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# Open Innovation for Sustainability in the Social Enterprises: An Empirical Evidence

**Abstract:** Social enterprises are currently receiving high attention from academics and practitioners because of their hybrid nature to achieve profit while achieving the planned social mission. To achieve its social mission as well as financial sustainability, social enterprises need to have the ability to carry out sustainability innovation which helps them balance these two goals. This paper aims to explore open innovation for sustainability in social enterprises. The research question posed is: What type of innovation for sustainability is practised by social enterprises? And, how are external partners involved in the open innovation for sustainability in the social enterprises? A multiple case study approach is used by taking four leading social enterprises in the education sector located in West Java, Indonesia. Our findings indicate that sustainability innovation is practised by social enterprises in the form of providing social benefits in the form of paying for the education costs of their students and providing social services for the surrounding community. Beyond that, ecological benefits are provided in the form of reducing waste and using unproductive land to become productive. Innovation is performed with a different approach from one case to another. All cases studied are collaborating with parties outside the organization to be able to implement sustainability innovation, known as open innovation. This study contributes to the literature by providing empirical research on sustainability innovation in the context of social enterprises, which is still rarely found in the literature.

**Keywords:** sustainability innovation, open innovation, social enterprises, education, case study

## 1. Introduction

Open innovation is an emerging concept in the last two decades that Chesbrough first introduced through his book (H. W. Chesbrough 2003). In the open innovation concept, firms in addition to using internal ideas, should also use external ideas when innovating. Open innovation combines ideas and contributions from internal and external to be able to reach innovation success. Open innovation is one of the streams in innovation that gets the most attention, along with the increasing complexity of business and the development of information communication and technology that allows the smoother flow of knowledge both into and out of the firms (Bogers et al. 2018). As an illustration, as of the writing of this paper, Chesbrough's 2003 book has acquired over 25,000 citations on Google scholar.

Prior research on open innovation is carried out extensively on a wide set of domains such as in the high-tech industries, large enterprises, or small and medium enterprises (SMEs) which are fully profit-oriented organizations, or in government and public organizations that are fully non-profit oriented (Bogers et al. 2018). To date, there are still lacking studies on open innovation conducted on hybrid organizations such as social enterprises. Social enterprises are companies that seek profit to finance social programs and activities (Doherty et al. 2014). In hybrid organizations such as social enterprises, managerial tensions and stakeholder pressure can be high due to the clash of priorities between financial and social mission (Battilana and Lee 2014).

To gain a deeper understanding of open innovation in social enterprises, it is necessary to comprehend the innovation practices of social enterprises and to identify the open innovation partners and its mechanism. More specifically, in this study, we are focused on a sort of innovation known as innovation for sustainability, which aims for financial,

ecological, and/or social benefits simultaneously, known as innovation for sustainability or interchangeably also referred to as sustainability innovation or sustainability-oriented innovation. Thus, the following research questions are proposed:

Q1. What type of innovation for sustainability is practised by social enterprises?

Q2. How are external partners involved in the open innovation for sustainability in social enterprises?

To address these research questions, the next section briefly reviews previous literature related to innovation for sustainability in social enterprises. The third section contains a detailed explanation of the methods used in this study. In the fourth section, case study findings on the innovation for sustainability practices by social enterprises as well as the identification of external partners and the mechanisms of interaction that occur between external partners, are presented. Finally, the conclusion is presented in the fifth section, along with research limitations and further directions.

## 2. Innovation for Sustainability in the Social Enterprises

Open innovation is an innovation process characterized by knowledge flows that are managed intentionally to cross organizational boundaries with the system is more open than traditional models (H. Chesbrough and Bogers 2014). This innovation was developed based on the observations of several large innovative companies, and there are some deviations that occur in traditional practices (H. W. Chesbrough 2003; Gassmann, O., Enkel, E., & Chesbrough 2010). Chris Freeman and several others revealed that open innovation builds on the general model of vertically integrated industrial R&D (Freeman 1974).

There are three antecedents that help in the formation of open innovation ideas. First, scholars have understood that since the 1970s, the source of innovative ideas has often come from outside the company (West et al. 2014). Second, open innovation builds on the advantages of the innovation framework developed by (Teece 1986) in which he pays special attention to the challenges that companies face in taking returns from their innovative efforts. Third, the emerging interest in the role of business models (West et al. 2014) is because in the 1990s, companies used the internet to develop new value chains and revenue models.

Innovation for sustainability comes from two words, namely innovation and sustainability. The merging of these two concepts ultimately creates a new paradigm where this combination gives rise to several concepts, such as sustainable innovation, environmentally friendly innovation, or sustainability-based innovation (Maier et al. 2020). Innovation for sustainability can be defined as the commercial introduction of a new product or service, product service system, or pure service that leads to environmental and/or social benefits over the previous life cycle (Hansen and Große-Dunker 2013).

Innovation for sustainability is formed from three dimensions (Adams et al., 2020). First, stand-alone or integrated innovation. This dimension is internal to the company, where sustainability thinking will be thought out and explained based on each department, function, product or process. Second, innovation is Technological/Socio-technological, where this innovation will affect social and organizational factors inside and outside the company. Third, innovation is insular or systemic. Companies that do innovate for sustainability will seek their limits in overcoming sustainability challenges by taking into account broader systemic considerations.

Social enterprises can be defined as a process that involves innovative thinking and a combination of resources to pursue opportunities in catalyzing social change and/or meeting social needs (Mair and Martí 2006). In social enterprises, the profits earned are used for the creation of social value and for meeting social needs (Littlewood and Khan 2018). Therefore, social enterprises eventually continue to grow in number and are used to overcome poverty, environmental degradation, and moral injustice.

## 3. Methods

This study uses a qualitative approach using case study methods to gain an in-depth understanding of innovation for sustainability practices carried out by social enterprises, along with the identification of key partners and their mechanisms for interacting in open innovation. This approach is taken because of the exploratory nature of the study. Prior literature suggests that when a particular area of a field is still lacking research and requires exploration, then the case studies method is recommended to be used (Yin 2015). Data collection was conducted through semi-structured interviews with interview guides constructed based on research questions covered in the study, including innovation for sustainability practices, key partners for open innovation, and the role of and interaction between key partners in open innovation for sustainability. The study focused on four social enterprises based in West Java Province in Indonesia. West Java Province is the largest province in Indonesia in terms of density and one of the widest in terms of area, so it has become a barometer in Indonesia for economic activities, including social enterprise activities.

These four social enterprises are founded within educational institutions in the form of Islamic Boarding School or well-known as *pesantren*. In Indonesia, a social enterprise in the field of education is the most popular practice. These social enterprises were chosen because of their leading characteristics in the region and nationally and are often used as pilots. At each enterprise, we interview CEOs and other elements of the company who can provide insights into this research topic. The interview was conducted in the second half of 2021 through a combination of online and face-to-face interviews in their place accompanied by direct observation of social premises enterprises. Interviews are recorded with the consent of participants and then transcribed for analytical purposes.

The data that has been collected is then analyzed using the principle of thematic analysis by identifying emerging themes from the interview. Thematic analysis is an approach to drawing conclusions from themes that repeatedly arise from data sources (Braun and Clarke 2006). The steps taken in the analysis after the data in the form of transcription is available is to do initial codes through the process of reading in detail the data and providing code on transcription. Next is the search for themes based on the initial codes that have been generated, followed by a review of these themes to make sense. The last is the naming and defining of each theme so that it is clear the meaning and difference between one theme and another theme, along with the connection between one theme and another theme (Braun and Clarke 2006). This process is aided by Excel spreadsheets and NVivo 12 software.

### 3.1. Case Study Profiles

#### 3.1.1. Social Enterprise A

Enterprise A is a social enterprise that aims to finance Islamic boarding school (*pesantren*) activities that have been established since 1932. The school focuses on and is known for its economic development. The school is headquartered in a region in the east part of West Java Province and has branches located in 63 regions throughout Indonesia. It is currently managed by the fourth generation. This enterprise has a 43-unit business consisting of four sectors, a) financial sector. The financial sector in this *pesantren* is in the form of BMT, which is saving sharia loans. b) Retail sector, in the form of a minimarket; c) shrimp pond sector with an area of about 15-20 hectares. This shrimp farm became one of the flagships of this enterprise; d) SMEs consists of several SMEs, namely the business of heavy water ponds, restaurants, bakeries and refilling drinking water.

During the Covid-19 pandemic, the *pesantren* financial sector was in a stagnant phase. In fact, in this sector tends to have to do relaxation. This is due to uncollectible payments. In the culinary sector experienced a fairly pronounced impact, whereas in this sector experienced a decline of up to 50%. As a result of this decline, eventually, some outlets had to be closed. One of the causes of this decline is the unpreparedness of human resources to adapt to technology. This is because the human resources in this *pesantren* are

not ready to deal with the change in the situation very quickly. The shrimp pond sector did not experience any problems during the pandemic, so it can be said that this sector is quite stable. In the retail sector, especially minimarkets, there is an increase in turnover. This is because, during the pandemic, there was panic buying, so people bought goods in large quantities. It can be concluded that the business conditions run by this enterprise are quite stable.

### 3.1.2. Social Enterprise B

Social enterprise B aims to finance the *pesantren* founded in 1934. The majority of students who are in this boarding school are students who are economically disadvantaged. Social enterprise B focuses on the agricultural sector. Initially, this *pesantren* distributed its vegetables to Village Unit Cooperative (KUD), and then KUD sold them to the modern market. However, when the KUD went bankrupt, the modern market finally looked for a vegetable supplier from the KUD, and finally, the *pesantren* started selling directly to the modern market.

There are several modern markets that cooperate with social enterprise B. In addition to selling to the modern market, this *pesantren* also sells its vegetable products to other places, such as restaurants. Even though, during the pandemic, malls were closed, this did not make social enterprise B experience a decline in demand. The products sold are included in basic needs so that during the pandemic, the business unit in social enterprise B experienced an increase in demand. Even consumers order products directly to social enterprise B.

### 3.1.3. Social Enterprise C

Social enterprise C aims to finance the *pesantren* founded in 1977. At first, the *pesantren* establishment only focused on education. Then, in the middle of its establishment, this *pesantren* began to establish an economic unit to meet the needs of *pesantren*. The first economic unit to be established in this *pesantren* was the cooperative. The cooperative was founded around 1980. In 1985, the *pesantren* established the *Balai Pesantren*, which is a form of development of the cooperative. Then, in 1990, the *pesantren* began to establish business units for travel, laundry, convection, and others.

The economic unit in this social enterprise is a small unit compared to the education unit. However, in 2018, the social enterprise's thinking began to change and began to form an economic team. This economic unit has been managed professionally since 2018. However, its movement began to be seen in 2019. During the Covid-19 pandemic, many business units owned by the social enterprise C experienced obstacles, such as the following two business units which experienced obstacles, namely: coconut flour factory and fuel business. Until now, the coconut flour factory has not been able to run. This is because there are differences of opinion between the *pesantren* and the parties invited to cooperate.

### 3.1.4. Social Enterprise D

Social enterprise D aims to finance *pesantren* founded in 1990. Then, in 1994, social enterprise D established a cooperative. The legality of the cooperative at that time was used for BMT. In 1997, all types of businesses in *pesantren* were managed by *pesantren* cooperative (*kopontren*). Social enterprise D has five subsidiaries and four business units. These subsidiaries were previously independent business units for the development needs of Islamic boarding schools. This subsidiary in social enterprise D is engaged in training, human resources outsourcing, contractors, catering, laundry, food court, and wedding organizers.

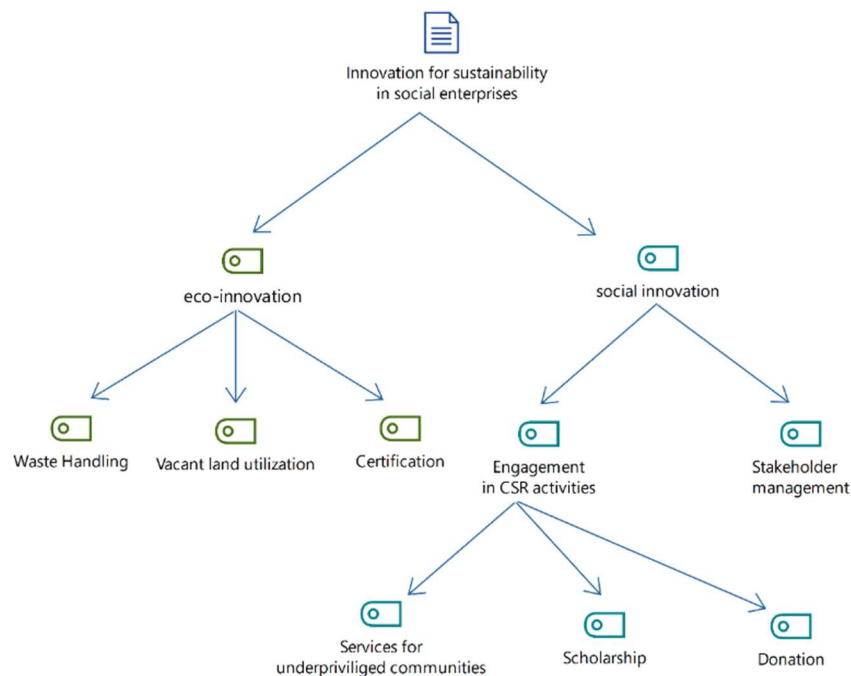
For business units, this *pesantren* consists of several fields, such as supermarkets, transportation and IT, cottage, as well as business unit development and partnerships. The self-service business unit consists of several sub-units, such as wholesalers, stalls, and frozen food. The cottage unit has 24 cottage rooms. The business unit development and

partnership unit are a unit used to partner with MSME members and actors. This unit consists of procurement of goods, bicycles, bakery, seafood, expeditions, and herbal supplements. The Covid-19 pandemic has had an impact on the business units in this *peasantren*. The impact experienced was a decrease in turnover up to 60%. From the initial turnover of 30-35 million, it decreased to 12-15 million per day. In addition, in the transportation and BMT business units, there are also many payments that are in arrears. However, behind the business units that experienced a decline in turnover, there were still business units that contributed during the pandemic. The business unit is BMT savings and loans. Although the liquidity is reduced, the business is still profitable.

**4. Results & Discussion**

*4.1. Innovation for sustainability practices*

The first objective of this study is to analyze innovation for sustainability in social enterprises. More specifically, it is intended to understand the practices carried out so that the social enterprise can finance the mission it has planned. The results of the semi-structured interview showed that the practices carried out include various forms that can be grouped into eco-innovation and social innovation types. Eco-innovation practices include waste handling, productive use of vacant land, technological adaptation for production and marketing efficiency, and certification. The social innovation practices found include providing health facilities for underprivileged communities, encouraging potential prospective students to continue their education by providing scholarships, and involvement in CSR activities through donations to people with disabilities and the visually impaired. Figure 1 shows a map of emerging themes emerging from the analysis.



**Figure 1.** Map of Themes

*4.2. Eco-innovation*

Eco-innovation that is commonly practised is innovation in the form of waste handling. Social enterprise C, for example, has a waste bank to collect waste from all boarding school activities with thousands of students by sorting waste by type. Ownership of this waste bank is not yet common for social enterprises that support

boarding schools. In addition to waste banks, social enterprise C also has a special waste handling mechanism for the business units it oversees in the form of health and laundry clinics. For health clinics, the enterprises have their own waste treatment plant to hold various medical waste and work with third parties to dispose of it in medical-specific landfills. For the laundry business, the company has a mechanism to neutralize waste wasted from washing clothes so as not to damage the surrounding environment. Other forms of waste handling, for example, are practised by social enterprise B where the company manages the remaining production from its plantation business for animal feed and fertilizer.

Another form of eco-innovation that is implemented is innovation to utilize vacant land to be productive to help maintain food security. This innovation is implemented by social enterprise A. By changing the less productive vacant land on the south coast of West Java, covering an area of 10-20 hectares, this social enterprise has succeeded in cultivating the shrimp pond sector, which has high economic value. The innovation carried out by this social enterprise was derecognized by the provincial government as one of the pioneers of innovation in the field of aquaculture in West Java that is able to drive the economy in coastal areas. For the success of this innovation, social enterprise A is often a pilot project for other social enterprises in Indonesia to develop businesses in the field of aquaculture. During the pandemic, this business has also proven to be very resilient and experienced stable business performance.

Another form of eco-innovation is in the form of ownership of certificates to ensure the quality of food products as owned by social enterprise B. Enterprise has a British Retail Consortium Global Standards (BRCGS) certificate which is a global standard for the safety of food products that is recognized globally. For domestic guarantees, this social enterprise has a PSAT (Fresh Food of Plant Origin) certificate issued by the Agricultural Quarantine Agency of the Indonesian Ministry of Agriculture, which is a guarantee that the plants produced can be consumed directly or can be processed after processing as necessary. The ownership of these certificates is a form of innovation because it is still not commonly owned by social enterprises in Indonesia. The ownership of these various certificates is mainly driven by the demands of the market, namely modern supermarkets, which are the main market for those who require these various requirements.

#### 4.3. Social Innovation

Social innovation is an innovation activity carried out with the aim of solving social problems that occur in society. One form of social innovation can be demonstrated by social enterprise B. The majority of students in social enterprise B come from economically disadvantaged families. Therefore, social enterprise B empowers and teaches students to work on agricultural land.

The students in social enterprise B are taught to cultivate agricultural land. This starts from the process of selecting seeds, planting crops, harvesting, and sorting, until finally, the vegetables that have been cultivated can be sold to the modern market. In addition, the students are also taught how to process online sales, delivery systems, and others. From this activity, the students who graduate from the Islamic boarding school can become more independent to work and cultivate their own agricultural land and are not just unemployed.

Social enterprise A also does the same thing as social enterprise B where social enterprise A also empowers its members, such as cadres and congregations. The cadres and congregations participate in providing innovation to the business they will run. Therefore, the ideas they provide can provide benefits to the business sectors in social enterprise A.

Another form of social innovation is social innovation carried out by social enterprise D. Innovation carried out by social enterprise D is in the form of offering various products at low prices so that many local residents, students, or members can increase their income economically by reselling products. In addition, the *pesantren* also

cooperates with local government to provide cheap basic necessities. One example is cheap basic food which costs 100 thousand rupiahs. However, for people with disabilities, it is only enough to pay 80 thousand rupiahs. The Islamic boarding school has also created a program for the blind on the street. There the *pesantren* make ready-to-eat food and basic necessities. Data structure units of meaning innovation for sustainability in social enterprises and open innovation mechanism is shown in Table 1.

**Table 1.** Data structure units of meaning innovation for sustainability in social enterprises.

Innovation for sustainability in social enterprises		
Themes	Sub-themes	Units of meaning structure
Eco-innovation	Waste handling	<i>...from an environmental perspective, there is a recycle for vegetable waste. An example is carrots, carrots that we harvest, the leaves we do not throw away. We usually chop these leaves or cut into pieces to be used as feed for sheep or cattle or used as silage... (SE_B)</i>
		<i>...for laundry, in the washing of jeans, there is a certain waste that is wasted, we use some kind of remedy to neutralize it. In the clinic, we also have our own WWTP... (SE_C)</i>
	Vacant land utilization	<i>... we managed the former iron sand excavation into a shrimp pond. It can be seen that we help the government with land management which ultimately becomes an economic solution for the surrounding community... (SE_A)</i>
Social innovation	Certification	<i>...especially now that we are preparing for BRCGS certification, from upstream we have prepared JAP, PSAT, but in the warehouse we have prepared it for now. This certification will guarantee food safety so that consumers do not have to worry anymore... (SE_B)</i> <i>...we already had halal meat and the slaughter process was covered and aired in the store. The meat has also been halal certified and we attach it... (SE_D)</i>
	Engagement in CSR activities	<i>...from the social side, we collaborate with RT, RW, and kelurahan to open cheap basic necessities. Later, we will facilitate these cheap basic necessities. Yesterday we had cooperation with social institutions in the internals to make cheap food packages for the disabled... (SE_B)</i>
	Stakeholder management	<i>...initially, the members of the cooperative were only 300 people, most of whom came from internal boarding schools. At this time, its members reached 19,000 people and most of them were from this city... (SE_A)</i> <i>We send vegetables in modern markets outside the traditional market... we involve the surrounding community, market traders, farmers, and others... (SE_B)</i>
Open innovation mechanism		
Actors	Sub-actors	Units of meaning structure
Internal actors	Social enterprises' management	<i>...in 2019, when there were structural changes where there were four deputy leaders among of them has background of economics... (the management) more professional... (SE_A)</i>
		<i>...the management also received grants from Japan and various medical devices were also upgraded a lot (mid-pandemic). Therefore, people's confidence in coming to the clinic began to grow. This Japanese grant is for its medical device facilities... (SE_C)</i>
External actors	Religious leaders in the boarding school	<i>...Our current religious leaders, he is indeed an entrepreneur. Our deceased leader was also an entrepreneur... (SE_A)</i> <i>Since the leadership of one of our leaders, this boarding school has undergone a lot of changes. The first thing to do is to change the name, which means good cooperation... (SE_B)</i>
	Alumni of the boarding school	<i>... we are working in agriculture... plus that as much as 80% of this boarding school graduates are farmers... (SE_B)</i> <i>...there are alumni who offer help because they already have their own legal entity... The team had thought of creating a marketplace because there are many alumni who do business everywhere... (SE_C)</i>
	Market/suppliers	<i>...In 1994, we began to be taught how to sort, grading, packing, labeling, giving barcodes, controlling bills, disbursing funds, and so on. From 1994 until now, we still have a good relationship with the modern market and this has been going on for more than 27 years... (SE_B)</i>
	Government/State owned enterprises	<i>...one of business units gets help from state owned enterprise engaged in oil and gas business. It used to be running and in terms of sales, it was also not bad... (SE_C)</i>
	Higher education institutions	<i>...in the end, we together with the central bank and one of well-known management and business school to collaborate to create an online application... (SE_B)</i> <i>...we are under the supervision of the biggest agricultural higher education in Indonesia. The role of the university to plunge into the cottages provide management guidance and collaborate... (SE_C).</i>

Foreign NGOs	...the grant scheme, we put forward a proposal with 70% of medical devices and 30% of buildings with the condition that within 5 years no change is permitted... (SE_C)
Local NGOs	There used to be LP2S and now it is merged into a subsidiary that trains. GSP (formerly called DTSP) is a company, the company's shares are owned by cooperatives, foundations, and the private sector, as well as leaders of pesantren (SE_D). For innovation, we have cooperation in the development of the application. We also improve the integration system. In the past, the financial system was still manual, and now we are trying to integrate it through collaboration with third party. (SE_D)
Private Enterprises	We send vegetables in modern markets outside the traditional market, such as private modern market of X, Y, Z, etc. (SE_B)

Source: authors' elaboration (2022).

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#### 4.4. External Partners Involved and Open Innovation Mechanism

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Traditionally, *pesantren* (Islamic boarding schools) have a religious leader known as *kyai* in Javanese terminology. The role of *kyai* is massive in this institution. He inspires *santri* (students) and gives religious and moral guidance. In most cases, his vision, commitment, and leadership also influence the development of *pesantren*'s business and economy. Based on our observation, the successful *pesantren* business units could not be alienated from the *krai*'s vision and openness to new ideas. Social enterprise D has a young *kyai* figure. He is very concerned about voicing spiritual-based business. He could be regarded as a *kyai* who opens the door to innovation to develop his *pesantren*. Through his leadership, the *pesantren* was able to develop more than 20 business units consisting of television and radio businesses, hotels, restaurants, elementary to high school schools, retail, Sharia cooperatives, and several other sectors. Meanwhile, social enterprise A also has a young *kyai* figure. Under his leadership, the *pesantren* expanded its business activities ranging from modern shop/retails, financial institutions, agribusiness, shrimp pond sector, restaurants, health clinics, and other business units. The way that *kyai* opens innovation is something that needs to be understood from the spiritual point of view. However, there are some practical perspectives that might be understood on how this innovation is occurring in the *pesantren*.

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Based on our observation, there are some channels being utilized by *pesantren* in the process of adaptation and innovation of their business practices. Some of the *pesantren* employees, particularly those who manage its business activities, are commonly followers who had extensive professional experiences before joining the institution. These types of employees might provide a transfer of knowledge for other staff. In addition, there are also trends that several external partners such as universities and non-government organizations have communicated with *pesantren* and developed various management training and mentoring programs to improve managerial skills. These channels are an effective tool to improve the ability of *pesantren* business units to adapt to various novelties or innovations, including in the field of technology.

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Interested parties, including local governments, have facilitated community empowerment programs in *pesantren*. West Java Provincial Government, for instance, initiated an economic empowerment program called One *Pesantren* One Product (OPOP). OPOP is the flagship program of the innovative governor in raising the motivation of *pesantren* to be economically empowered. Unlike capital assistance programs through donations from donors who are concerned with *pesantren*, this program was successful in motivating *pesantren* to compete for business proposals to get financial grants and business assistance programs. The motivation to compete is considered as an effective incentive for *pesantren* to carry out various programs that can promote economic activities. This program also stimulates innovation. Furthermore, the involvement of various groups, including academics and business professionals, in the mentoring sessions has been an effective channel to transfer knowledge, including the idea of innovation.

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Innovation in *pesantren* is also related to geographical proximity to sources of innovation. For example, social enterprise D is located right next to one of the universities,

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which is one of the best campuses in the country. At the beginning of its establishment, students of this public university stayed at the *pesantren*. Some of these students were attracted to the charismatic figure of *kyai*. He is a central figure in the school and known as an Islamic scholar that concerned with preaching inner spirituality. The existence of university students as santri in the *pesantren* added to the excitement of the *pesantren's* business activities. These students had prior knowledge obtained from their respective campuses. Later on, several key figures in this *pesantren* were students (santri) who studied at that university and stayed at the social enterprise D during their university study. It can be argued that this *pesantren* innovation model is only possible for *pesantren* located in urban areas and close to university student activities.

The innovations carried out at *pesantren* are also inseparable from their santri (students) who come from professional circles. This model occurs at social enterprise A, a village area. Nevertheless, some of their activities occurred in urban areas, including in Jakarta, Indonesia's capital city. Activities in urban areas attracted a lot of worshipers and students who eventually participated in *pesantren* religious activities. These students who come from professional circles then occupied several strategic positions in the *pesantren* business unit. This condition results in the transfer of knowledge so that it is possible for innovation to occur in the *pesantren* business unit, which is stimulated by the staff background and experience.

In addition, there are also innovations in *pesantren* through the intervention of local and foreign Non-Government Organizations (NGOs). This occurred at social enterprise B. This school is famous for its ability to take advantage of the geographical environment to develop horticultural and agricultural businesses. Located in a beautiful mountainous area where the community's livelihood is dominated by vegetable farmers, the school is able to develop business units based on the advantages of its geographical area. In addition, the support from *kyai* and NGOs to provide various stimulations, especially agricultural tools and technology, has resulted in these *pesantren* becoming role models in the local and national levels. In addition to improving their economic capacity, the school is also developing community empowerment programs through agriculture with neighbours and local investors who have land but do not have the skills to plant.

We also found the involvement of markets or customers in opening the door of innovation in the *pesantren* business units. Markets often leverage the innovation power of the customer base in a systematic way to increase *pesantren's* innovation performance. In the case of social enterprise B, for instance, this innovation is very visible. This *pesantren* is involved in agriculture and agribusiness and offers agriculture training to its students (santri); the institution is also involved in agro-based community initiatives and partnerships. The *pesantren* stepped out of its traditional mainstream Islamic studies activities and added the implementation of an agricultural production and agribusiness model that imparts young people with practical skills in agriculture, a demonstration of the will to meet the ever-increasing demand for food while nurturing the young generation into agriculture. This *pesantren* provides fresh organic vegetables and dominates some areas. Due to the demand of its markets, particularly customers who are concerned about organic foods, the *pesantren* developed various organic farming models to serve its markets and to sustain its business. In addition, market-based innovation has another variant which is supply-based innovation. In this type, *pesantren* gets insights from its suppliers in terms of goods and services that might serve market needs. Furthermore, suppliers often advise *pesantren* business units to engage in current technological advancements. This market-based innovation has many benefits for *pesantren*, including fresh ideas, shorter time-to-market, and higher margins in the case of organic foods, all of which can lead to profitable growth and sustainability. The dynamic interactions of these various actors can be seen in Figure 2.

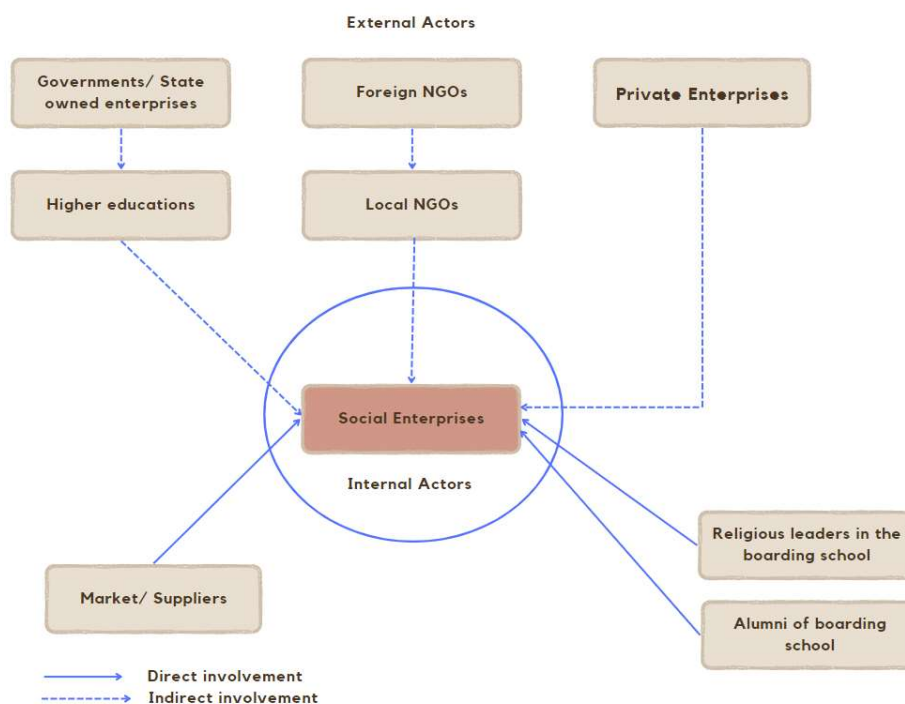


Figure 2. Open Innovation Mechanism in Social Enterprises embedded in Pesantren. Source: authors’ elaboration (2022)

### 5. Conclusions

This study aims to understand open innovation for sustainability in social enterprises. The results of semi-structured interviews show that the practices carried out diverse forms that can be grouped into types of eco-innovation and social innovation. Eco-innovation practices include waste management, productive use of vacant land, technology adaptation for production and marketing efficiency, and certification. In addition, other forms of social innovation are empowering students to work on agricultural land, empowering members, and offering various products at low prices. In most cases, top management vision, commitment, and leadership also influence the business and economic development of the *pesantren*. Based on our observations, successful *pesantren* business units cannot be separated from the *kyai* or religious leader’s vision and openness to new ideas. By presenting empirical research on sustainable innovation in the context of social enterprises, which is still a rarity in the literature, this study contributed to the existing body of knowledge.

This study certainly has its limitations. The social enterprises studied were limited to social enterprises engaged in education. Further research can be done in other fields. Considering that the approach used is a qualitative approach, future studies can use other approaches, namely quantitative or mixed methods. The scope of research is also limited to the Indonesian context. Further research can be carried out in other contexts which are particularly different in their characteristics from the context of this research.

**Informed Consent Statement:** “Informed consent was obtained from all subjects involved in the study.”

**Data Availability Statement** Not applicable

**Conflicts of Interest:** The authors declare no conflict of interest.

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## **2. Bukti Konfirmasi Review Dan Hasil Review Pertama (12 Agustus 2022)**



Budi Harsanto &lt;budi.harsanto@unpad.ac.id&gt;

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Dear **Dr. Harsanto**,

Thank you again for your manuscript submission:

Manuscript ID: JOItmC-1859806

Type of manuscript: Article

Title: **Open Innovation for Sustainability in the Social Enterprises: An Empirical Evidence**Authors: **Budi Harsanto \***, Asep Mulyana, Yudi Ahmad Faisal, Venny Mellandhia Shandy

Received: 26 July 2022

E-mails: [budi.harsanto@unpad.ac.id](mailto:budi.harsanto@unpad.ac.id), [asep.mulyana@unpad.ac.id](mailto:asep.mulyana@unpad.ac.id), [yudi.ahmad@unpad.ac.id](mailto:yudi.ahmad@unpad.ac.id), [venny2001@mail.unpad.ac.id](mailto:venny2001@mail.unpad.ac.id)

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Comments and Suggestions for Authors

Dear Authors,

Thank you for the opportunity to review this paper. The topic is of interest to the scientific community and the aim of the paper is to fill an existing research gap. However, before it is suitable for publication, the following changes need to be made:

1. The citation style is not correct, please amend it.
2. In the abstract, the transition from innovation for sustainability to open innovation for sustainability is unclear.
3. Line 13 the words "in the form" are repeated.
4. In the Introduction section, please the Scopus database instead of the Google Scholar one to refer to the number of citations of the Chesbrough's book. Compared to Google Scholar, the Scopus database is more reliable and truly reflects the interest of the scientific communities towards the Open Innovation paradigm.
5. Line 34. Please always write Open Innovation with capital letters, or alternatively use the acronym OI.
6. I believe that the focus of the paper needs to be revised. In the introductory paragraph the authors introduce the concept of Open Innovation, highlighting the research gap related to the lack of studies investigating the adoption of Open Innovation practices by hybrid organisations. Only in the second part of the paragraph is a specific type of innovation referred to, namely sustainable innovation. Thus, in the introductory



paragraph, I suggest starting with the presentation of the type of innovation pursued by hybrid enterprises i.e. sustainable innovation), and then presenting Open Innovation as a way to overcome the most commonly encountered problems (see managerial tensions, stakeholder pressure, financial and social mission dualism, etc.). In light of this refocusing, the research questions need to be revised.


7. The section on literature is too short and does not allow for a proper framing of the research carried out. I suggest dividing it into two paragraphs, one concerning sustainable innovation or innovation for sustainability, and the other having a specific focus on Open Innovation. In both cases, it is first necessary to present the topic from a general point of view, after which it should be contextualised in the case of social enterprises. In addition, I suggest the following bibliographical references to be considered:
  - a. Rauter, R., Perl-Vorbach, E., & Baumgartner, R. J. (2017). Is open innovation supporting sustainable innovation? Findings based on a systematic, explorative analysis of existing literature. *International Journal of Innovation and Sustainable Development*, 11(2-3), 249-270.
  - b. Payán-Sánchez, B., Belmonte-Ureña, L. J., Plaza-Úbeda, J. A., Vazquez-Brust, D., Yakovleva, N., & Pérez-Valls, M. (2021). Open innovation for sustainability or not: Literature reviews of global research trends. *Sustainability*, 13(3), 1136.
  - c. Bigliardi, B., & Filippelli, S. (2022). Sustainability and Open Innovation: Main Themes and Research Trajectories. *Sustainability*, 14(11), 6763.
8. Expand section 5 by adding future research that the study enables.

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### Comments and Suggestions for Authors

1. The explanation of the results can be addressed according to the steps in the thematic analysis. So it will improve the readability for readers unfamiliar with the thematic analysis approach. For example, what are the initial codes, the generated themes, and the connection between themes?

2. Section 2 can be improved by explaining sustainability and innovation in social enterprise. Several latest three years publications can support the explanation so that the research position will be clear.

3. The terms eco-innovation and social innovation used in Section 4 do not come up in Section 2. How do the authors identify these terms?

4. To support the research questions, more information about the type of innovation for sustainability and the role of external partners need to be elaborated in Section 2.

5. The discussion section needs to be enriched by elaborating the authors' opinions with citations from related studies.



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Comments and Suggestions for Authors  
This paper is of interest and could be an important addition to the social enterprises literature with revision and expansion. I do believe with some work it could be an exceptional addition to the literature. Please refer to the comments for improvement of this paper.

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Dear **Dr. Harsanto**,

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Received: 26 July 2022

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Dear Authors,

Thank you for the opportunity to review this paper. The topic is of interest to the scientific community and the aim of the paper is to fill an existing research gap. However, before it is suitable for publication, the following changes need to be made:

1. The citation style is not correct, please amend it.

**Authors' response:** Thank you for this feedback. In the revised version, citation style sudah diperbaiki sesuai dengan JOITMC style (all pages).

2. In the abstract, the transition from innovation for sustainability to open innovation for sustainability is unclear.

**Authors' response:** Thank you for this feedback. In the revised version of the abstract, the transition from innovation for sustainability to open innovation is smoothed out by the addition of an explanation that in hybrid organizations such as social enterprises, financial and social mission priorities can conflict, resulting in managerial tensions and stakeholder pressure, making open innovation by involving external parties essential (page 1).

3. Line 13 the words "in the form" are repeated.

**Authors' response:** Thank you for this correction. In the revised version, the repeated words of "in the form" already deleted (page 1).

4. In the Introduction section, please the Scopus database instead of the Google Scholar one to refer to the number of citations of the Chesbrough's book. Compared to Google Scholar, the Scopus database is more reliable and truly reflects the interest of the scientific communities towards the Open Innovation paradigm.

**Authors response:** Thank you for this feedback. As suggested, we have searched for this reference several times on Scopus but have not found it, so in the revised version we still include citations from Google Scholar.

5. Line 34. Please always write Open Innovation with capital letters, or alternatively use the acronym OI.

**Authors' response:** Thank you for this suggestion. In the revised version, the spelling of "open innovation" has been adjusted to "OI" (All pages).

6. I believe that the focus of the paper needs to be revised. In the introductory paragraph the authors introduce the concept of Open Innovation, highlighting the research gap related to the lack of studies investigating the adoption of Open Innovation practices by hybrid organisations. Only in the second part of the paragraph is a specific type of innovation referred to, namely sustainable innovation. Thus, in the introductory paragraph, I suggest starting with the presentation of the type of innovation pursued by hybrid enterprises i.e. sustainable innovation), and then presenting Open Innovation as a way to overcome the most commonly encountered problems (see managerial tensions, stakeholder pressure, financial and social mission dualism, etc.). In light of this refocusing, the research questions need to be revised.

**Authors' response:** Thank you for this feedback. We agree with your suggestion, and in the revised version, we have modified the introduction section by presenting in the first paragraph about innovation for sustainability, including the definition, terms that are interchangeably used, and the limitations of studies on innovation for sustainability in hybrid organizations such as social enterprises. Next, we explain that in social enterprises, managerial tensions and stakeholder pressure can be high due to the clash of priorities between financial and social mission. That is why innovation for sustainability, which is inherently complex, becomes more challenging in social enterprises. Thus, open innovation is the way to overcome the most commonly encountered problems by social enterprises, such as managerial frictions, stakeholder pressure, or financial and social mission dualism. In the second paragraph, we deepened about open innovation and lightly revised the research questions (page 1 and 2)

7. The section on literature is too short and does not allow for a proper framing of the research carried out. I suggest dividing it into two paragraphs, one concerning sustainable innovation or innovation for sustainability, and the other having a specific focus on Open Innovation. In both cases, it is first necessary to present the topic from a general point of view, after which it should be contextualised in the case of social enterprises. In addition, I suggest the following bibliographical references to be considered:
  - a. Rauter, R., Perl-Vorbach, E., & Baumgartner, R. J. (2017). Is open innovation supporting sustainable innovation? Findings based on a systematic, explorative analysis of existing literature. *International Journal of Innovation and Sustainable Development*, 11(2-3), 249-270.

- b. Payán-Sánchez, B., Belmonte-Ureña, L. J., Plaza-Úbeda, J. A., Vazquez-Brust, D., Yakovleva, N., & Pérez-Valls, M. (2021). Open innovation for sustainability or not: Literature reviews of global research trends. *Sustainability*, 13(3), 1136.
- c. Bigliardi, B., & Filippelli, S. (2022). Sustainability and Open Innovation: Main Themes and Research Trajectories. *Sustainability*, 14(11), 6763.

**Authors' response:** Thank you for this comment. In the revised version, the section on literature has been expanded. Structurally, we have followed your advice, which is to first focus on innovation for sustainability in social enterprises and then focus on open innovation. Suggested literature has been added to both the literature section and the results and discussion section (page 2-14).

8. Expand section 5 by adding future research that the study enables.

**Authors' response:** Thank you for this feedback. In the revised version, future research directions have been added, among others, to research OI for sustainability in the social enterprises outside the education sector or other regions (page 4).

We are very grateful for the reviews provided by the editors and reviewers of this manuscript. The comments are constructive and the reviewers appear to share our judgement that this study and its results are important. Please see below, in green highlight, our detailed response to Reviewer 2.

All page numbers refer to the manuscript file with tracked changes.

1. The explanation of the results can be addressed according to the steps in the thematic analysis. So it will improve the readability for readers unfamiliar with the thematic analysis approach. For example, what are the initial codes, the generated themes, and the connection between themes?

**Authors' response:** Thank you for this feedback. In the revised version, as suggested, a brief explanation of how the thematic analysis process is carried out has been added. The results of the semi-structured interview showed that the innovation for sustainability practices carried out included various forms identified in the initial coding. Furthermore, this initial code is grouped into two streams of innovation for sustainability, which consist of eco-innovation and social innovation [2,8]. Both are interconnected with each other with different emphasis. Eco-innovation emphasizes the environmental benefits of innovation other than profit, while social innovation emphasizes social benefits other than profit. (Section 4, page 7)

2. Section 2 can be improved by explaining sustainability and innovation in social enterprise. Several latest three years publications can support the explanation so that the research position will be clear.

**Authors' response:** Thank you for this comment. As suggested, in the section 2 of the revised version, we have we added several papers in the last three years discussing on sustainability and innovation in social enterprises particularly on thematic issues and external partners in OI in Section 2 (page 3-4). These papers include:

Bigliardi, B., Ferraro, G., Filippelli, S. and Galati, F. (2021), "The past, present and future of open innovation", *European Journal of Innovation Management*, Vol. 24 No. 4, pp. 1130-1161. <https://doi.org/10.1108/EJIM-10-2019-0296>

Jose-Luis Hervas-Oliver, Francisca Sempere-Ripoll, Carles Boronat-Moll, *Technological innovation typologies and open innovation in SMEs: Beyond internal and external sources of knowledge*, *Technological Forecasting and Social Change*, Volume 162, 2021, 120338, <https://doi.org/10.1016/j.techfore.2020.120338>.

Meili, R, Shearmur, R. *Diverse diversities—Open innovation in small towns and rural areas*. *Growth and Change*. 2019; 50: 492– 514. <https://doi.org/10.1111/grow.12291>

Odrizola-Fernández, I., Berbegal-Mirabent, J. and Merigó-Lindahl, J.M. (2019), "Open innovation in small and medium enterprises: a bibliometric analysis", *Journal of*

Organizational Change Management, Vol. 32 No. 5, pp. 533-557.  
<https://doi.org/10.1108/JOCM-12-2017-0491>

Sungjoo Lee, Gwangman Park, Byungun Yoon, Jinwoo Park, Open innovation in SMEs—An intermediated network model, Research Policy, Volume 39, Issue 2, 2010, Pages 290-300, <https://doi.org/10.1016/j.respol.2009.12.009>.

Yun, J.J.; Zhao, X.; Jung, K.; Yigitcanlar, T. The Culture for Open Innovation Dynamics. Sustainability 2020, 12, 5076. <https://doi.org/10.3390/su12125076>

Pichlak M, Szromek AR. Eco-Innovation, Sustainability and Business Model Innovation by Open Innovation Dynamics. Journal of Open Innovation: Technology, Market, and Complexity. 2021; 7(2):149. <https://doi.org/10.3390/joitmc7020149>

Romana Rauter, Dietfried Globocnik, Elke Perl-Vorbach, Rupert J. Baumgartner, Open innovation and its effects on economic and sustainability innovation performance, Journal of Innovation & Knowledge, Volume 4, Issue 4, 2019, Pages 226-233, <https://doi.org/10.1016/j.jik.2018.03.004>.

3. The terms eco-innovation and social innovation used in Section 4 do not come up in Section 2. How do the authors identify these terms?

**Authors' response:** Thank you for this feedback. In the revised version, we added a literature by Hansen et al (2013, Pichlak and Szromek (2021) and Yun (2020) in Section 2 to define eco-innovation and social innovation used in section 4.

4. To support the research questions, more information about the type of innovation for sustainability and the role of external partners need to be elaborated in Section 2.

**Authors' response:** Thank you for this invaluable feedback. We added thematic issues and types of SOI, role of external partners in Section 2 in sub-section 2.2 and 2.4 in the revised version.

5. The discussion section needs to be enriched by elaborating the authors' opinions with citations from related studies.

**Authors' response:** Thank you for this feedback particularly how to relate our findings with existing literatures. We have added existing literature on sub-section 4.1 (Pichlak and Szromek, 2021 and Yun 2020), sub-section 4.2 (Pichlak and Szromek, 2021), sub-section 4.3 (Yun, 2020), and sub-section 4.4 (Rauters, et al, 2019, Bigliardi et al, 2021).

We are very grateful for the reviews provided by the editors and reviewers of this manuscript. The comments are constructive and the reviewers appear to share our judgement that this study and its results are important. Please see below, in turquoise highlight, our detailed response to Reviewer 3.

All page numbers refer to the manuscript file with tracked changes.

This paper is of interest and could be an important addition to the social enterprises literature with revision and expansion. I do believe with some work it could be an exceptional addition to the literature. Please refer to the comments for improvement of this paper.

1. This part the author try to explain about what? (line 33)

**Authors' response:** Thank you for your feedback. In this part, we try to explain that open innovation (OI) is one of the streams in innovation that gets the most attention, along with the increasing complexity of business and the development of information communication and technology that allows the smoother flow of knowledge both into and out of the firms.

2. It is suggested to cite another author too. (line 37)

**Authors' response:** Thank you for your suggestion. In the revised version, we have added cite from another author (page 2-3).

3. Please put citation 2018 and above too (line 42)

**Authors' response:** Thank you for your suggestion. In the revised version ,we have added citation 2018 onwards in the manuscript.

4. My suggestion to put "open" in front of innovation (line 60)

**Authors' response:** Thank you for your suggestion. In this revision, in that part, as suggested, the word "open" has been added in front of innovation.

5. Please check the APA system on how to cited the authors (line 63)

**Authors' response:** Thank you for your feedback. JOITMC has its own referencing styles. In the revised version, we have adjusted referencing style to JOITMC style.

6. Who is "several others" (line 65)

**Authors' response:** Thank you for your feedback. In the revised version, we have replaced that part with the 'prior authors' by specifically referring to Freeman, C. The Economics of Industrial Innovation: Penguin Books. 1974.

7. The authors should provide better arguments of using innovation of sustainability (line 96)

**Authors' response:** Thank you for your feedback. Based on the suggestions, we have strengthened the arguments of using innovation for sustainability.

8. It is suggested to use sub-header for each subsection in this part (3.1 title 1; 3.2 title 2) (line 97)  
**Authors' response:** Thank you for your suggestion. As suggested, in the revised version, we have used sub-header for each subsection in this part (page 4).
9. BMT stand for? (line 140)  
**Authors' response:** Thank you for your feedback. We have entered the abbreviation and explanation of BMT (page 5).
10. The author should explain who and why this economic team formed by the SE (line 181)  
**Authors' response:** Thank you for your suggestion. We have explained why the economic unit was formed.
11. What happen to the fuel business? (line 186)  
**Authors' response:** Thank you for your feedback. We have given reasons for the problems the fuel business is experiencing.
12. The author should summarize the info in the table form for each of SE (line 187)  
**Authors' response:** Thank you for your suggestion. To make the presentation more effective, the explanation for each SE is explained in the form of a narrative and a table summarizing the findings found collectively.
13. Did you mean areas? (line 205)  
**Authors' response:** Thank you for your feedback. It is arrears not areas. Arrears is a financial and legal term that most commonly describes an obligation or liability that has not received payment by its due date (page 6).
14. The author is not consistent in using "open innovation" or "innovation" only (line 210)  
**Authors' response:** Thank you for the feedback. Both terms are needed in manuscripts that describe two related but different things so that they are still needed.
15. All the sub themes should put in the table - summary of this part so that we can read clear the different themes for different map (line 224)  
**Authors' response:** Thank you for your suggestion. Sub themes have been listed in the second column in the findings table.
16. Lack of recommendation and contribution of this research (line 399)  
**Authors' response:** Thank you for your suggestion. In the revised version, we have added recommendation and contribution in the final section.
17. Implications are mentioned in this part but the link between the findings and implications remain vague. Implications are not clarified and it is not obvious how exactly 'the knowledge generated from this study would support the sustainable innovation' and how they can help in

education SE. In addition, what is the contribution to relevant literature? What are the limitations? It would be interesting to read the answers to this question in the final part. (line 401)

**Authors' response:** Thank you for your suggestion. In the revised version, we have explained the implication in this research further as suggested. Likewise, limitations and future research directions have been added (page 14).

18. The author need to write more about the implications of the research (practical, methodological, and theoretical). (line 405)

**Authors' response:** Thank you for your feedback. In the revised version, we have explained more implication in this research in the final section (page 14).



Article

# Open Innovation for Sustainability in the Social Enterprises: An Empirical Evidence

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**Abstract:** Social enterprises are currently receiving high attention from academics and practitioners because of their hybrid nature to achieve profit while achieving the planned social mission. To achieve its social mission as well as financial sustainability, social enterprises need to have the ability to carry out innovation for sustainability which helps them balance these two goals. In hybrid organizations such as social enterprises, financial and social mission priorities can conflict, resulting in managerial tensions and stakeholder pressure, making Open Innovation (OI) by involving external parties essential. This paper aims to explore OI for sustainability in social enterprises. The research question posed is: what innovation for sustainability practices do social enterprises implement? and, how does the mechanism of OI for sustainability in social enterprises? A multiple case study approach is used by taking four leading social enterprises in the education sector located in West Java, Indonesia. Our findings indicate that sustainability innovation is practiced by social enterprises in the form of providing social benefits such as paying for the education costs of their students and providing social services for the surrounding community. Beyond that, ecological benefits are provided in the form of reducing waste and using unproductive land to become productive. Innovation is performed with a different approach from one case to another. All cases studied are collaborating with parties outside the organization to be able to implement sustainability innovation, known as OI. This study contributes to the literature by providing empirical research on sustainability innovation in the context of social enterprises, which is still rarely found in the literature.

**Keywords:** sustainability innovation, open innovation, social enterprises, education, case study

**Citation:** Lastname, F.; Lastname, F.; Lastname, F. Title. *J. Open Innov. Technol. Mark. Complex.* **2022**, *8*, x. <https://doi.org/10.3390/xxxxx>

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## 1. Introduction

Innovation for sustainability is the innovation type that aims for financial, ecological, and/or social benefits simultaneously [1,2]. Its interchangeably also referred to as sustainability innovation or sustainability-oriented innovation (SOI) [3]. Most studies on innovation for sustainability are on pure for-profit organizations, and few are conducted on hybrid organizations such as social enterprises. Social enterprises are companies that seek profit to finance social programs and activities [4]. In social enterprises, managerial tensions and stakeholder pressure can be high due to the clash of priorities between financial and social mission [5]. This is why innovation for sustainability, which is inherently complex, becomes more challenging in social enterprises. Open Innovation (OI) is the way to overcome the most commonly encountered problems by social enterprises, such as managerial frictions, stakeholder pressure, or financial and social mission dualism.

OI is an emerging concept in the last two decades that Chesbrough first introduced through his book [6]. In the OI concept, firms in addition to using internal ideas, should also use external ideas when innovating. OI combines ideas and contributions from internal and external to be able to reach innovation success. OI is one of the streams in innovation that gets the most attention, along with the increasing complexity of business and the development of information communication and technology that allows the smoother flow of knowledge both into and out of the firms [7]. As an illustration, as of the writing of this paper in 2022, Chesbrough's 2003 seminal book has acquired over 25,000 citations on Google scholar.

To gain a deeper understanding of OI in social enterprises, it is necessary to comprehend the innovation practices of social enterprises and to identify the OI partners and its mechanism. Thus, the following research questions are proposed:

**Q1. What innovation for sustainability practices do social enterprises implement?**

**Q2. How does the mechanism of OI for sustainability in social enterprises?**

To address these research questions, the next section briefly reviews previous literature related to innovation for sustainability in social enterprises. The third section contains a detailed explanation of the methods used in this study. In the fourth section, case study findings on the innovation for sustainability practices by social enterprises as well as the identification of external partners and the mechanisms of interaction that occur between external partners, are presented. Finally, the conclusion is presented in the fifth section, along with research limitations and further directions.

## **2. OI for Sustainability in the Social Enterprises**

### **2.1. Innovation for Sustainability in the Social Enterprises**

Innovation for sustainability is a type of innovation that is directed not only at profit but also toward achieving social and/or environmental advantages. This word is a blend of two well-known terms: innovation and sustainability. Innovation has been around for over five centuries, while sustainability has been around for over a century. Both share the fact that the term is now transdisciplinary and is explored from a variety of perspectives. The blend of these two concepts, innovation and sustainability, ultimately creates a new paradigm where this combination gives rise to several concepts used interchangeably, such as sustainable innovation, sustainability-oriented innovation (SOI), environmentally friendly innovation, or sustainability-based innovation [8,9]. This concept integrated the stream of eco-innovation and social innovation [2,10,11]. Formally, innovation for sustainability can be defined as the commercial introduction of a new product or service, product service system, or pure service that leads to environmental and/or social benefits over the previous life cycle [2].

Innovation for sustainability is composed of three major dimensions, the first of which is the level of integration in its implementation [1]. It is a matter of whether the innovation is carried out as a stand-alone or integrated, or to some extent somewhere in between. This is an internal company dimension in which the sustainable attitude will be thought out and communicated for each unit, department, function, product, or process. Second, it is about the updates contained in innovation, whether they affect technical updates or, more strategically, the socio-technological component. The value of technological effects can be increased by examining the impact of innovation on larger elements such as consumer behavior or how socially significant changes occur in society. The third relates to the perspective on the scope of the innovation, which can be either insular or systemic. Insular is the first step. Companies that plan ahead to innovate for sustainability will see how far they can go to solve sustainability problems by taking broader systemic factors into account.

In social enterprises, innovation for sustainability coexists harmoniously while also facing a number of difficulties. The alignment stems from the idea that in social

enterprises, profits are used to fulfill social needs and create social value [12], which, together with the environment, are two of the three issues in innovation for sustainability. The difficulty is in the creative process because of the dual missions that these social firms bring. This is where OI expected to be able to help resolve these issues.

## 2.2. Thematic Areas of OI

Thematic areas identified in OI existing research in which one of them is OI in small and medium-sized enterprises [13]. Innovation process of SMEs have been identified more than a decade ago [14]. In most studies, SMEs have been excluded from mainstream literature of OI [15]. Literatures often used a claim that an innovation process in SMEs hindered by internal and external factors including their smallness, lack of managerial capacity and skills, less awareness of and access to external knowledge and finance, and fewer technological assets[13,14,16,17]. However, some studies started to support potential of OI for SMEs. For instance, Lee et al. (2010) argued that many Korean SMEs involved in innovation activities[14]. Hervas-Oliver et al (2021) argue that SMEs may also pursue process or, simultaneously, product and process innovation [18]. Accordingly, SMEs innovate differently, developing distinct internal and external activities[18]. Furthermore, prior authors argued that innovation also occurs in peripheral regions and small towns where diversity is multidimensional evidenced from case studies in small towns in Switzerland [19]. Studies on SMEs on OI in emerging economies context such as South East Asian have been rarely discussed in the literatures. Hence, this study enriches examples and contexts on how OI occurs in SMEs more specially on social enterprises as part of SMEs. As innovation for sustainability is a combination of social innovation and eco-innovation; OI includes open social innovation and open eco-innovation. In this research, we integrate the two and use the terminology of OI for sustainability, which covers OI both for social and eco-innovation.

## 2.3. OI in the Social Enterprises

OI is an innovation process characterized by knowledge flows that are managed intentionally to cross organizational boundaries with the system is more open than traditional models [20]. This innovation was developed based on the observations of several large innovative companies, and there are some deviations that occur in traditional practices [6,21]. Prior authors revealed that OI builds on the general model of vertically integrated industrial R&D [22].

There are three antecedents that help in the formation of OI ideas. First, scholars have understood that since the 1970s, the source of innovative ideas has often come from outside the company [23]. Second, OI builds on the advantages of the innovation framework developed by [24] in which he pays special attention to the challenges that companies face in taking returns from their innovative efforts. Third, the emerging interest in the role of business models [23] is because in the 1990s, companies used the internet to develop new value chains and revenue models. Furthermore, sources of innovation may be derived from social contexts such as cultural ideas [25].

OI is often proposed as a key strategic approach for organizations to contribute to sustainable development [2,26,27]. However, the development of this innovation is complex. This is because this type of innovation need to fulfill the requirements of environmental and social innovation at the same time. In addition, the development of OI can also be influenced by several factors, such as technological advances [28] and government regulations [29]. From this explanation, sustainability innovation is a very interesting topic to discuss. Companies are required to be creative to be able to implement these innovations so that several problems can be resolved, such as overcoming poverty, environmental degradation, and moral injustice.

## 2.4. Roles of External Partners in OI

Rauter et al., (2019) argued that, in addition to well-known partners for innovation process such as universities and customers, Non-Government Organizations (NGOs) and intermediaries may be beneficial for OI on a firm [30]. Previous studies have demonstrated that synergies and collaborations of firms with customers, universities and suppliers, and new product development to be beneficial for achieving firm performance.

From this study point of view, the analysis we provided in this paper very specific to Indonesian social enterprise contexts giving a uniqueness of social enterprise practices in promoting sustainability in the internal activities and surrounding environments. This may add to existing literatures that rarely discuss OI in social enterprises as indicated by Bigliardi, et al (2021) [13]. This study is very specific to Indonesian social enterprises contexts particularly enterprises managed by traditional Islamic boarding schools known as *Pesantren*. This institution commonly developed unit business as social enterprises to finance their operations. In developing innovation process of this business, *Pesantren* commonly developed synergy and collaboration with students, public institutions, private entities, parents of their students, universities, including local and foreign NGOs. As will be explained in section 4, the finding of our paper may extend nine thematic areas as explained by Bigliardi et al (2021) particularly OI in small and medium-sized enterprises (SMEs) as well as in social enterprises as well as may add information on external partners that contribute to OI in social enterprises.

### 3. Methods

#### 3.1. Qualitative Approach using Case Study

This study uses a qualitative approach using case study methods to gain an in-depth understanding of innovation for sustainability practices carried out by social enterprises, along with the identification of key partners and their mechanisms for interacting in OI. This approach is taken because of the exploratory nature of the study. Prior literature suggests that when a particular area of a field is still lacking research and requires exploration, then the case studies method is recommended to be used [31]. Data collection was conducted through semi-structured interviews with interview guides constructed based on research questions covered in the study, including innovation for sustainability practices, key partners for OI, and the role of and interaction between key partners in OI for sustainability. The study focused on four social enterprises based in West Java Province in Indonesia. West Java Province is the largest province in Indonesia in terms of density and one of the widest in terms of area, so it has become a barometer in Indonesia for economic activities, including social enterprise activities.

#### 3.2. Samples and Data Analyze

These four social enterprises are founded within educational institutions in the form of Islamic Boarding School or well-known as *pesantren*. In Indonesia, a social enterprise in the field of education is the most popular practice. These social enterprises were chosen because of their leading characteristics in the region and nationally and are often used as pilots. At each enterprise, we interview CEOs and other elements of the company who can provide insights into this research topic. The interview was conducted in the second half of 2021 through a combination of online and face-to-face interviews in their place accompanied by direct observation of social premises enterprises. Interviews are recorded with the consent of participants and then transcribed for analytical purposes.

The data that has been collected is then analyzed using the principle of thematic analysis by identifying emerging themes from the interview. Thematic analysis is an approach to drawing conclusions from themes that repeatedly arise from data sources [32]. The steps taken in the analysis after the data in the form of transcription is available is to do initial codes through the process of reading in detail the data and providing code on transcription. Next is the search for themes based on the initial codes that have been generated,

followed by a review of these themes to make sense. The last is the naming and defining of each theme so that it is clear the meaning and difference between one theme and another theme, along with the connection between one theme and another theme [32]. This process is aided by Excel spreadsheets and NVivo 12 software.

### 3.3. Case Study Profiles

#### 3.3.1. Social Enterprise A

Enterprise A is a social enterprise that aims to finance Islamic boarding school (*pesantren*) activities that have been established since 1932. The school focuses on and is known for its economic development. The school is headquartered in a region in the east part of West Java Province and has branches located in 63 regions throughout Indonesia. It is currently managed by the fourth generation. This enterprise has a 43-unit business consisting of four sectors, a) financial sector. The financial sector in this *pesantren* is in the form of BMT (Baitul Maal wat Tamwil), which is saving loans using Islamic principles. b) Retail sector, in the form of a minimarket.; c) shrimp pond sector with an area of about 15-20 hectares. This shrimp farm became one of the flagships of this enterprise; d) SMEs consists of several SMEs, namely the business of heavy water ponds, restaurants, bakeries and refilling drinking water.

During the Covid-19 pandemic, the *pesantren* financial sector was in a stagnant phase. In fact, in this sector tends to have to do relaxation. This is due to uncollectible payments. In the culinary sector experienced a fairly pronounced impact, whereas in this sector experienced a decline of up to 50%. As a result of this decline, eventually, some outlets had to be closed. One of the causes of this decline is the unpreparedness of human resources to adapt to technology. This is because the human resources in this *pesantren* are not ready to deal with the change in the situation very quickly. The shrimp pond sector did not experience any problems during the pandemic, so it can be said that this sector is quite stable. In the retail sector, especially minimarkets, there is an increase in turnover. This is because, during the pandemic, there was panic buying, so people bought goods in large quantities. It can be concluded that the business conditions run by this enterprise are quite stable.

#### 3.13.2. Social Enterprise B

Social enterprise B aims to finance the *pesantren* founded in 1934. The majority of students who are in this boarding school are students who are economically disadvantaged. Social enterprise B focuses on the agricultural sector. Initially, this *pesantren* distributed its vegetables to Village Unit Cooperative (KUD), and then KUD sold them to the modern market. However, when the KUD went bankrupt, the modern market finally looked for a vegetable supplier from the KUD, and finally, the *pesantren* started selling directly to the modern market.

There are several modern markets that cooperate with social enterprise B. In addition to selling to the modern market, this *pesantren* also sells its vegetable products to other places, such as restaurants. Even though during the pandemic, malls were closed, this did not make social enterprise B experience a decline in demand. The products sold are included in basic needs so that during the pandemic, the business unit in social enterprise B experienced an increase in demand. Even consumers order products directly to social enterprise B.

#### 3.31.3. Social Enterprise C

Social enterprise C aims to finance the *pesantren* founded in 1977. At first, the *pesantren* establishment only focused on education. Then, in the middle of its establishment, this *pesantren* began to establish an economic unit to meet the needs of *pesantren*. The first economic unit to be established in this *pesantren* was the cooperative. The cooperative was

founded around 1980. In 1985, the *pesantren* established the *Balai Pesantren*, which is a form of development of the cooperative. Then, in 1990, the *pesantren* began to establish business units for travel, laundry, convection, and others.

The economic unit in this social enterprise is a small unit compared to the education unit. However, in 2018, the social enterprise's thinking began to change and began to form an economic team. This economic unit was formed because this social enterprise requires a unit that can supply the needs of *pesantren*. This economic unit has been managed professionally since 2018. However, its movement began to be seen in 2019. During the Covid-19 pandemic, many business units owned by the social enterprise C experienced obstacles, such as the following two business units which experienced obstacles, namely: coconut flour factory and fuel business. Until now, the coconut flour factory has not been able to run. This is because there are differences of opinion between the *pesantren* and the parties invited to cooperate. For the fuel business, the obstacle experienced is that the business does not yet have its own legal entity.

#### 3.13.4. Social Enterprise D

Social enterprise D aims to finance *pesantren* founded in 1990. Then, in 1994, social enterprise D established a cooperative. The legality of the cooperative at that time was used for BMT. In 1997, all types of businesses in *pesantren* were managed by *pesantren* cooperative (*kopontren*). Social enterprise D has five subsidiaries and four business units. These subsidiaries were previously independent business units for the development needs of Islamic boarding schools. This subsidiary in social enterprise D is engaged in training, human resources outsourcing, contractors, catering, laundry, food court, and wedding organizers.

For business units, this *pesantren* consists of several fields, such as supermarkets, transportation and IT, cottage, as well as business unit development and partnerships. The self-service business unit consists of several sub-units, such as wholesalers, stalls, and frozen food. The cottage unit has 24 cottage rooms. The business unit development and partnership unit are a unit used to partner with MSME members and actors. This unit consists of procurement of goods, bicycles, bakery, seafood, expeditions, and herbal supplements. The Covid-19 pandemic impacted on various fields [33]. It has had an impact also on the business units in this *pesantren*. The impact experienced was a decrease in turnover up to 60%. From the initial turnover of 30-35 million, it decreased to 12-15 million per day. In addition, in the transportation and BMT business units, there are also many payments that are in arrears. However, behind the business units that experienced a decline in turnover, there were still business units that contributed during the pandemic. The business unit is BMT savings and loans. Although the liquidity is reduced, the business is still profitable.

## 4. Results & Discussion

### 4.1. Innovation for Sustainability Practices in Social Enterprises

The first objective of this study is to analyze innovation for sustainability in social enterprises. More specifically, it is intended to understand the practices carried out so that the social enterprise can finance the mission it has planned. The results of the semi-structured interview showed that the innovation for sustainability practices carried out included various forms identified in the initial coding. Furthermore, this initial code is grouped into two streams of innovation for sustainability, which consist of eco-innovation and social innovation [2,10]. Both are interconnected with each other with different emphasis. Eco-innovation emphasizes the environmental benefits of innovation other than profit, while social innovation emphasizes social benefits other than profit.

Eco-innovation practices identified include waste handling, productive use of vacant land, technological adaptation for production and marketing efficiency, and certification. The social innovation practices found include providing health facilities for underprivileged communities, encouraging potential prospective students to continue their education by providing scholarships, and involvement in CSR activities through donations to people with disabilities and the visually impaired. Figure 1 shows a map of emerging themes emerging from the analysis.

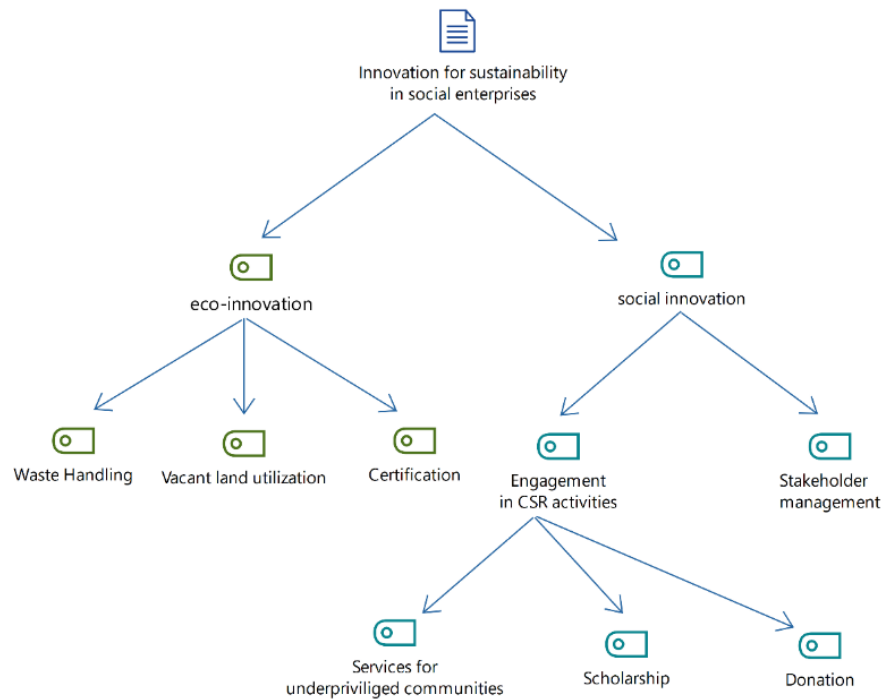


Figure 1. Map of Themes

4.1.1.1. Eco-innovation

Eco-innovation that is commonly practiced is innovation in the form of waste handling. In our analysis, eco-innovation refers to environmentally friendly innovation (eg., Pichlak and Szromek 2021). Social enterprise C, for example, has a waste bank to collect waste from all boarding school activities with thousands of students by sorting waste by type. Ownership of this waste bank is not yet common for social enterprises that support boarding schools. In addition to waste banks, social enterprise C also has a special waste handling mechanism for the business units it oversees in the form of health and laundry clinics. For health clinics, the enterprises have their own waste treatment plant to hold various medical waste and work with third parties to dispose of it in medical-specific landfills. For the laundry business, the company has a mechanism to neutralize waste wasted from washing clothes so as not to damage the surrounding environment. Other forms of waste handling, for example, are practiced by social enterprise B where the company manages the remaining production from its plantation business for animal feed and fertilizer.

Another form of eco-innovation that is implemented is innovation to utilize vacant land to be productive to help maintain food security. This innovation is implemented by social enterprise A. By changing the less productive vacant land on the south coast of West Java, covering an area of 10-20 hectares, this social enterprise has succeeded in cultivating the shrimp pond sector, which has high economic value. This innovation also benefits the coastal region, which is unique in terms of socio-economic circumstances [11].The

innovation carried out by this social enterprise was derecognized by the provincial government as one of the pioneers of innovation in the field of aquaculture in West Java that is able to drive the economy in coastal areas. For the success of this innovation, social enterprise A is often a pilot project for other social enterprises in Indonesia to develop businesses in the field of aquaculture. During the pandemic, this business has also proven to be very resilient and experienced stable business performance.

Another form of eco-innovation is in the form of ownership of certificates to ensure the quality of food products as owned by social enterprise B. Enterprise has a British Retail Consortium Global Standards (BRCS) certificate which is a global standard for the safety of food products that is recognized globally. For domestic guarantees, this social enterprise has a PSAT (Fresh Food of Plant Origin) certificate issued by the Agricultural Quarantine Agency of the Indonesian Ministry of Agriculture, which is a guarantee that the plants produced can be consumed directly or can be processed after processing as necessary. The ownership of these certificates is a form of innovation because it is still not commonly owned by social enterprises in Indonesia [34]. The ownership of these various certificates is mainly driven by the demands of the market, namely modern supermarkets, which are the main market for those who require these various requirements.

#### 4.1.2. Social Innovation

Social innovation is an innovation activity carried out with the aim of solving social problems that occur in society. As argued by Yun (2020), culture, in its various forms, has always been a critical driver of innovation. The analysis of this sub-section focuses on how social problems influence an innovation process. This paper stance on the idea that culture including social life may influence OI (Yun (2020)). One form of social innovation can be demonstrated by social enterprise B. The majority of students in social enterprise B come from economically disadvantaged families. Therefore, social enterprise B empowers and teaches students to work on agricultural land.

The students in social enterprise B are taught to cultivate agricultural land. This starts from the process of selecting seeds, planting crops, harvesting, and sorting, until finally, the vegetables that have been cultivated can be sold to the modern market. In addition, the students are also taught how to process online sales, delivery systems, and others. From this activity, the students who graduate from the Islamic boarding school can become more independent to work and cultivate their own agricultural land and are not just unemployed.

Social enterprise A also does the same thing as social enterprise B where social enterprise A also empowers its members, such as cadres and congregations. The cadres and congregations participate in providing innovation to the business they will run. Therefore, the ideas they provide can provide benefits to the business sectors in social enterprise A.

Another form of social innovation is social innovation carried out by social enterprise D. Innovation carried out by social enterprise D is in the form of offering various products at low prices so that many local residents, students, or members can increase their income economically by reselling products. In addition, the *pesantren* also cooperates with local government to provide cheap basic necessities. One example is a cheap basic food which costs 100 thousand rupiahs. However, for people with disabilities, it is only enough to pay 80 thousand rupiahs. The Islamic boarding school has also created a program for the blind on the street. There the *pesantren* make ready-to-eat food and basic necessities. Data structure units of meaning innovation for sustainability in social enterprises and OI mechanism is shown in Table 1.

**Table 1.** Data structure units of meaning innovation for sustainability in social enterprises

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Innovation for sustainability in social enterprises		
Themes	Sub-themes	Units of meaning structure
Eco-innovation	Waste handling	<p>...from an environmental perspective, there is a recycle for vegetable waste. An example is carrots, carrots that we harvest, the leaves we do not throw away. We usually chop these leaves or cut into pieces to be used as feed for sheep or cattle or used as silage... (SE_B)</p> <p>...for laundry, in the washing of jeans, there is a certain waste that is wasted, we use some kind of remedy to neutralize it. In the clinic, we also have our own WWTP... (SE_C)</p>
	Vacant land utilization	<p>... we managed the former iron sand excavation into a shrimp pond. It can be seen that we help the government with land management which ultimately becomes an economic solution for the surrounding community... (SE_A)</p>
	Certification	<p>...especially now that we are preparing for BRCGS certification, from upstream we have prepared JAP, PSAT, but in the warehouse we have prepared it for now. This certification will guarantee food safety so that consumers do not have to worry anymore... (SE_B)</p> <p>...we already had halal meat and the slaughter process was covered and aired in the store. The meat has also been halal certified and we attach it... (SE_D)</p>
Social innovation	Engagement in CSR activities	<p>...from the social side, we collaborate with RT, RW, and kelurahan to open cheap basic necessities. Later, we will facilitate these cheap basic necessities. Yesterday we had cooperation with social institutions in the internals to make cheap food packages for the disabled... (SE_B)</p>
	Stakeholder management	<p>...initially, the members of the cooperative were only 300 people, most of whom came from internal boarding schools. At this time, its members reached 19,000 people and most of them were from this city... (SE_A)</p> <p>We send vegetables in modern markets outside the traditional market... we involve the surrounding community, market traders, farmers, and others... (SE_B)</p>
OI mechanism		
Actors	Sub-actors	Units of meaning structure

Internal actors	Social enterprises' management	<p>...in 2019, when there were structural changes where there were four deputy leaders among of them has background of economics... (the management) more professional... (SE_A)</p> <p>...the management also received grants from Japan and various medical devices were also upgraded a lot (mid-pandemic). Therefore, people's confidence in coming to the clinic began to grow. This Japanese grant is for its medical device facilities... (SE_C)</p>
External actors	Religious leaders in the boarding school	<p>...Our current religious leaders, he is indeed an entrepreneur. Our deceased leader was also an entrepreneur... (SE_A)</p> <p>Since the leadership of one of our leaders, this boarding school has undergone a lot of changes. The first thing to do is to change the name, which means good cooperation... (SE_B)</p>
	Alumni of the boarding school	<p>... we are working in agriculture... plus that as much as 80% of this boarding school graduates are farmers... (SE_B)</p> <p>...there are alumni who offer help because they already have their own legal entity... The team had thought of creating a marketplace because there are many alumni who do business everywhere... (SE_C)</p>
	Market/suppliers	<p>...In 1994, we began to be taught how to sort, grading, packing, labeling, giving barcodes, controlling bills, disbursing funds, and so on. From 1994 until now, we still have a good relationship with the modern market and this has been going on for more than 27 years... (SE_B)</p>
	Government/State owned enterprises	<p>...one of business units gets help from state owned enterprise engaged in oil and gas business. It used to be running and in terms of sales, it was also not bad... (SE_C)</p>
	Higher education institutions	<p>...in the end, we together with the central bank and one of well-known management and business school to collaborate to create an online application... (SE_B)</p> <p>...we are under the supervision of the biggest agricultural higher education in Indonesia. The role of the university to plunge into the cottages provide management guidance and collaborate... (SE_C).</p>
	Foreign NGOs	<p>...the grant scheme, we put forward a proposal with 70% of medical devices and 30% of buildings with the</p>

	<i>condition that within 5 years no change is permitted... (SE_C)</i>
Local NGOs	<i>There used to be LP2S and now it is merged into a subsidiary that trains. GSP (formerly called DTSP) is a company, the company's shares are owned by cooperatives, foundations, and the private sector, as well as leaders of pesantren (SE_D). For innovation, we have cooperation in the development of the application. We also improve the integration system. In the past, the financial system was still manual, and now we are trying to integrate it through collaboration with third party. (SE_D)</i>
Private Enterprises	<i>We send vegetables in modern markets outside the traditional market, such as private modern market of X, Y, Z, etc. (SE_B)</i>

Source: authors' elaboration (2022)

#### 4.2. OI for Sustainability Mechanism in the Social Enterprises

Traditionally, *pesantren* (Islamic boarding schools) have a religious leader known as *kyai* in Javanese terminology. The role of *kyai* is massive in this institution. He inspires *santri* (students) and gives religious and moral guidance. In most cases, his vision, commitment, and leadership also influence the development of *pesantren's* business and economy. This is not much different from pure for-profit organizations [17]. Based on our observation, the successful *pesantren* business units could not be alienated from the *krai's* vision and openness to new ideas. Social enterprise D has a young *kyai* figure. He is very concerned about voicing spiritual-based business. He could be regarded as a *kyai* who opens the door to innovation to develop his *pesantren*. Through his leadership, the *pesantren* was able to develop more than 20 business units consisting of television and radio businesses, hotels, restaurants, elementary to high school schools, retail, Sharia cooperatives, and several other sectors. Meanwhile, social enterprise A also has a young *kyai* figure. Under his leadership, the *pesantren* expanded its business activities ranging from modern shop/retails, financial institutions, agribusiness, shrimp pond sector, restaurants, health clinics, and other business units. The way that *kyai* opens innovation is something that needs to be understood from the spiritual point of view. However, there are some practical perspectives that might be understood on how this innovation is occurring in the *pesantren*.

Based on our observation, there are some channels being utilized by *pesantren* in the process of adaptation and innovation of their business practices. Some of the *pesantren* employees, particularly those who manage its business activities, are commonly followers who had extensive professional experiences before joining the institution. These types of employees might provide a transfer of knowledge for other staff. In addition, there are also trends that several external partners such as universities and non-government organizations have communicated with *pesantren* and developed various management training and mentoring programs to improve managerial skills. These channels are an effective tool to improve the ability of *pesantren* business units to adapt to various novelties or innovations, including in the field of technology.

Interested parties, including local governments, have facilitated community empowerment programs in *pesantren*. West Java Provincial Government, for instance,

initiated an economic empowerment program called One *Pesantren* One Product (OPOP). OPOP is the flagship program of the innovative governor in raising the motivation of *pesantren* to be economically empowered. Unlike capital assistance programs through donations from donors who are concerned with *pesantren*, this program was successful in motivating *pesantren* to compete for business proposals to get financial grants and business assistance programs. The motivation to compete is considered as an effective incentive for *pesantren* to carry out various programs that can promote economic activities. This program also stimulates innovation. Furthermore, the involvement of various groups, including academics and business professionals, in the mentoring sessions has been an effective channel to transfer knowledge, including the idea of innovation.

Innovation in *pesantren* is also related to geographical proximity to sources of innovation. For example, social enterprise D is located right next to one of the universities, which is one of the best campuses in the country. At the beginning of its establishment, students of this public university stayed at the *pesantren*. Some of these students were attracted to the charismatic figure of *kyai*. He is a central figure in the school and known as an Islamic scholar that concerned with preaching inner spirituality. The existence of university students as *santri* in the *pesantren* added to the excitement of the *pesantren's* business activities. These students had prior knowledge obtained from their respective campuses. Later on, several key figures in this *pesantren* were students (*santri*) who studied at that university and stayed at the social enterprise D during their university study. It can be argued that this *pesantren* innovation model is only possible for *pesantren* located in urban areas and close to university student activities.

The innovations carried out at *pesantren* are also inseparable from their *santri* (students) who come from professional circles. This model occurs at social enterprise A, a village area. Nevertheless, some of their activities occurred in urban areas, including in Jakarta, Indonesia's capital city. Activities in urban areas attracted a lot of worshipers and students who eventually participated in *pesantren* religious activities. These students who come from professional circles then occupied several strategic positions in the *pesantren* business unit. This condition results in the transfer of knowledge so that it is possible for innovation to occur in the *pesantren* business unit, which is stimulated by the staff background and experience.

In addition, there are also innovations in *pesantren* through the intervention of local and foreign Non-Government Organizations (NGOs). This occurred at social enterprise B. This school is famous for its ability to take advantage of the geographical environment to develop horticultural and agricultural businesses. Located in a beautiful mountainous area where the community's livelihood is dominated by vegetable farmers, the school is able to develop business units based on the advantages of its geographical area. In addition, the support from *kyai* and NGOs to provide various stimulations, especially agricultural tools and technology, has resulted in these *pesantren* becoming role models in the local and national levels. In addition to improving their economic capacity, the school is also developing community empowerment programs through agriculture with neighbors and local investors who have land but do not have the skills to plant.

We also found the involvement of markets or customers in opening the door of innovation in the *pesantren* business units. Markets often leverage the innovation power of the customer base in a systematic way to increase *pesantren's* innovation performance. In the case of social enterprise B, for instance, this innovation is very visible. This *pesantren* is involved in agriculture and agribusiness and offers agriculture training to its students (*santri*); the institution is also involved in agro-based community initiatives and partnerships. The *pesantren* stepped out of its traditional mainstream Islamic studies activities and added the implementation of an agricultural production and agribusiness model that imparts young people with practical skills in agriculture, a demonstration of the will to meet the ever-increasing demand for food while nurturing the young generation into agriculture. This *pesantren* provides fresh organic vegetables and dominates some areas. Due to the demand of its markets, particularly customers who are

concerned about organic foods, the *pesantren* developed various organic farming models to serve its markets and to sustain its business. In addition, market-based innovation has another variant which is supply-based innovation. In this type, *pesantren* gets insights from its suppliers in terms of goods and services that might serve market needs. Furthermore, suppliers often advise *pesantren* business units to engage in current technological advancements. This market-based innovation has many benefits for *pesantren*, including fresh ideas, shorter time-to-market, and higher margins in the case of organic foods, all of which can lead to profitable growth and sustainability. The dynamic interactions of these various actors can be seen in Figure 2.

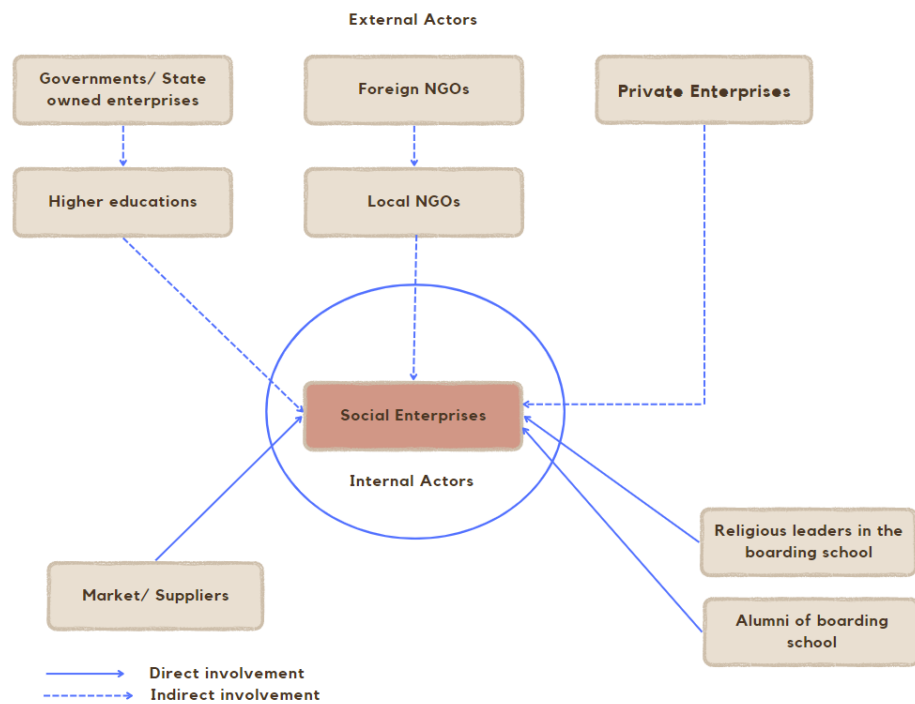


Figure 2. OI Mechanism in Social Enterprises embedded in Pesantren  
 Source: authors' elaboration (2022)

Our analysis of the roles of external partners may extend the argument developed in previous studies on this issue. For instance, it was argued that, in addition to well-known partners for the innovation process such as universities and customers, Non-Government Organizations (NGOs) and intermediaries might be beneficial for OI on a firm [30]. Previous studies have demonstrated that synergies and collaborations of firms with customers, universities, and suppliers, and new product development are beneficial for achieving firm performance (ibid).

Our analysis supports and extends the previous studies on the roles of external partners. This study also found there are additional strategic external partners that contribute to the innovation process in social enterprises as depicted in Figure 2. This may add to existing literatures that rarely discuss OI in social enterprises as indicated by Bigliardi, et al (2021)[13]. The finding of our paper may also extend the thematic areas of OI by including OI in social enterprises. Furthermore, this study adds information on external partners that contribute to OP in social enterprises. This may be one of the uniqueness and novelty of this research.

## 5. Conclusions

This study aims to understand OI for sustainability in social enterprises. The results of semi-structured interviews show that the practices carried out diverse forms that can be grouped into types of eco-innovation and social innovation. Eco-innovation practices include waste management, productive use of vacant land, technology adaptation for production and marketing efficiency, and certification. In addition, other forms of social innovation are empowering students to work on agricultural land, empowering members, and offering various products at low prices. In most cases, top management vision, commitment, and leadership also influence the business and economic development of the *pesantren*. Based on our observations, successful *pesantren* business units cannot be separated from the *kyai* or religious leader's vision and openness to new ideas. By presenting empirical research on sustainable innovation in the context of social enterprises, which is still a rarity in the literature, this study contributed to the existing body of knowledge.

Empirical research on sustainable innovation in the context of social enterprises is still very limited. Therefore, this study contributes to adding to the literature on sustainable innovation in social enterprises. In addition, this research can also help academics, social enterprise practitioners, and policymakers to understand better OI and how it can be implemented in social enterprises. OI certainly plays an important role in social enterprise. Considering that the approach used is a qualitative approach, future studies can use other approaches, quantitative or mixed methods. Further research can also use other objects of social enterprise outside the field of education in order to enrich the understanding of OI in social enterprises. The scope of research is also limited to the Indonesian context. Further research can use the context of other regions that have different characteristics so that later they can create comparisons and differences that exist in each of the existing contexts.

This study certainly has its limitations. The social enterprises studied were limited to social enterprises engaged in education. Further research can be done in other fields. Considering that the approach used is a qualitative approach, future studies can use other approaches, namely quantitative or mixed methods. The scope of research is also limited to the Indonesian context. Further research can be carried out in other contexts which are particularly different in their characteristics from the context of this research.

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## **4. Bukti Konfirmasi Review Dan Hasil Review Kedua (30 Agustus 2022)**



Budi Harsanto &lt;budi.harsanto@unpad.ac.id&gt;

**[JOItmC] Manuscript ID: JOItmC-1859806 - Minor Revisions**

1 message

**JOItmC Editorial Office** <joitmc@mdpi.com>

Tue, Aug 30, 2022 at 9:05 AM

Reply-To: zoe.zhou@mdpi.com

To: Budi Harsanto &lt;budi.harsanto@unpad.ac.id&gt;

Cc: Asep Mulyana &lt;asep.mulyana@unpad.ac.id&gt;, Yudi Ahmad Faisal &lt;yudi.ahmad@unpad.ac.id&gt;, Venny Mellandhia Shandy &lt;venny2001@mail.unpad.ac.id&gt;, JOItmC Editorial Office &lt;joitmc@mdpi.com&gt;

Dear **Dr. Harsanto**,

Thank you again for your manuscript submission:

Manuscript ID: JOItmC-1859806

Type of manuscript: Article

Title: **Open Innovation for Sustainability in the Social Enterprises: An Empirical Evidence**Authors: **Budi Harsanto \*, Asep Mulyana, Yudi Ahmad Faisal, Venny Mellandhia Shandy**

Received: 26 July 2022

E-mails: [budi.harsanto@unpad.ac.id](mailto:budi.harsanto@unpad.ac.id), [asep.mulyana@unpad.ac.id](mailto:asep.mulyana@unpad.ac.id), [yudi.ahmad@unpad.ac.id](mailto:yudi.ahmad@unpad.ac.id), [venny2001@mail.unpad.ac.id](mailto:venny2001@mail.unpad.ac.id)

Your manuscript has been reviewed by experts in the field. Please find your manuscript with the referee reports at this link:

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- (I) Please revise your manuscript according to the referees' comments (along with Academic Editor's comments) and upload the revised file within 5 days.
- (II) Please use the version of your manuscript found at the above link for your revisions.
- (III) Please check that all references are relevant to the contents of the manuscript.
- (IV) Any revisions made to the manuscript should be marked up using the "Track Changes" function if you are using MS Word/LaTeX, such that changes can be easily viewed by the editors and reviewers.
- (V) Please provide a short cover letter detailing your changes for the editors' and referees' approval.

If one of the referees has suggested that your manuscript should undergo extensive English revisions, please address this issue during revision. We propose that you use one of the editing services listed at <https://www.mdpi.com/authors/english> or have your manuscript checked by a native English-speaking colleague.

Please do not hesitate to contact us if you have any questions regarding the revision of your manuscript or if you need more time. We look forward to hearing from you soon.

Kind regards,  
Ms. Zoe Zhou  
E-Mail: [zoe.zhou@mdpi.com](mailto:zoe.zhou@mdpi.com)


--  
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Edit Profile (/user/edit)	Title	Open Innovation for Sustainability in the Social Enterprises: An Empirical Evidence
Logout (/user/logout)	Abstract	Social enterprises are currently receiving high attention from academics and practitioners because of their hybrid nature to achieve profit while achieving the planned social mission. To achieve its social mission as well as financial sustainability, social enterprises need to have the ability to carry out sustainability innovation which helps them balance these two goals. This paper aims to explore open innovation for sustainability in social enterprises. The research question posed is: What type of innovation for sustainability is practised by social enterprises? And, how are external partners involved in the open innovation for sustainability in the social enterprises? A multiple case study approach is used by taking four leading social enterprises in the education sector located in West Java, Indonesia. Our findings indicate that sustainability innovation is practised by social enterprises in the form of providing social benefits in the form of paying for the education costs of their students and providing social services for the surrounding community. Beyond that, ecological benefits are provided in the form of reducing waste and using unproductive land to become productive. Innovation is performed with a different approach from one case to another. All cases studied are collaborating with parties outside the organization to be able to implement sustainability innovation, known as open innovation. This study contributes to the literature by providing empirical research on sustainability innovation in the context of social enterprises, which is still rarely found in the literature.

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## Review Report Form

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	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Comments and Suggestions for Authors

Dear Authors,

the suggested changes have been properly made, thus the paper is suitable for publication.


Submission Date 26 July 2022

Date of this review 29 Aug 2022 12:56:40




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Change Password (/user/chgpwd)	Type	Article
Edit Profile (/user/edit)	Title	Open Innovation for Sustainability in the Social Enterprises: An Empirical Evidence
Logout (/user/logout)	Abstract	Social enterprises are currently receiving high attention from academics and practitioners because of their hybrid nature to achieve profit while achieving the planned social mission. To achieve its social mission as well as financial sustainability, social enterprises need to have the ability to carry out sustainability innovation which helps them balance these two goals. This paper aims to explore open innovation for sustainability in social enterprises. The research question posed is: What type of innovation for sustainability is practised by social enterprises? And, how are external partners involved in the open innovation for sustainability in the social enterprises? A multiple case study approach is used by taking four leading social enterprises in the education sector located in West Java, Indonesia. Our findings indicate that sustainability innovation is practised by social enterprises in the form of providing social benefits in the form of paying for the education costs of their students and providing social services for the surrounding community. Beyond that, ecological benefits are provided in the form of reducing waste and using unproductive land to become productive. Innovation is performed with a different approach from one case to another. All cases studied are collaborating with parties outside the organization to be able to implement sustainability innovation, known as open innovation. This study contributes to the literature by providing empirical research on sustainability innovation in the context of social enterprises, which is still rarely found in the literature.

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Authors' Responses to Reviewer's Comments (Reviewer 3)

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Are the methods adequately described?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the results clearly presented?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the conclusions supported by the results?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Comments and Suggestions for Authors

This paper is of interest and could be an important addition to the social enterprises literature with revision and expansion. I do believe with some work it could be an exceptional addition to the literature. Please refer to the comments for improvement of this paper.

1. This part the author try to explain about what?
2. It is suggested to cite another author too.
3. Please put citation 2018 and above too (line 42)
4. My suggestion to put "open" in front of innovation (line 60)
5. Please check the APA system on how to cited the authors (line 63)
6. Who is "several others" (line 65)
7. The authors should provide better arguments of using innovation of sustainability (line 96)
8. It is suggested to use sub-header for each subsection in this part (3.1 title 1; 3.2 title 2) (line 97)
9. BMT stand for? (line 140)



10. The author should explain who and why this economic team formed by the SE (line 181)
11. What happen to the fuel business? (line 186)
12. The author should summarize the info in the table form for each of SE (line 187)
13. Did you mean areas? (line 205)
14. The author is not consistent in using "open innovation" or "innovation" only (line 210)
15. All the sub themes should put in the table - summary of this part so that we can read clear the different themes for different map (line 224)
16. Lack of recommendation and contribution of this research (line 399)
17. Implications are mentioned in this part but the link between the findings and implications remain vague. Implications are not clarified and it is not obvious how exactly 'the knowledge generated from this study would support the sustainable innovation' and how they can help in education SE. In addition, what is the contribution to relevant literature? What are the limitations? It would be interesting to read the answers to this question in the final part. (line 401)
18. The author need to write more about the implications of the research (practical, methodological, and theoretical). (line 405)

Submission Date	26 July 2022
Date of this review	30 Aug 2022 00:21:29



**5. Bukti Konfirmasi Submit Revisi Kedua,  
Respon Kepada Reviewer, Dan Artikel Yang  
Diresubmit (4 September 2022)**



Budi Harsanto &lt;budi.harsanto@unpad.ac.id&gt;

**[JOItmC] Manuscript ID: JOItmC-1859806 - Manuscript Resubmitted**

1 message

**JOItmC Editorial Office** <joitmc@mdpi.com>

Sun, Sep 4, 2022 at 6:12 AM

Reply-To: Zoe Zhou &lt;zoe.zhou@mdpi.com&gt;, JOItmC Editorial Office &lt;joitmc@mdpi.com&gt;

To: Budi Harsanto &lt;budi.harsanto@unpad.ac.id&gt;

Cc: Asep Mulyana &lt;asep.mulyana@unpad.ac.id&gt;, Yudi Ahmad Faisal &lt;yudi.ahmad@unpad.ac.id&gt;, Venny Mellandhia Shandy &lt;venny2001@mail.unpad.ac.id&gt;

Dear **Dr. Harsanto**,

Thank you very much for resubmitting the modified version of the following manuscript:

Manuscript ID: JOItmC-1859806

Type of manuscript: Article

Title: **Open Innovation for Sustainability in the Social Enterprises: An Empirical Evidence**Authors: **Budi Harsanto \***, Asep Mulyana, Yudi Ahmad Faisal, Venny Mellandhia Shandy

Received: 26 July 2022

E-mails: [budi.harsanto@unpad.ac.id](mailto:budi.harsanto@unpad.ac.id), [asep.mulyana@unpad.ac.id](mailto:asep.mulyana@unpad.ac.id), [yudi.ahmad@unpad.ac.id](mailto:yudi.ahmad@unpad.ac.id), [venny2001@mail.unpad.ac.id](mailto:venny2001@mail.unpad.ac.id)[https://susy.mdpi.com/user/manuscripts/review\\_info/77c8d375560e121ac150867fcf82633c](https://susy.mdpi.com/user/manuscripts/review_info/77c8d375560e121ac150867fcf82633c)

A member of the editorial office will be in touch with you soon regarding progress of the manuscript.

Kind regards,

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## Response to Editor (round 2)

We are very grateful for the second-round reviews provided by the editors and reviewers of this manuscript. The comments are constructive and the reviewers appear to share our judgement that this study and its results are important. Please see below, in yellow highlight, our detailed response to Editor. All page numbers refer to the manuscript file with tracked changes.

### Academic Editor Notes

Dear authors

Let us develop a little before publishing

Let us add "5. Discussion; Social open innovation at the way of the sustainability of social enterprise".

with references of "open social innovation", "social open innovation" more than 10 papers which do not belong to JOI.

**Authors' response:** Thank you for your suggestion. In the revised version, section 5 has been added as suggested (page 11). Additional references that do not belong to JOI also already added as suggested.

Chesbrough, H., & Di Minin, A. (2014). Open social innovation. *New Frontiers in Open Innovation*, 16, 301–315.

McGahan, A. M., Bogers, M. L. A. M., Chesbrough, H., & Holgersson, M. (2021). Tackling societal challenges with open innovation. *California Management Review*, 63(2), 49–61.

Schmidhuber, L., Piller, F., Bogers, M., & Hilgers, D. (2019). Citizen participation in public administration: investigating open government for social innovation. *R and D Management*, 49(3), 343–355. <https://doi.org/10.1111/radm.12365>

Mladenow, A., Bauer, C., & Strauss, C. (2014). Social crowd integration in new product development: Crowdsourcing communities nourish the open innovation paradigm. *Global Journal of Flexible Systems Management*, 15(1), 77–86. <https://doi.org/10.1007/s40171-013-0053-6>

Gould, R. W. (2012). Open innovation and stakeholder engagement. *Journal of Technology Management and Innovation*, 7(3), 1–11. <https://doi.org/10.4067/s0718-27242012000300001>

Holmes, S., & Smart, P. (2009). Exploring open innovation practice in firm-nonprofit engagements: a corporate social responsibility perspective. *R&d Management*, 39(4), 394–409.

Randhawa, K., Wilden, R., & West, J. (2019). Crowdsourcing without profit: the role of the seeker in open social innovation. *R and D Management*, 49(3), 298–317. <https://doi.org/10.1111/radm.12357>

Yun, J. J., Park, K., Im, C., Shin, C., & Zhao, X. (2017). Dynamics of social enterprises—Shift from social innovation to open innovation. *Science, Technology and Society*, 22(3), 425–439.

Hsu, H. Y., Liu, F. H., Tsou, H. T., & Chen, L. J. (2019). Openness of technology adoption, top management support and service innovation: a social innovation perspective. *Journal of Business and Industrial Marketing*, 34(3), 575–590. <https://doi.org/10.1108/JBIM-03-2017-0068>

Z. Solesvik, M., & Gulbrandsen, M. (2013). Partner Selection for Open Innovation. *Technology Innovation Management Review*, 3(4), 11–16. <https://doi.org/10.22215/timreview674>

## Response to Reviewer 1 (round 2)

We are very grateful for the second-round reviews provided by the editors and reviewers of this manuscript. The comments are constructive and the reviewers appear to share our judgement that this study and its results are important. Please see below, in yellow highlight, our detailed response to Reviewer 1.

### Review Report Form

#### English language and style

- Extensive editing of English language and style required
- Moderate English changes required
- English language and style are fine/minor spell check required
- I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	(x)	( )	( )	( )
Are all the cited references relevant to the research?	(x)	( )	( )	( )
Is the research design appropriate?	(x)	( )	( )	( )
Are the methods adequately described?	(x)	( )	( )	( )
Are the results clearly presented?	(x)	( )	( )	( )
Are the conclusions supported by the results?	(x)	( )	( )	( )

Comments and Suggestions for Authors

Dear Authors,

the suggested changes have been properly made, thus the paper is suitable for publication.

**Authors' response:** Thank you. The English language and style have been checked by one of our UK academic colleagues. We appreciate your time in reviewing our paper since the first round and providing valuable comments to improve the manuscript.

## Response to Reviewer 3 (round 2)

We are very grateful for the second-round reviews provided by the editors and reviewers of this manuscript. The comments are constructive and the reviewers appear to share our judgement that this study and its results are important. Please see below, highlighted, our detailed response to Reviewer 3.

### Review Report Form

#### English language and style

- Extensive editing of English language and style required
- Moderate English changes required
- English language and style are fine/minor spell check required
- I don't feel qualified to judge about the English language and style

	Yes	Can be improved	Must be improved	Not applicable
Does the introduction provide sufficient background and include all relevant references?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are all the cited references relevant to the research?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Are the methods adequately described?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the results clearly presented?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the conclusions supported by the results?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### Comments and Suggestions for Authors

This paper is of interest and could be an important addition to the social enterprises literature with revision and expansion. I do believe with some work it could be an exceptional addition to the literature. Please refer to the comments for improvement of this paper.

1. This part the author try to explain about what?
2. It is suggested to cite another author too.
3. Please put citation 2018 and above too (line 42)
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18. The author need to write more about the implications of the research (practical, methodological, and theoretical). (line 405)

**Authors' response:** Thank you. We believe that all these 18 comments have been answered and responded to in the first round as follows:

1. This part the author try to explain about what? (line 33)

**Authors' response:** Thank you for your feedback. In this part, we try to explain that open innovation (OI) is one of the streams in innovation that gets the most attention, along with the increasing complexity of business and the development of information communication and technology that allows the smoother flow of knowledge both into and out of the firms.

2. It is suggested to cite another author too. (line 37)

**Authors' response:** Thank you for your suggestion. In the revised version, we have added cite from another author (page 2-3).

3. Please put citation 2018 and above too (line 42)

**Authors' response:** Thank you for your suggestion. In the revised version ,we have added citation 2018 onwards in the manuscript.

4. My suggestion to put "open" in front of innovation (line 60)

**Authors' response:** Thank you for your suggestion. In this revision, in that part, as suggested, the word "open" has been added in front of innovation.

5. Please check the APA system on how to cited the authors (line 63)

**Authors' response:** Thank you for your feedback. JOITMC has its own referencing styles. In the revised version, we have adjusted referencing style to JOITMC style.

6. Who is "several others" (line 65)

**Authors' response:** Thank you for your feedback. In the revised version, we have replaced that part with the 'prior authors' by specifically referring to Freeman, C. The Economics of Industrial Innovation: Penguin Books. 1974.

7. The authors should provide better arguments of using innovation of sustainability (line 96)

**Authors' response:** Thank you for your feedback. Based on the suggestions, we have strengthened the arguments of using innovation for sustainability.

8. It is suggested to use sub-header for each subsection in this part (3.1 title 1; 3.2 title 2) (line 97)

**Authors' response:** Thank you for your suggestion. As suggested, in the revised version, we have used sub-header for each subsection in this part (page 4).

9. BMT stand for? (line 140)

**Authors' response:** Thank you for your feedback. We have entered the abbreviation and explanation of BMT (page 5).

10. The author should explain who and why this economic team formed by the SE (line 181)

**Authors' response:** Thank you for your suggestion. We have explained why the economic unit was formed.

11. What happen to the fuel business? (line 186)

**Authors' response:** Thank you for your feedback. We have given reasons for the problems the fuel business is experiencing.

12. The author should summarize the info in the table form for each of SE (line 187)

**Authors' response:** Thank you for your suggestion. To make the presentation more effective, the explanation for each SE is explained in the form of a narrative and a table summarizing the findings found collectively.

13. Did you mean areas? (line 205)

**Authors' response:** Thank you for your feedback. It is arrears not areas. Arrears is a financial and legal term that most commonly describes an obligation or liability that has not received payment by its due date (page 6).

14. The author is not consistent in using "open innovation" or "innovation" only (line 210)

**Authors' response:** Thank you for the feedback. Both terms are needed in manuscripts that describe two related but different things so that they are still needed.

15. All the sub themes should put in the table - summary of this part so that we can read clear the different themes for different map (line 224)

**Authors' response:** Thank you for your suggestion. Sub themes have been listed in the second column in the findings table.

16. Lack of recommendation and contribution of this research (line 399)

**Authors' response:** Thank you for your suggestion. In the revised version, we have added recommendation and contribution in the final section.

17. Implications are mentioned in this part but the link between the findings and implications remain vague. Implications are not clarified and it is not obvious how exactly 'the knowledge generated from this study would support the sustainable innovation' and how they can help in education SE. In addition, what is the contribution to relevant literature? What are the limitations? It would be interesting to read the answers to this question in the final part. (line 401)

**Authors' response:** Thank you for your suggestion. In the revised version, we have explained the implication in this research further as suggested. Likewise, limitations and future research directions have been added (page 14).

18. The author need to write more about the implications of the research (practical, methodological, and theoretical). (line 405)

**Authors' response:** Thank you for your feedback. In the revised version, we have explained more implication in this research in the final section (page 14).

The English language and style have been checked by one of our UK academic colleagues. We appreciate your time in reviewing our paper since the first round and providing valuable comments to improve the manuscript.



Article

Open Innovation for Sustainability in the Social Enterprises:
An Empirical Evidence

Budi Harsanto 1,\*, Asep Mulyana 2, Yudi Ahmad Faisal 3 and Venny Mellandhia Shandy 4

- 1 Faculty of Economics and Business, Universitas Padjadjaran, Indonesia; budi.harsanto@unpad.ac.id
2 Magister in Integrated Microfinance Management Program, Universitas Padjadjaran, Indonesia; asepmulyana@unpad.ac.id
3 Center for Management and Business Studies, Universitas Padjadjaran, Indonesia; yudi.ahmad@unpad.ac.id
4 Magister in Management Science Program, Universitas Padjadjaran, Indonesia; venny20001@mail.unpad.ac.id
\* Correspondence: budi.harsanto@unpad.ac.id

Abstract: Social enterprises are currently receiving significant attention from academics and practitioners because of their hybrid nature to achieve profit while achieving the planned social mission. To achieve its social mission as well as financial sustainability, social enterprises need to have the ability to carry out innovation for sustainability which helps them balance these two goals. In hybrid organizations such as social enterprises, priorities in financial and social mission may conflict, resulting in managerial tensions and stakeholder pressure, making Open Innovation (OI) by involving external parties essential. This paper aims to explore OI for sustainability in social enterprises. The research question posed is: what innovation for sustainability practices do social enterprises implement? and, how does the mechanism of OI for sustainability work? in social enterprises? A multiple case study approach is used by taking four leading social enterprises in the education sector located in West Java, Indonesia. Our findings indicate that sustainability innovation is practiced by social enterprises in the form of providing social benefits such as paying for the education costs of their students and providing social services for the surrounding community. Beyond that, ecological benefits are provided in the form of reducing waste and using unproductive land in a productive manner. Innovation is performed with a different approach from one case to another. All cases studied are collaborating with parties external to the organization to be able to implement sustainability innovation. This study contributes to the literature by providing empirical research on sustainability innovation in the context of social enterprises, which is still rarely found in the literature.

Keywords: sustainability innovation, open innovation, social enterprises, education, case study

Citation: Lastname, F.; Lastname, F.; Lastname, F. Title. J. Open Innov. Technol. Mark. Complex. 2022, 8, x. https://doi.org/10.3390/xxxxx

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1. Introduction

Innovation for sustainability is the innovation type that aims for financial, ecological, and/or social benefits simultaneously [1,2]. It is interchangeably also referred to as sustainability innovation or sustainability-oriented innovation (SOI) [3]. Most studies on innovation for sustainability are pure for-profit organizations, and few are conducted on hybrid organizations such as social enterprises. Social enterprises are companies that seek profit to finance social programs and activities [4]. In social enterprises, managerial tensions and stakeholder pressure can be high due to the clash of priorities between financial and social mission [5]. This is why innovation for sustainability, which is inherently complex, becomes more challenging in social enterprises. Open Innovation (OI) is the way to overcome the most commonly encountered problems by social enterprises, such as managerial frictions, stakeholder pressure, or financial and social mission dualism.

	<i>condition that within 5 years no change is permitted... (SE_C)</i>
Local NGOs	<i>There used to be LP2S and now it is merged into a subsidiary that trains. GSP (formerly called DTSP) is a company, the company's shares are owned by cooperatives, foundations, and the private sector, as well as leaders of pesantren (SE_D). For innovation, we have cooperation in the development of the application. We also improve the integration system. In the past, the financial system was still manual, and now we are trying to integrate it through collaboration with third party. (SE_D)</i>
Private Enterprises	<i>We send vegetables in modern markets outside the traditional market, such as private modern market of X, Y, Z, etc. (SE_B)</i>

Source: authors' elaboration (2022)

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**5. Open social innovation at the way of the sustainability of social enterprise**

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The second objective of this study is to understand the mechanism of OI for sustainability in social enterprises. The concept of open social innovation is pertinent since social companies are primarily focused on carrying out social missions to address different social challenges [35–38]. From the internal perspective, traditionally, *pesantren* (Islamic boarding schools) have a religious leader known as *kyai* in Javanese terminology. The role of *kyai* is massive in this institution. He inspires *santri* (students) and gives religious and moral guidance. In most cases, his vision, commitment, and leadership also influence the development of *pesantren*'s business and economy. This is not much different from pure for-profit organizations [17]. Based on our observation, the successful *pesantren* business units could not be alienated from the *krai*'s vision and openness to new ideas. Social enterprise D has a young *kyai* figure. He is very concerned about voicing spiritual-based business. He could be regarded as a *kyai* who opens the door to innovation to develop his *pesantren*. Through his leadership, the *pesantren* was able to develop more than 20 business units consisting of television and radio businesses, hotels, restaurants, elementary to high school schools, retail, Sharia cooperatives, and several other sectors. Meanwhile, social enterprise A also has a young *kyai* figure. Under his leadership, the *pesantren* expanded its business activities ranging from modern shop/retails, financial institutions, agribusiness, shrimp pond sector, restaurants, health clinics, and other business units. The way that *kyai* opens innovation is something that needs to be understood from the spiritual point of view. However, there are some practical perspectives that might be understood on how this innovation is occurring in the *pesantren*. Literature indicates that top management support is an important factor in bringing together multiple stakeholders and enabling open social innovation [39,40].

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Based on our observation, there are some channels being utilized by *pesantren* in the process of adaptation and innovation of their business practices. Some of the *pesantren* employees, particularly those who manage its business activities, are commonly followers who had extensive professional experiences before joining the institution. These types of employees might provide a transfer of knowledge for other staff. In addition, there are also trends that several external partners such as universities and non-government organizations have communicated with *pesantren* and developed various management

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activities and added the implementation of an agricultural production and agribusiness model that imparts young people with practical skills in agriculture, a demonstration of the will to meet the ever-increasing demand for food while nurturing the young generation into agriculture. This *pesantren* provides fresh organic vegetables and dominates some areas. Due to the demand of its markets, particularly customers who are concerned about organic foods, the *pesantren* developed various organic farming models to serve its markets and to sustain its business. In addition, market-based innovation has another variant which is supply-based innovation. In this type, *pesantren* gets insights from its suppliers in terms of goods and services that might serve market needs. Furthermore, suppliers often advise *pesantren* business units to engage in current technological advancements. This market-based innovation has many benefits for *pesantren*, including fresh ideas, shorter time-to-market, and higher margins in the case of organic foods, all of which can lead to profitable growth and sustainability. The dynamic interactions of these various actors can be seen in Figure 2.

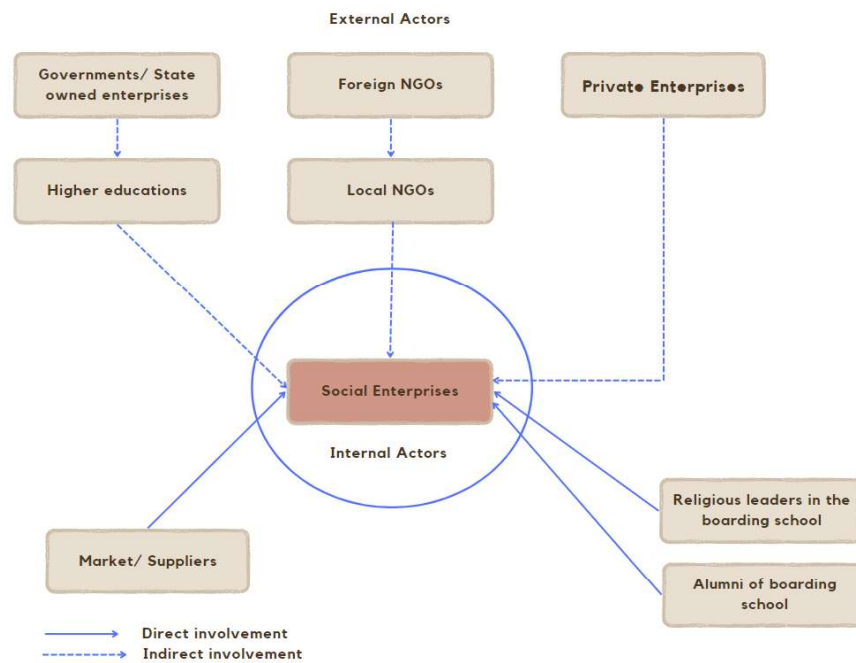


Figure 2. OI Mechanism in Social Enterprises embedded in Pesantren  
 Source: authors' elaboration (2022)

Our analysis of the roles of external partners may extend the argument developed in previous studies on this issue. For instance, it was argued that, in addition to well-known partners for the innovation process such as universities and customers, Non-Government Organizations (NGOs) and intermediaries might be beneficial for OI on a firm [30]. Previous studies have demonstrated that synergies and collaborations of firms with customers, universities, and suppliers, and new product development are beneficial for achieving firm performance [30]. Apart from the parties mentioned, what has not been seen to be done that might be useful in the future is the involvement of citizens or social crowds as part of open social innovation. [41,42]. The selection of external partners in OI, including social crowds, for social enterprises is an important matter and requires careful consideration [38,43].

Our analysis supports and extends the previous studies on the roles of external partners. This study also found there are additional strategic external partners that contribute to the innovation process in social enterprises as depicted in Figure 2. This may add to

- [43] Randhawa, K.; Wilden, R.; West, J. Crowdsourcing without Profit: The Role of the Seeker in Open Social Innovation. *R D Manag.*, **2019**, *49*, 298–317. 632  
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## Open Innovation for Sustainability in the Social Enterprises: An Empirical Evidence

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### Abstract

Social enterprises are currently receiving significant attention from academics and practitioners because of their hybrid nature to achieve profit while achieving the planned social mission. To achieve their social mission as well as financial sustainability, social enterprises need to have the ability to carry out innovation for sustainability which helps them balance these two goals. In hybrid organizations, such as social enterprises, priorities in financial and social missions may conflict, resulting in managerial tensions and stakeholder pressure, making open innovation (OI) by involving external parties essential. This paper aims to explore OI for sustainability in social enterprises. The research question posed is: what innovation for sustainability practices do social enterprises implement and, how does the mechanism of OI for sustainability work in social enterprises? A multiple case study approach is used by taking four leading social enterprises in the education sector located in West Java, Indonesia. Our findings

