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A MODEL OF MANAGING INNOVATION OF SMEs IN INDONESIAN CREATIVE INDUSTRIES

Yudi Azis[♣]
Universitas Padjadjaran

Mohd. Ridzuan Darun
Universiti Malaysia Pahang

Dwi Kartini
Universitas Padjadjaran

Merita Bernik
Universitas Padjadjaran

Budi Harsanto
Universitas Padjadjaran

ABSTRACT

Companies in today's business environment, including SMEs, are expected to produce a product that is creative and innovative. However, there is still a lack of sequential guidance about how to manage innovation particularly for SMEs in creative industry. The objective of this research is to develop a research model for managing innovation by outlining key success factors in creative industry through analyzing some of the conditions of successful SMEs in Bandung, Indonesia. In so doing, the method used in this study is a case study research methodology. Cases of SMEs in the creative industries were taken based on several criteria, including awards received among others. This was done to ensure whether the selected SMEs represent those with best practices. Data were collected for each company using semi-structured interviews, archival documents, public documents, and direct observations. Cases were selected on each of the fifteen sub-sectors in the creative industries in the city. The main finding of this study is a model with three stages for managing innovation in the creative industries. The novelty of this study is that such model, we believe, has never been developed in the context of creative industry in Indonesia. From this study we hope that this stage-based model can serve as a reference for creative industry practitioners to sustain the growth of their business.

Keywords: Creative Industries; Managing Innovation; SMEs; Bandung.

1. INTRODUCTION

The creative industries are currently believed to be one of the leading industries capable of contributing significantly to the economy of a nation (Colapinto, & Porlezza, 2012;

[♣]Corresponding author: Universitas Padjadjaran, Jl. Dipati Ukur No. 35, Bandung 40132, Indonesia. Email: yudi.azis@unpad.ac.id

Anderson et al., 2014). Many studies have been conducted by international organizations regarding the development of the creative industries. For instance, the World Intellectual Property Organization conducted research in 45 countries in 2012 (both in developed and developing countries), suggesting that the economic contribution of the creative industries to the GDP was 5.20%, and the employment reached 5.36%.

The creative industries are those that rely on the production of goods and services to generate added value based primarily on creativity and (intellectual) knowledge. They can be sourced from the ideas, arts, and forms of technology managed to create prosperity (Müller et al., 2009). Unlike more conventional industries, which depend on capitals in the form of logistics, raw materials, and locations, the creative industries rely on creativity and knowledge capital, which are argued to never run out and be owned by the whole stratification of society (i.e. borderless ownership). Therefore, the creative industries have a good enough potential to develop considering that they rely on virtually unlimited resources, based on human intellect. In discussing the formal cluster application model to the creative industries, Davis et al. (2009) find several challenges in approaching the creative industries, to name a few, such as understanding accurately the nature of innovation processes. However, while the creative industries sector shows high business rates, the business failure rate is equally high (Hotho & Champion, 2011).

The discussion about how to manage innovation in the creative industries is still unclear. For instance, Colapinto & Porlezza (2012) have attempted to discuss innovation in the creative industries, from the quadruple helix model to the systems theory. However, they focus on theoretical approaches to explain the current paradigm shift in innovation in the creative industries. Potts & Cunningham (2008) have also discussed four models illustrating the relationship between the creative industries and the whole economy and have empirically examined each model. However, the proposed four models do not discuss how to manage innovation processes. Hence, there is still a lack of technical references for practitioners serving as guidance on how to manage innovation in complex creative industry activities.

The creative industries can be considered relatively new in Indonesia. The discourse on the creative industries in Indonesia first appeared in 2005 through community discussions in Bandung. Echoes of the industries became stronger after the Ministry of Commerce launched a program called "Indonesia Design Power" in 2006 that aimed to improve product design in Indonesia. The Creative Economy Sector has good prospects in the job creation in the future given that the city of Bandung has a great market potential locally, regionally and nationally, reflected in the large number of residents and number of entrants (Bergendahl & Magnusson, 2015).

In 2007, the city of Bandung was used as the pilot project for the development of the creative industries in Indonesia. The development of the Creative Economy Sector in Bandung city from year to year has been showing an increasing trend. In 2002, the Creative Economy Sector accounted for 12.82% of the GDP in Bandung, subsequently increasing to 14.46% in 2007 (LPPM Unpad, 2014). Wang et al. (2007) analyze the characteristics of the creative industries, leading them to the argument that several factors such as creative business environment and capital would be associated with improvements of the creative industries in a city.

As an example, Lazzeretti (2012) has conducted a study on the creative industries and innovation in the European context, presenting core concepts, measures, and comparative case studies. Nevertheless, since the covered subsectors of the creative industries and their definitions may differ across different countries, it is still unclear how concepts and measures work for the Indonesian context, particularly in terms of managing innovation in Bandung City. Therefore, this study aims to develop a research model of managing innovation based on lessons learned from several creative industry cases in Bandung city. The main research question is how SMEs in the creative industries, particularly in Bandung, Indonesia, have successfully managed their innovation. In this article, the researchers present a study about innovation management in the context of SMEs in Indonesian creative industries. It is expected that through the results of this study, companies can get insight into how to manage innovation in the creative industries and how they can improve their innovativeness.

2. LITERATURE REVIEW

The concept of innovation has a long history. It is developed mainly based on competition between companies and the different strategies used by companies to compete. According to Anderson et al. (2014), the definition of innovation includes the development and implementation of something new. With regard to the term "new," Bergendahl and Magnusson (2015) explain that it does not mean “original,” rather “newness” (or novelty). Given this idea of novelty, just as clarified by Schumpeter (1934), innovation is the creation and implementation of something with value in the eyes of consumers. Something is said to be innovative when someone adds value to a product, service, work processes, marketing, delivery systems, and policies, not only for the companies themselves but also for other stakeholders, including the society (Müller et al., 2009). There are several forms of innovation: (a) introducing a new product or a qualitative change in existing products, (b) introducing a new process to industries, (c) opening new markets, (d) developing new sources of supply of raw materials or other inputs, and (e) changing in industrial organization (Anderson et. al., 2014; Azis and Osada, 2010; Azis and Osada, 2013).

The discussions of managing innovation in the creative industries are still limited. In the context of the creative industries, Potts (2007) offers an evolutionary view of the creative industries. He offers a new view of economics in the creative industries as part of the innovation system of an evolving economic order. Furthermore, Potts & Cunningham (2008) develop four models of the creative industries. However, the proposed four models do not discuss how to manage the innovation processes. Wilson & Stokes (2005) have distinguished managing creativity from managing innovation. They highlight the importance of recognizing this difference for cultural entrepreneurs, such as creative industry practitioners. They argue that in order to increase the success of small creative businesses, practitioners need to manage both new idea generation (i.e. managing creativity) and commercialization of those ideas (i.e. managing innovation). However, the practical guideline in managing innovation is still a mystery.

According to the Ministry of Creative Economy of Indonesia (LPPM Unpad, 2014), there are overall 15 types or sub-industries within the creative industries: (1) Advertising, (2)

Architecture, (3) market of Goods Art (4) Craft, (5) Design; (6) Fashion; (7) Video, Film and Photography, (8) Interactive play, (9) Music, (10) Performing Arts, (11) Publishing and Printing, (12) Computer Services and Software, (13) Television and Radio, (14) Research and Development, and (15) Culinary. A brief explanation on each type is provided in Table 1.

Table 1: Explanations of Each Sub-industry in the Creative Industries, adopted from Ministry of Creative Economy of Indonesia

No	Types of Creative Industries	Explanation
1	Advertising	Related to advertising services (one-way communication using a specific medium), which includes the process of creation, production, and distribution of the resulting advertising
2	Architecture	Related to services with building design, construction cost planning, conservation of heritage buildings, both overall construction supervision of macro-level (Town planning, urban design, landscape architecture) to the micro level (construction details, such as: architecture garden, interior design)
3	Art Goods	Related to trade in goods original, unique and rare and has a high aesthetic value through auctions, galleries, shops, supermarkets, and the Internet
4	Craft	Related to the creation of production and distribution of products produced by skilled craftsmen who started from the initial design to the process of settlement products
5	Design	Related to the creation of graphic design, interior design, product design, industrial design, corporate identity consulting and marketing research services as well as the production of packaging and packaging services.
6	Fashion	Related to the creation of clothing, footwear design, and other fashion accessories design, production of fashion clothing and accessories, consulting fashion product lines, as well as the distribution of fashion products
7	Video, Film and Photography	Related to the creation of production video, film, and photography services, as well as the distribution of video recordings and films
8	Interactive Game	Related to the creation, production, and distribution of computer and video games that are fun, agility, and education
9	Music	Related to creation / composition, performance, reproduction, and distribution of sound recordings
10	Performing Arts	Related to the business of content development, production performance
11	Publishing and Printing	Related to content writing and publishing books, journals, newspapers, magazines, tabloids, and digital content as well as the activities of news agencies and news search

Table 1: Explanations of Each Sub-industry in the Creative Industries, adopted from Ministry of Creative Economy of Indonesia (con't)

12	Computer Services and Software	Related to the development of information technology including computer services, data processing, data base development, software development, systems integration, systems analysis and design, software architecture design, software and infrastructure design hardware, as well as design portals including maintenance
13	Television and Radio	Related to business creation, production, and packaging of television shows, broadcasting, and transmission, content of television and radio shows
14	Research and Development	Related to innovative businesses that offer science and technology invention and application of science and knowledge for the improvement of products and creation of new products, new processes, new materials, new tools, new methods, and new technology that can meet market needs
15	Culinary	Related to the creative effort in the field of food and beverage, processed food and beverage products

Source: LPPM Unpad, 2014

In the creativity context, Bilton (2007) challenges the stereotypical opposition between 'creatives' and 'suits'. He draws his study from the theory of management and creativity and the experience of individuals in order to distinguish between the management of creativity and creative approach to management. Townley et al. (2009) discuss about managing in the creative industries. The authors provide a brief overview of contention concerning the creative industries. They suggest that in the creative industries research, it is important to consider certain aspects, namely intellectual capital (creative ideas), social capital (networks), and cultural capital (recognized authority or expertise). Azis and Osada (2009, 2013) argue that Design for Six Sigma can be used as a tool for managing innovation in healthcare and financial service organizations. They compare Six Sigma Initiatives with Total Quality Management in the context of managing innovation (Azis and Osada, 2009).

Further, Tang (1998) has proposed an integrative model of innovation in organizations. His study is based on multiple perspectives, integrating knowledge related to creativity, dynamics of organization, and innovation. The project raising and doing process is the center of their model, enabled by knowledge and skills, motivated behavior of people, and their integration with the whole organization. As a source of innovation is information, while the results are the new products, processes, and services. They point out that innovation model can work only if information is communicated to the motivated people who have the suitable skills and knowledge. Meanwhile, the organization should provide a guiding principle and resources to support the direction and innovation. In addition, the authors also examine external environment factors that impact the organizational mission, strategy, and task. Nevertheless, there appears to be a lack of guidance about how to manage innovation particularly for SMEs in the creative industries.

Azis et al. (2014) conducted a seminal study about several key factors for managing innovation in the creative industries, sampling 7 subsectors or sub-industries of the

creative industries mentioned (i.e. Architecture, Design, Fashion, Music, Performing Arts, Computer and Software Services, and Culinary). They found several key success factors for managing innovation in the creative industries: (1) the combination paradigm in design with reverse thinking approach, (2) the mindset for community development; and (3) the emphases on unique value, (4) the creative human resources, (5) the availability of raw material resources, (6) the word of mouth communication, (7) the website that is easily accessible and informative, and (8) the spirit of entrepreneurship. The key success factors were grouped in three stages: innovation idea generation, product design and production, and commercialization. Nevertheless, it is still unclear how these key factors of managing innovation interact for a sustainable growth. A further examination, with more cases, is needed to understand how successful SMEs have managed their innovation.

3. METHODOLOGY

This study uses case study research methodology to build knowledge about innovation management from successful SMEs as one of the emerging methodological approaches in management (Eisenhardt and Melissa, 2007; Barrat et al., 2011, Ravenswood, 2011). Many studies in the creative industries have used case study methodology considering that it is an appropriate methodology to generate in-depth qualitative data from multiple perspectives (Hotho & Champion, 2011). Using a qualitative approach, the researchers study SMEs in their natural setting, with very little intervention to their daily operations. Case study designs may handle a wide range of research questions such as how, why, or what of an studied issue and be able to assist researches to describe, explain, explore, evaluate, and theorize about complex issues (Neuman, 2006; Yin, 2014; Ketokivi and Thomas, 2014, Azis, and Osada, 2010). The study outcomes may lead to an in-depth understanding of processes, practices, behaviors, and relationships of the studied issue.

There were several major steps in conducting this study, i.e. conducting a preliminary study, gathering data, creating database, conducting a detailed analysis, and developing a model.

The first step was to conduct a preliminary study to select cases of the SMEs that would be examined. Several selection criteria were considered, such as whether or not the SMEs had received awards, were pioneers in the industries, or were well known in the community. This was done to ensure whether the selected SMEs represent those with best practices. In addition, the ease of access to collect the data was also taken into consideration (convenience sampling). Ericksen and Dyer (2004) present an example on how to select cases concerning teams with high and low performance in their attempt to understand how teams could succeed. The current study followed the logic presented by the mentioned study.

The list of cases is presented in Table 2. As mentioned, according to the Ministry of Creative Economy of Indonesia (LPPM Unpad, 2014), there are fifteen sub-industries or sectors in the creative industries. SMEs coming from seven of them (U. Indonesia, WGGH, PSD, MCC, SAUJ, DiHa, BAMD), one SME per sub-sector, were examined in Azis et al. (2014). Thus, Table 2 provides a recapitulation of all SMEs studied in all the sub-industries in the creative industries in Indonesia.

Table 2: SMEs studied based on the Sub-Industries

No	Sub-Industries	Companies	Period of Research
20141	Architecture	U. Indonesia	2014 (six months period)
20142	Design	WGGH	2014 (six months period)
20143	Fashion	PSD	2014 (six months period)
20144	Music	MCC	2014 (six months period)
20145	Performing Arts	SAUJ	2014 (six months period)
20146	Computer and software services	DiHa	2014 (six months period)
20147	Culinary	BAMD	2014 (six months period)
20151	Craft	PTKN	2015 (six months period)
20152	Art Goods	SSO	2015 (six months period)
20153	Television and Radio	PTRAS	2015 (six months period)
20154	Interactive Game	PTABK	2015 (six months period)
20155	Advertising	IBDGMN	2015 (six months period)
20156	Publishing and Printing	PTGRI	2015 (six months period)
20157	Video, Film and Photography	IFBandung	2015 (six months period)
20158	Research and Development	BHTVF	2015 (six months period)

The next step was to gather data to understand how innovation was being managed on each case of SME. Data collection was done by case study approach to doing research (Yin, 2014). The contents of the interview protocol are: Outline of case studies, field procedures, case study questions, and guidelines for reporting a case study. In general, case study questions in this protocol were about how to get creative ideas, how to realize these ideas into a commercial product, and how to commercialize products that can be received by the consumers. More specifically, questions were addressed related to the considerations for selecting innovative products, the competitors and the customers, and key success factors in generating product ideas. At the stage of the realization of the idea, some key questions included those related to the considerations made in designing and packaging the products, the product quality, the product differentiation aspect, the product design process, and key success factors in the design of the product. Some questions at the stage of commercialization included those related to the considerations to succeed in marketing the products, the considerations about the distribution, pricing, and promotion, and the key success factors in bringing products to the market.

Data were collected for each SME with semi-structured interviews, archival documents, public documents, and direct observations. Data was collected to obtain general information about the condition of the SMEs and general approach to innovation. In conducting the semi-structured interviews, respondents were selected using purposive sampling technique. They were selected based on their key role of innovation in these SMEs. The interview protocol followed previous studies (Sternberg, et al., 2002; Yin, 2014). The interview was guided using interview question guidance through open-ended questions to clarify and understand the issues and related behaviors. The opening questions were conducted as filter questions in order to confirm whether the targeted respondents were qualified. The opening questions included questions about the company profile (i.e. age of firm and time lengths the respondents had joined the company, number of innovative products, number of employees and firm size, and several innovation-related awards). Such questions were linked with the data collected during the preliminary study.

Interviews continued until the data became saturated, where there was no longer any significant additional information. At the time of the interview, all the documents that had been sought were confirmed with the interviewee(s) as needed. Secondary data were collected from various documentations. Documents collected in this study were taken from various sources such as websites, books, research reports, clippings, and print media such as newspapers or magazines. Some other records were also collected, such as work orders, presentation materials, and documentations as well as launching events. Observations were made to strengthen the data collected. Observations were carried out simultaneously with the interview(s), in which the researchers observed the physical condition as well as offices and factories. The online questionnaire activities were also conducted to strengthen the selection of the SMEs. The questions posed in the questionnaire were in the form of a combination of open-ended and closed questions. Data collected were then summed to improve the tracking of evidence, creating a database of evidence supporting the use of software for qualitative research.

A database was created for each case (i.e. each SME) that highlighted main events and presented based on a period of innovation as proposed by Van de Ven et al. (2008), namely: Initiation period, the Development, and Implementation. The data were analyzed as a whole to get the main ideas and to create a detailed description for each case. The scope of the cases was defined, filled, and completed by using an analytical description to determine the closure of each case and to find some unique patterns. To connect the data to a proposition, this study uses a pattern matching technique (Yin, 2014), which is a comparison between patterns that emerged from the data and the theoretical construction that had been formulated earlier.

A detailed analysis was completed using case descriptions from the collected data. Open coding (Neuman, 2006) was conducted to quickly identify topics or issues of interest to researchers by using the query word frequency. This step helped to get a first impression about important issues. The open coding process is a process to understand relevant phenomena observed. The observed phenomena were then grouped into emerging themes or categories that were relatively close in association with one another (Burnard, 1991; Neuman, 2006). This step, Axial Coding (Neuman, 2006), was conducted to look for patterns, themes and explanations of events related to the coded words. In this step, researchers reflected the data collected comprehensively and evaluated them based on a theoretical foundation, personal experiences, and discussions with informants, which would lead to a series of themes related to the construction process of innovation. These categories formed a preliminary framework for analyzing the issue. During subsequent stages of analysis, these formed categories were gradually replaced, refined, and modified as necessary as the level of understanding increases. In other words, during the selective coding (Neuman, 2006) as a final step, the themes were evaluated repetitively in conjunction with the rest of the data until the researchers built certain conceptual understanding, which eventually led to the discovery of the key factors to further develop a model of successful management of innovation. In order to avoid biasness of the data, all the findings and any preliminary data that had been collected were included, even if the data did not seem to be useful. The research team saw all the data to arrive at a conclusion or offer constructive feedback. Providing all the data to the team and confirm the data to the interviewees prevented misrepresenting the information and reduced the biasness of the data.

The researchers analyzed similarities and differences across multiple cases. In one instance, the analysis was conducted by studying several things that were collected on a major event. Narrative analysis (Neuman, 2006), where narratives were evaluated, was used. It included path dependence (depicting certain chains of special events), periodization (categorizing events into periods), and historical contingency (describing special conditions that come along with certain events). The next step was to write a detailed account of the cases. The first version of the case report was discussed with key informants to obtain feedback in order to improve the accuracy of case reports. The model of managing innovation was derived using the abduction technique and validation using triangulation method as suggested by proponents of case study research methodology (Paavola, 2004; Neuman, 2006; Yin, 2014; Ketokivi and Thomas, 2014).

4. RESULTS

Below is the description of each case, including the company's brief profile, their achievement, and several others aspects that are related to innovation. There are a total of eight cases, representing each remaining subsector that has not been discussed in Azis et al. (2014).

4.1. Companies' Overview

(1) **PTKN** (Sub-industry: Craft) was established in 1995. One of their innovative products is Cawang Art Radio RF-3750, a classic radio. The classic radio was given interesting ornaments such as handwritten wrapping motif, or even a bandage-wrapping calligraphy. The inspiration was taken from the classic radio in the days of Indonesian independence. Up to now, they have received many awards such as an award from the Indonesia Good Design Selection (IGDS). In 2008, they received prestigious awards at the International Forum from the Indonesian Ministry of Culture and Tourism, an award for the Best Partner from Bahana Ventura Awards for National Entrepreneur, and Winner of the 1st ASEAN Award of Excellence in Arts & Crafts. Since 2009, PTKN has established collaboration with PT. Panasonic Gobel. Up to now, the company has booked sales for about IDR 40-60 trillion per year, with around hundreds of employees and 200-500 products per year. One strength point is the combination element. Many have pursued the craft of wood, but not many have combined it with metal element. Decorative metal, painting on brass or copper, mated with wood, Islamic symbols especially calligraphy, is chosen as the focus of this company.

(2) **SSO** (Sub-industry: Art Goods) was founded in 1998. Its main product is called SSO Art Space. It has won several awards such as being the First Prize winner in "The Philip Morris Group of Companies Indonesian Art Awards 1994" Painting Competition, held by the Indonesian Art Foundation. The artwork has also been selected as one of the Best Five Paintings. It also received an honorable mention from the Indonesian Minister of Tourism and Culture for enhancing the creativity of Indonesian paintings. The company's income is estimated about 15 trillion per year, with the number of visitors of about 1000 to 1500 people per week. SSO Art Space started as SSO Art to support for the development of Fine Arts in Indonesia. At that time there were no adequate galleries of Fine Arts with a concept of 'hangout spot'

and a place of artistic expression. SSO's work focuses on multimedia installations that can accommodate difficulty in expressing ideas. Broadly speaking, SSO works in three major areas: social, religious, and local materials.

(3) **PTRAS** (Sub-industry: Television and Radio) was founded in 1990. It has received several prestigious awards such as being the most popular local radio (i.e. 1st winner) in 2015 from Media Wave ID at Bandung Social Wave event. PTRAS holds an Indonesia's book of records from MURI as the Youth Radio Station that has organized an online photo contest with the highest number of participants. In 2015, they reached a sales volume of about IDR 9.5 billion, having increased by IDR 500.000.000 each year. One of their innovative programs is a nightmare show. Utilizing its location and its building known by Bandung residents as one of the haunted places in Bandung, and seeing the enthusiasm of Indonesian people for horror stories, PTRAS Radio had an idea for a nightmare show that would appeal to people. At that time, there had been no other radio program that presented horror stories, thus the nightmare program being established. Seeing the enthusiasm of Bandung citizens for this program, PTRAS was aware of the business opportunity of establishing this kind of program. The nightmare radio show was then followed by the creation of a movie and a special event (i.e. "Ghost House of PTRAS"), all related to the 'nightmare' idea.

(4) **PTABK** (Sub-industry: Interactive Game) was established in 2011. Their main innovative product is a board game. The sales volume is estimated to be around IDR 800 million until 1 trillion. It has created 100-600 board games, with 100 units for a limited edition. One of the achievements for PTABK was to be part of a delegation representing Indonesia in an international event. At the same occasion, board game products of PTABK were sold out only after two days (out of a total of 4 days), validating the product quality and indicating an appreciation by the international community towards game products created by Indonesian citizens. Board games were not something new for people who loved games. They have been around since the 1980s in Germany. However, there had been no board game community created at that time. Due to the hobby of the creators of PTABK to play board games, they thought of an idea to create their own board games. In 2010, they created the first board game named '*Simpang Dago Game*.'

(5) **IBDGMN** (Sub-industry: Advertising) was created in 2010. In 2014, it received an award is from SINDO Trijaya Award as the "Best Online Media." Its revenue is about IDR 80 million per month or IDR 960 million per year. Its production volume for Instagram is about 6 slot-ads per day and for Twitter about 36 slot-ads per day. When social media were booming in 2009, especially Twitter, IBDGMN used this opportunity as a connector of information among its followers. With the increasing number of followers on Twitter, IBDGMN started helping some of its followers to advertise their products. Its main channels until 2011 had been Twitter and Tumblr. As new media technologies continued developing, Instagram emerged as a social media channel that would accommodate graphs, beginning to be popular in Indonesia in 2012. IBDGMN then began to use Instagram as a special advertising media channel to advertise posters or banner-shaped graphs. Along with this, another new trend began to develop in Instagram, in which users could upload a short video known as

'Instavid.' Following this development, promotional activities utilized by IBDGMN have expanded to include video graphics.

(6) **PTGRI** (Sub-industry: Publishing and Printing) was established in 1973. Since established, the company has focused on one main product (i.e. newspapers). Its revenue is about IDR 1 trillion per month, with 100 employees divided into 6 divisions. It produces a total of about 80,000 copies of per day for "*Pikiran Rakyat*" newspaper, 2,500 copies per day for "*Galamedia*" newspaper, and 2,000 copies per day for other newspapers, such as "*Galura*," "*Kabar Banten*," and so on. With the development of technology, PTGRI began to perform updates on the printing system and finally began to receive printing orders other than newspapers such as tabloids, magazines, books, and brochures.

(7) **IFBandung** (Sub-industry: Video, Film, and Photography) was founded in 1999. Its main products are wedding photos, photoproducts, photo studio, fashion photos, family photos, and children photos, among others, with the revenue of about IDR 80 million to IDR 100 million per month. The company received an award at *Anugerah Fotografi Bandung* (Bandung Photography Awards) in the Commercial Photo category, awarded by the Department of Photography and Film of Pasundan University in Bandung. Currently, IFBandung employs 11 permanent workers and 10 honorees. There are approximately 100 pairs of brides per year. In 2007, IFBandung made a new unit named 'Labyrinth Photography,' followed by 'Jukut Photography' the following year. In 2010, it made a creative album-making unit named 'Cactus Packaging.' In 2013, it set up the 'Weeds videography.' In 2014, it made a 'Photographic Alif' unit. In the same year, IFBandung also won a project by one theme park in the city of Jakarta to have a photo booth in the theme park under the name of 'Medishoot Weeds.' Since 2013, IFBandung has been running a photography business school, free of charge.

(8) **BHTVF** (Sub-industry: Research and Development) was established in 2009. One of its innovative products is a 3-D visualization of stereographic land structure, function to monitor the reconstruction and anticipation of underground tunnel disaster. BHTVF was included in the '101 Most Prospective Innovation 2009' by the Indonesian government. One of their main foci is the development of underground tunnels and MRT. In the context of this innovation development, BHTVF, together with a Japanese team, was given the opportunity to take part in the development of Jakarta's Mass Rapid Transit (MRT), starting from determining the subway lines to monitoring during the tunneling process.

Table 3 provides a summary of pattern matching for each key success factor within each company. For example, "the combination paradigm in design with reverse thinking approach" is reflected in the case of PTKN and all other cases. Companies use a combination of key success factors in several different ways, providing uniqueness in their new product. Next, the authors will present a model of managing innovation based on the understanding of how the companies studied have sustained and grown.

Table 3: Summary of pattern matching with key factors proposed in Azis et al. (2014)

No	Key Success Factors Proposed in Azis et al. (2014)	PTKN	SSO	PTRAS	PTABK	IBDGMN	IFBandung	BHTVF
1	The combination paradigm in design with reverse thinking approach	V	V	V	V	V	V	V
2	The mindset for community development	V	V	V	V	V	V	V
3	The emphases on unique value	V	V	V	V	V	V	V
4	The creative human resources	V	V	V	V	V	V	V
5	The availability of raw material resources	V	V	V	V	V	V	V
6	The word of mouth communication	V	V	V	V	V	V	V
7	The website that is easily accessible and informative	V	V	V	V	V	V	V
8	The spirit of entrepreneurship.	V	V	V	V	V	V	V

Note: V = reflected in the case

5. DISCUSSION: A PROPOSED MODEL

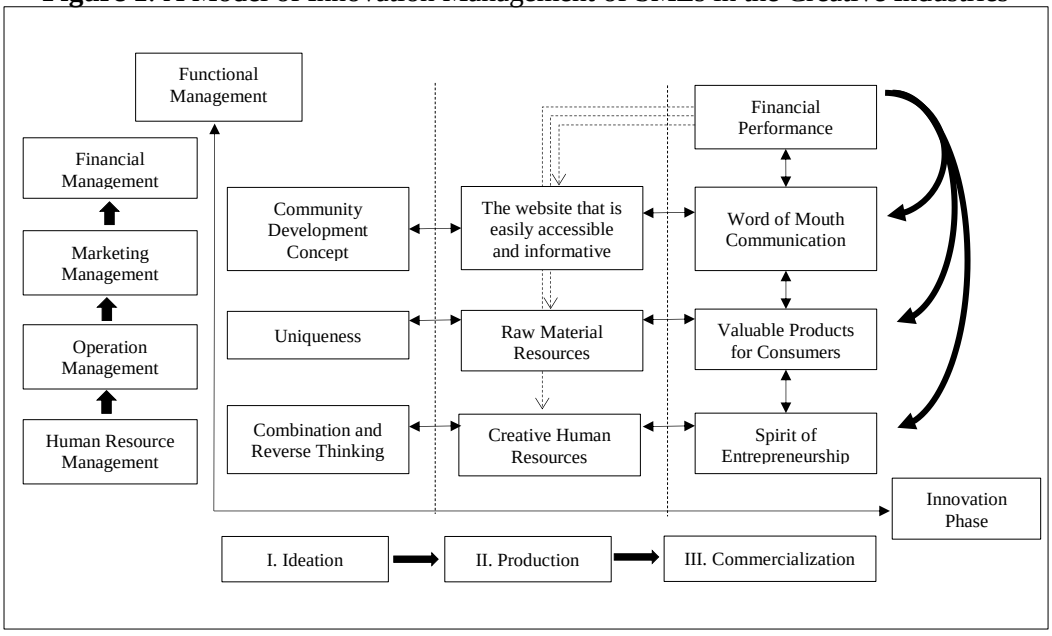
5.1. A Proposed Model of Managing Innovation of SMEs in Indonesian creative industries

Through analyzing the cases, following is a proposed model for managing innovation (see Figure 1). The horizontal axis consists of three stages: innovation ideation, production, and commercialization. The vertical axis consists of four functional managements: human resource management, operations management, marketing management, and financial management. The key success factors based on Azis et al. (2014) are placed within the framework of the second axis.

(a) Ideation Stage

The "combination and reverse thinking" factor inherent in the ideation stage is part of the human resource management function. This factor is about the ability of people to think upside down and try to combine the things that have existed using some adjustment to the context of the existing problems and perspectives. For example, in the PTABK case, the ideation and creation of board game highly relies on the creativity of the human resources. They established a community of board game in order to facilitate the interaction of creative individuals. Another example is shown in the case of PTKN. Their classic radio product was given handwritten wrapping motif and a bandage-wrapping calligraphy as an additional artistic ornament. PTKN has around hundreds of employees creating hundreds of products on a monthly basis. Employees need to be well managed in order to perform a high quality performed by people or human resources. Hence the ability to manage creative human resources is essential. It is part of the human resource management activities that needs to be emphasized in the context of managing innovation. Further, the "uniqueness" factor is placed as part of the ideation stage and the operations management perspective. As seen in the case of PTKN, this is shown in the merging of the metal element into the craft items. Also in the case of SAUJ (Azis et al., 2014), it is a

Figure 1: A Model of Innovation Management of SMEs in the Creative Industries



combination between traditional musical instruments and modern music known today. The third one, the "community development concept" factor, is placed as part of the ideation stage and the marketing management perspective. Creative products need to speak to the community. Hence, it would be easier for creative products to be accepted by the community if they convey the message of developing the community rather than solely for profit-seeking purpose. For example, in the case of SSO, it started as SSO Art Space to support the development of Fine Arts in Indonesia for community development. SSO Art Space was launched because at that time there were no adequate art galleries. This aspect focuses on the external environment, which is the community or the customers, rather than the company itself. The customers are part of the marketing management concept whose needs need to be satisfied.

(b) Production Stage

During the production stage, what is required is the skill to produce creative products (human resource management), combined with all the availability of materials (operations management) urgently needed to facilitate the transition from innovative ideas into real products. In this stage, the entrepreneur should also construct a website to constantly get feedback from customers in the process of translating ideas into products so that the resulting products can be tailored to the customers' values (marketing management). For example, in the case of PTABK, they provide a pre-version of the new product that can be tested freely by the user. In order to constantly get feedback from users, they provide several line communications and interaction both electronically and non-electronically, so the product can be tailored more appropriately based on customers' voice and feedback.

(c) Commercialization Stage

In the commercialization stage, the endurance of the entrepreneur becomes more important since it takes a considerable amount of time to get to the right customers and to penetrate the market. The entrepreneur needs to be open to any adjustments that are needed in the day-to-day activities (human resource management). Further, it is important to emphasize the meaning of value from the perspective of consumers rather than producers. Consumers do not necessarily value something valued by producers. Because consumers buy a product based on an assessment of the value, hence the emphasis of the importance of product value from a consumer's perspective is needed (operations management). In the marketing management aspect, the power of "word of mount communication" would naturally work if the resulting product does have a high value from the customer's point of view. If this goes on, the financial performance will continue to improve by the increase in sales. It is important to emphasize that good financial performance is needed to feedback into the strengthening of "creative human resources" whether by training or recruitment of new human resources to support the expanding business. The financial aspect obtained will also be needed for the improvement of the operations, such as by securing material resources. In addition, it should also be also used for marketing activities, for example by improving the website and information systems in an effort to communicate the business. For example, in the case of IFBandung, the company started small. Since 2007, through routine new product development activities, the company has managed to leverage its business scale. In 2007, IFBandung made a new unit named 'labyrinth photography,' marking its first milestone. In 2008, it made 'jukut photography.' In 2010, it made a creative album-making unit named 'cactus packaging.' In 2013, it set up 'weeds videography.' In 2014, it made a photographic alif unit. The new products developed have been accepted in the market, securing financial performance. By gaining financial results each year, they have been able to invest and leverage their business as an organic sustainable growth.

By doing iterations using this model, business wheels will gradually run and business will achieve a competitive advantage. Business will continue surviving in a way that promotes "sustainable organic growth." It is believed that such a model differs from existing models in different industries such as one proposed by Smith and Tushman (2005) and Malhotra (2000). The differences in the models are especially in terms of the industries, methodology used, and scope of analysis and factors highlighted. Smith and Tushman (2005) highlight the roles of top management team in effectively exploring and executing strategic innovation agenda. Their model is general for organizations in any industries and not dedicated specifically to certain industries such as the creative industries. It is derived from literature study rather than case analysis or empirical study. Another model or framework, one by Malhotra (2000), explains business model innovation. He highlights the importance of knowledge management for new business environment. It provides a sensemaking model of knowledge management that is necessary for sustainable competitive advantage in new business environments characterized by dynamic, discontinuous, and radical pace of change. These characteristics are also present in the creative industries.

5.2. Contributions, Limitations and Future Research Directions

The main contribution of this study is a managing innovation model that is developed to explain how successful SMEs manage innovation in the creative industries by explaining the relationships among key factors that have been proposed in Azis et al. (2014). This study confirms all factors that have been studied on the Azis et al.'s (2014) key success factors. Furthermore this study provides a new insight and explanation on the relationships among key factors in terms of the four functional management areas (i.e. human resource management, operations management, marketing management, and financial management). The relationships among the key success factors are presented in the proposed model as a stage-based model and its loops for managing and sustaining innovation. The novelty of this study is to confirm and refine the factors collected by Azis, et al (2014) and to put these factors in the functional management framework rather than a standalone list of factors. Furthermore this study contributes to building hypothetical relationships among those factors based on in-depth understanding of cases collected in all subsectors of the creative industries in Indonesia. It is believed by focusing on these key success factors, following each stage and performing the iteration, practitioners in the creative industries will be able to be successful, sustain, and grow their business.

Further, this study has certain limitations. First, the data used highly rely upon open source documents. Some documents are not available due to secrecy by the management. The number of interviews conducted for each company is also considered limited. Ideally, in the study of examining factors of success for SMEs in the creative industries especially in terms of managing innovation, we need to gather data not only from successful SMEs, but also from those considered unsuccessful. However, some SMEs are reluctant to be considered unsuccessful. Hence, rather than comparing the two extremes (the successful and the unsuccessful) in order to understand variations of success factors more holistically, the authors use a detailed approach to understanding the factors that would lead SMEs to succeed. Given this, this study contributes to some understanding of how innovation works in the creative industries in Indonesia. Future studies are needed for each sub-sector or industry within the creative industries to have better understanding of the characteristics of each sub-sector as it might have specific critical success factors, thus a potentially different, modified, model of managing innovation. Another research direction is also to evaluate whether other industries follow similar patterns as presented in this model.

6. CONCLUSION

This study aimed to develop an innovation management model concerning SMEs in Indonesian creative industries by identifying their key success factors. The model was developed through an exploration of best practices in the chosen SMEs. The main finding of this research is a proposed model that presents a loop of relationships that would be expected to lead to sustainable organic growth for SMEs in creative industries. Developed using a case study approach, the model is intended to help business people of the SMEs to accelerate the competitiveness of their business in the industries. Data were collected for each company with semi-structured interviews, archival documents, public documents, and direct observations, all subject to triangulation. Cases were selected for

each of the sub-sectors of the fifteen sub-sectors in the creative industries. The results of this study confirm and extend the key success factors that have been found in Azis et al. (2014), grouped into three stages: ideation, production, and commercialization. Each of the stages is juxtaposed with the four corresponding functional management areas: financial management, marketing management, operations management, and human resource management.

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