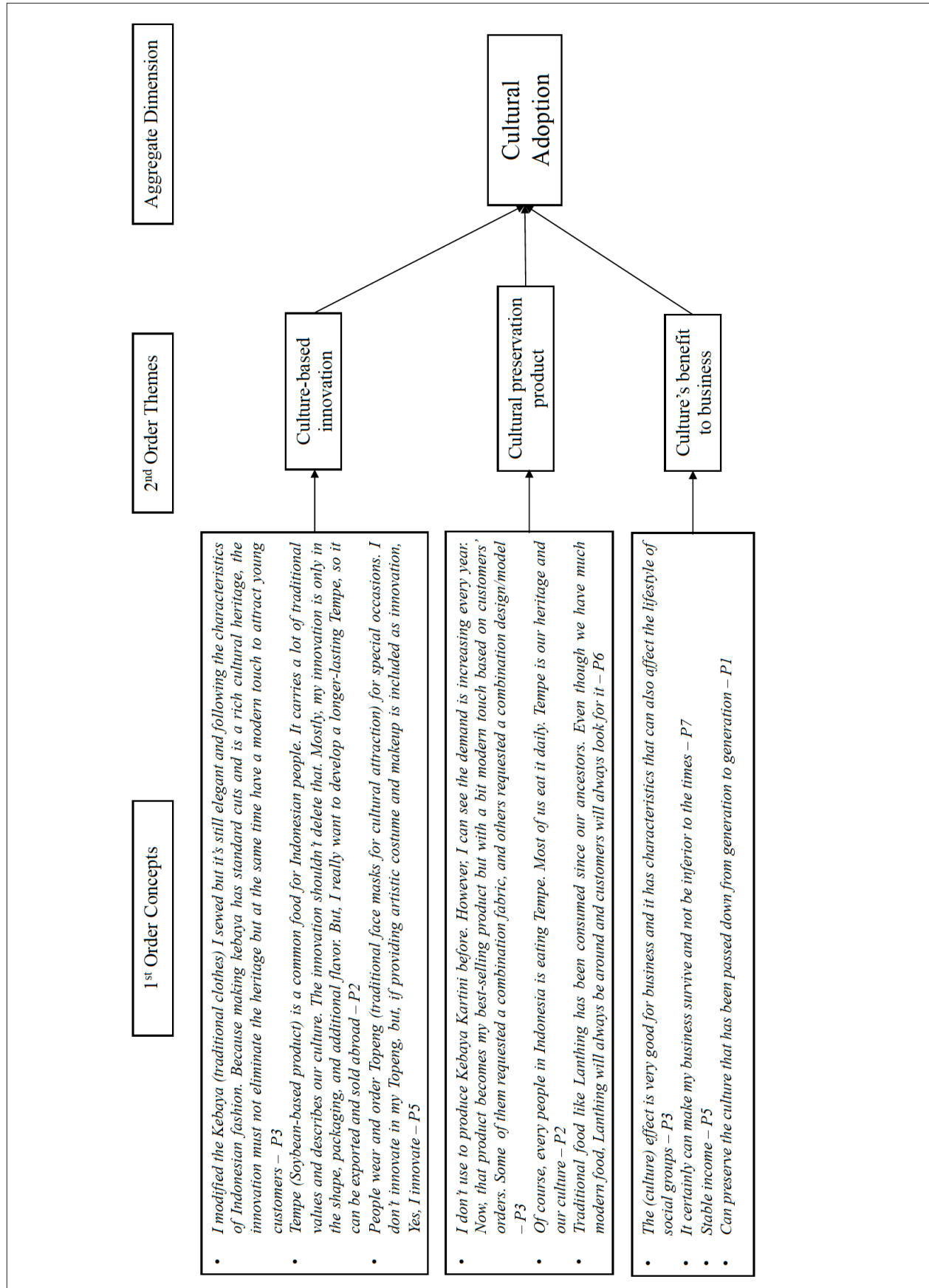
## Results and Discussion

### 4.1. What missing in small business' innovation process

Previous studies note one challenge to a firm's innovation process: the culture (Kaasa & Vadi, 2010). The authors explain that even though culture may unify people's behaviours, people's beliefs and behaviours can either contribute to or block the development and implementation of new ideas. However, culture impacts business more positively. In some points, culture affects innovation due to its privilege in shaping the pattern dealing with novelty, individual initiatives collective actions, and understanding behaviors regarding risks and opportunities. Hence, this study argues that culture carries a more significant impact in shaping innovation strategy in business. The important role of culture, which is important to the innovation process yet being ignored in literature as the basic phase of innovation process is confirmed by participants as described in Figure 1 below.



Figure 1. Cultural Adoption in Innovation Process



Source: Authors' Elaboration

As a main strategy in business to reach its survival and growth (Love & Roper, 2015; Purnomo et al., 2021), business always relates innovation to capabilities, knowledge sharing (Kim & Shim, 2018), business models (Baldassarre et al., 2017), technology (George et al., 2020), and else. Following that, literature has discovered various elements of innovation characteristics, namely creativity (Perry-smith, 2023), leadership (Schein, 1992), information systems (Thong, 1999), and organizational culture (Hogan & Coote, 2014). However, previous studies fail to see one significant element in characterizing the innovation process, which is people or a nation's culture.

This study structured the themes based on the key words and the main intention behind each participant's answer. By coding them in N-Vivo, the patterns of the answers were simply identified. From that result, this study argues that innovation based on culture and product preservation from culture will precisely benefit the business. These three patterns formulate cultural adoption. Our participants agree with this finding by stating:

*We produce handcraft traditional face mask and it is greatly related to customers's culture. It's very important to suit our business and design to people's culture. I've got some experiences where customers returned our design because they think it didn't fit their culture – P4*

*It's necessary to preserve culture in business since our business relates a lot to it. We as businesspeople are required to be creative and innovative in creating new ideas that have the opportunity to uphold cultural values – P5*

The above comments illustrate the substantial role of culture in innovation characteristics as a basic viewpoint to develop innovation strategy within a firm. The participants believe that understanding and adopting to local culture will increase business engagement and, in the end, will support the innovation succession. As taken from Social Capital Theory, community involvement, good intentions, and other social attributes in neighbours construct the characteristics of social capital and bring together specific cultures that are strongly embedded in the people in the area (Iyer et al., 2005). Our findings also support Social Capital dimensions specifically bonding, bridging, and linking between people, society, and their surroundings (Aldrich, 2012). This finding answers RQ1: When mostly your innovation

initiatives fail, what is missing in the process? We believe that apart from the other stages in the innovation process that have been explained up to this date, cultural adoption is placed as the key aspect to describe innovation characteristics. Hence, we believe what is missing from the innovation process in small businesses is the cultural adoption, where small business should adopt its business to it. The lack of cultural adoption creates the gap between what businesses sell and customers need. This finding aligns with the work of Tefera & Dlamini (2021), who state to promote culture in innovation to Micro, Small, and Medium Enterprises. The authors also highlight how culture supports effective knowledge sharing to innovate (Tefera & Dlamini, 2021), and Hofstede (1981, 2003) that indicates that culture as the collective beliefs and values that shape a group's identity, influencing how people think and interact on a collective level.

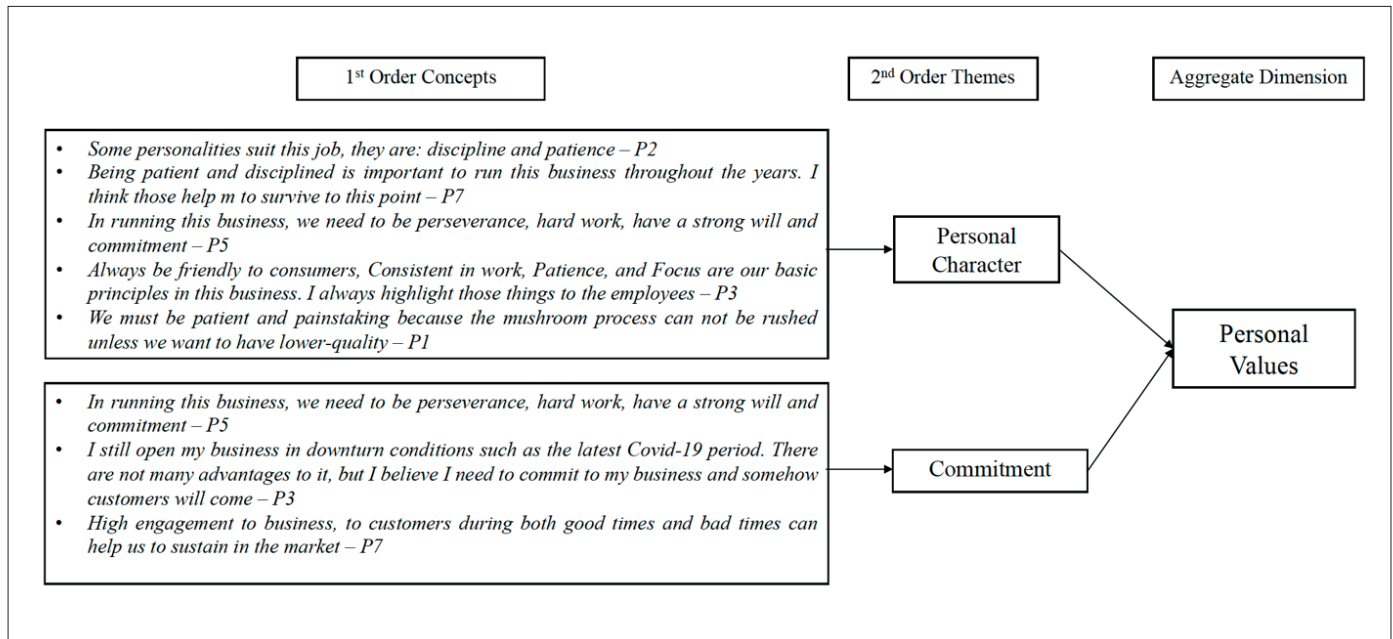
At the same time, this finding confirms Kaasa & Vadi (2010) who underline culture as a crucial basis of innovation. The authors believe that innovation is influenced by culture because it shapes the pattern of collective actions, behaviors, and initiatives (Kaasa & Vadi, 2010). Finally, this finding enriches traditional innovation process literature that consider innovation process in small business limited to the use of existing resource (Berends et al., 2014), customer discovery and customer journey mapping (Proença & Jiménez Sáez, 2019), ideas, selection, development, diffusion (Salerno et al., 2015).

## 4.2. Relating Innovation to Values

### 4.2.1. Personal Values

Firms are built by certain people called owners or founders. In business, we admire them as entrepreneurs-the backbone of the company. Entrepreneurship studies have recognized the key characteristics of owners or founders that made them entrepreneurs. Those include risk-taking, initiative, confidence (Portuguez Castro & Gómez Zermelo, 2020), motivation, education (Bachtar, 2022), extrovert, and flexible (Suhaili & Bachtar, 2019). Those characters shape personal values and beliefs to engage with their business and lead it toward survival and success (Williams & Schaefer, 2013). Following that, those characteristics support entrepreneurial orientation that led to innovation as stated by Al-Janini et al (2019) and Madhoushi et al (2011).

The confirmation from our participants regards this point is explained in Figure 2 below:

**Figure 2.** Personal Values in Innovation Process

Source: Author Elaboration

A strong business is built on its owner or founder's value. This value then translates into how he/she leads the business. We argue that personal character, namely patience, discipline, hard work, consistency, and owner commitment are keys to proactive personal values that may lead to business success. Previous studies underline that newly established businesses need the role of personal values the most, where personal values are highly pervasive and are strongly interconnected between firm and individual-level goals (Bolzani & Foo, 2018; Jahanshahi et al., 2017). Hence, a value-driven approach is best to describe how entrepreneurs seek opportunity and strategy (McMullen & Shepherd, 2006). This is explained by our participants as well:

*I run my business with one single purpose, (which is) the safety of the customers. All product developments, new networking, innovation, and all are based on that – P7*

*Traditional snacks must be easily found by people, affordable, and still maintain their traditional flavor that brings us back to our childhood memory. That thought brings me to this point and I run my business based on it – P6*

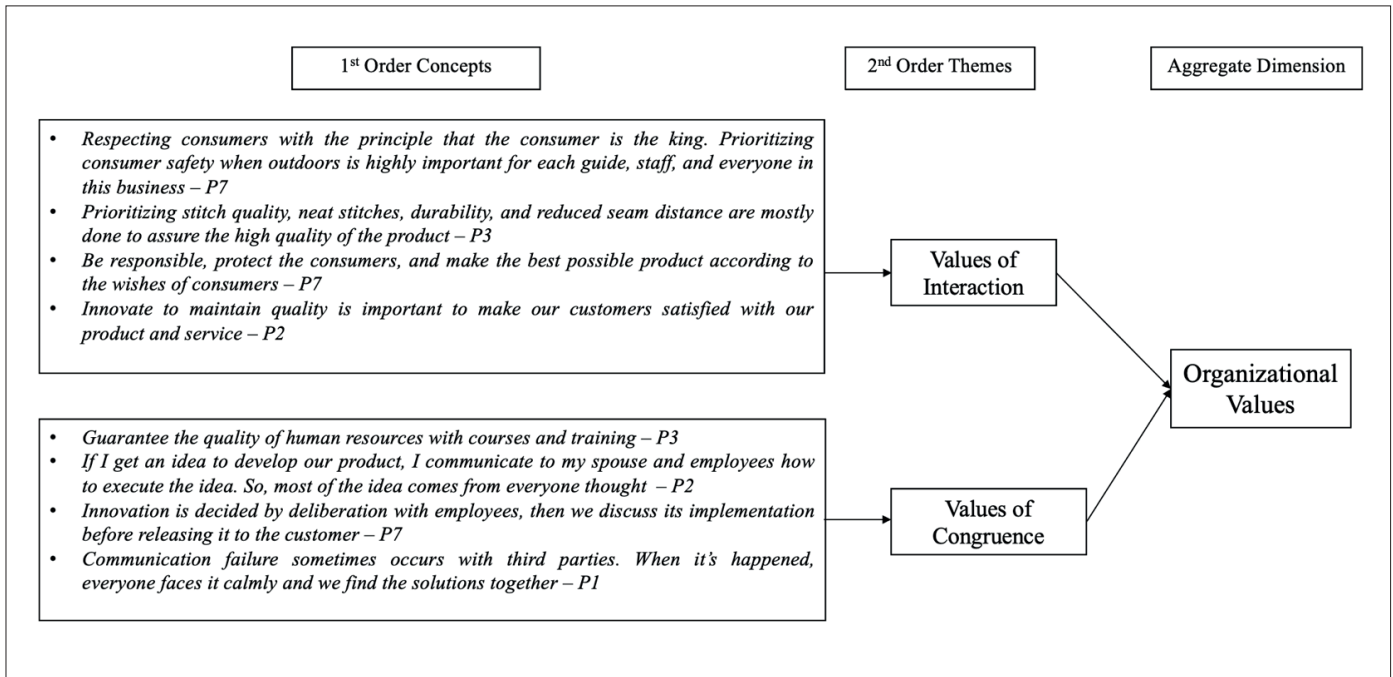
Our participants agreed that their personal value has a strong role in creating their leadership style and their business value, leading their business to its position now. The above statements answer RQ2: What role do personal values carry in the innovation process?. All participants in this research agree that putting personal values toward business brings their businesses to their position now. Moreover, by using the same value, Schwartz (2007) indicates that business may create an align environment that support their innovation goals, shate the approach, direction and depth of innovation.

This finding adds to the previous study that claims to put personal goals and achievements forward may lead to personal well-being and happiness (Jahanshahi et al., 2017). Certainly, personal values drive entrepreneurs to run their businesses, deciding how and which development the business should lead to, and drive innovation (Sousa & Coelho, 2011). This study strengthens Social Capital theory by confirming a high level of social capital can stimulate innovation, tend to collaborate, and be willing to take chances on novel ideas (Akçomak & Weel, 2008). Following that, our findings enrich Values theory by relating it to innovation creation in business.

Moreover, personal values can also guide the forming of organizational values. Mostly, personal values will translate to organizational values and construct business strategy together (Bolzani & Foo, 2018; Choongo et al., 2019; Jahanshahi et al., 2017; Tomczyk et al., 2013). The part below will explain further.

#### 4.2.2. Organizational Values

Values are defined as outliving beliefs toward certain situations to guide or evaluate individual, managerial, and organizational behavior (Bourne & Jenkins, 2013). Organizational values which are constructed from individual and managerial values are believed to be an important factor in running the business successfully (Malbašić et al., 2015). Previous studies emphasize the role of organizational values in strategic choice, decision-making, and achieving the goals of the business (Bourne & Jenkins, 2013; Malbašić et al., 2015). The same goes for innovation, Khazanchi et al (2007) stress how organizational values impact a particular process innovation and interestingly, it is also a fundamental building block of culture (Khazanchi et al., 2007). In this case, our participants also underline the essential role of organizational values as seen in Figure 3 below:

**Figure 3.** Organizational Values in Innovation Process

Source: Authors' Elaboration

Our participants reveal the engagement between owners and employees in daily operations, decision-making, and communication may shape congruence values. At the same time, the intention to build customer satisfaction through its excellent service and quality assurance results in interaction values between business and customers. Both generate organizational values, as confirmed by our participants:

*As a business in tourism industry, running an adventure trip and camping, our main purpose is to help people enjoy their outdoor activities, (which) includes their safety and satisfaction. I share it with all my employees and guides, and it's become our habit and culture (in the business) – P7*

*Open communication with employees, distributors, suppliers, and customers is important to me. I underline that to them and try as hard as I can to make it our habitual and teach everyone to communicate as openly as possible to avoid problems and promote openness – P1*

The above statements show the role of habitual, beliefs, and organizational culture in bringing up organizational values to reach the business goals and vision. This finding adds to the dimensions of the social capital theory that the connection between members- in this case between business and customers, is not only related to common perspective, frequent communication, and close contact (Tsai & Cheng, 2012; Wang et al., 2021), but also about respecting customers (other participants), being responsible and protect them.

Moreover, the interesting thing revealed from the above interviews is the role of the founder/owner in shaping the organizational culture. As we can see interaction, congruence, communication, and habit are all being promoted by the owner/founder. Hence, this study argues leadership style may shape and support organizational values. Leadership style drives the people and the organization to certain direction and along the way, creating a culture within the organization which is adopted overtime and raise an organizational value. Leader who emphasize innovation in its leadership style will create innovation-based organizational culture which lead to innovation-based organizational value. Hence, this finding answers the RQ3: what relationship is built between personal value, organizational values, and the innovation process?, by stating personal value as demonstrates on founders' leadership style may shape the organizational culture and raise organizational values to start a proper yet successful innovation process. This finding challenge previous literature that states organizational values support leadership style by changing leadership style to an appropriate style to face restriction during the past Covid-19 pandemic (Tvedt et al., 2023).

#### 4.3. Completing Innovation Process in Small Business.

Pursuing innovation in small businesses is challenging because they must encounter such obstacles from resources, skill, capital, and capacity (Bachtiar, 2020a; Bachtiar et al., 2020). However, these challenges can be minimized by adopting the innovation process, where this study argues the successful innovation process lies in the early phase of its process. This study shows that instead of developing an innovation culture within a firm, the impact of culture on innovation is a better



approach to shaping an innovative idea and product. It means that, up to date, small businesses are too focused on creating innovation culture within their business but failing to encompass the role of local culture in promoting the innovation. Hence, this finding answers RQ4: How do cultural adoption and values complement the current innovation process?, by claiming that cultural adoption and organizational values may drive innovation practice within the business.

This study believes that the innovation process in small businesses must adapt to the culture of their market and develop their innovation based on that. Align to that, the owners' values that contribute to organizational values also carry a substantial role in the innovation process, which fails to be addressed in previous literature.

This study draws on social capital theory, culture, and values to examine the development of the innovation process specifically for small businesses. Those concepts are applied to enrich the innovation process with a focus on opening the horizons of small business owners so that the innovation process is feasible for them. From social capital theory, we confirm how social capital stimulates innovation, tends to collaborate, and takes chances with novel ideas (Akçomak & Weel, 2008). This finding develops the innovation process from previous literature which include innovation process into R&D process and commercialization process (X. Chen et al., 2020), idea generation, development, launch (Utterback, 1971), preparation, development, testing and validation, launch (R. Cooper, 1990), or more in-depth argument that claimed that innovation process may follow a number of different path (Salerno et al., 2015) and differ based on the cases (Shenhar & Dvir, 2007) by adding culture and values to the process as the early and first stage of innovation process. This study argues that the innovation process in small businesses involves not only the technical process of launching a new innovative product but also includes the creation of innovative ideas based on cultural adoption and values of the owners and organization. This study confirms the presence of a co-creation in the innovation process (Jyoti & Efraxia, 2023). Following that, these findings challenge previous studies that ignore the importance of culture and values in pursuing the innovation process (X. Chen et al., 2020; R. Cooper, 1990; Hart et al., 2003; Schoen et al., 2005).

## Conclusions and Recommendation

A well-known innovation process framework is divided into six stages: product strategy, product definition, product concept, testing and validation phase, production, final product and market launch, development, and diffusion (R. Cooper, 1990; Hart et al., 2003; Salerno et al., 2015). However, considering the fast-changing business environment, this stage has failed to identify two essential elements in enhancing innovation within an organization, they are cultural adoption and personal and organizational values. We learn from the context of small businesses by using seven case studies from selected businesses that consider innovation as their business value and continuously innovate, we found empirical evidence of the role of cultural adoption and personal and organizational values in enhancing the innovation process. Culture is substantial as a basic viewpoint for people to create an

innovation strategy within a firm. While personal value then works to maintain the sustainability of the business, for example, by deciding how and in which direction the business should go. This process then leads to the creation of business value. Therefore, culture and values should be placed as the key aspects to explain the innovation process.

In addition, this study also discovered how the founder or owner of the business helps to shape organizational culture. Hence, this study proposes the advancement of an innovation process framework by adding cultural adoption and values to the beginning of the process. These two variables are especially needed by small businesses in terms of creating innovative ideas based on culture and owners' values before a technical process to launch a new innovative product.

Underpinning by Social Capital Theory, we gain a lot of insight from the dimension of social capital theory in bonding, bridging, and linking between people, society, and their surroundings in shaping embedded culture. Following that, our findings enrich Values theory by relating it to innovation creation in business. This finding adds to the dimensions of the social capital theory that the connection between members, in this case between business and customers, is not only related to common perspective, frequent communication, and close contact (Tsai & Cheng, 2012)(Tsai & Cheng, 2012; Wang et al., 2021), but also about respecting customers, responsible and protect them.

For the theoretical implications, this study contributes to the innovation literature by extending the traditional stages of the innovation process. The key focus is on breaking down barriers that typically make innovation less accessible for small businesses, thereby democratizing the process. It highlights how cultural factors influence innovation, emphasizing that understanding and integrating cultural adoption into the innovation process leads to more effective idea generation and product development. By framing innovation within a cultural context, this study adds a critical dimension to existing models, suggesting that innovation is not just a technical process but also a culturally adaptive one, which can lead to more contextually relevant outcomes.

From a managerial perspective, the study provides actionable insights for organizational leaders. Managers are encouraged to recognize culture not merely as a background factor but as a rich source of innovation that can permeate all levels of the organization. This understanding can foster an environment where innovative ideas emerge more organically and are better aligned with the company's internal and external cultural context. The proposed model offers a practical guide for entrepreneurs, especially small business owners, by breaking down the innovation process into two essential phases. This makes it easier for them to navigate the complexities of innovation and to strategically reconfigure their businesses when necessary. The study is particularly valuable for small enterprises as they prepare to initiate or reorient their innovation strategies, providing a clearer pathway for integrating innovation into their organizational practices.

Finally, this study is not without a limitation. This research focuses on small businesses as milestones in most countries' economies. However, it

has not covered the role of Large Organizations (LOs) and international business. This study needs more generalization by conducting further studies in a quantitative-based approach to test the findings widely. The longitudinal study is also suggested to see how the process develops and adapts over time. Lastly, both cultural adoption and values can be explored in different ways, for example by focusing more on what role they play in rapidly changing business or exploring more the different cultures and values when a business operates in different countries.

Moreover, this study may also be a good starting point for research in creating and exploiting innovation opportunities by entrepreneurs. In practice, entrepreneurs may start to seriously account these three elements, from culture adoption, personal values and organization values in their innovation process. Since the limitation of this research in further work on the research topic undertaken, it is also planned to use methods MCDA to present a correlation between creation innovation and important elements of social theory capital.

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