

Entrepreneurial Leadership, Social Environment, and Innovation in Heritage-Based MSMEs: Insights from Songkok Crafts in Lamongan

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ABSTRACT

Purpose – This study investigates how entrepreneurial leadership and the social environment shape innovation within songkok craft MSMEs in Lamongan Regency, East Java, Indonesia. It focuses on how leaders navigate the tension between preserving cultural-religious heritage and adapting to market change.

Design/methodology/approach – Using an exploratory qualitative design, the study draws on 15 purposively selected key informants from four broad role groups: MSME owners, managers, and artisans; artisan-community representatives; local government representatives; and academics or MSME facilitators. Data were collected through semi-structured interviews, field observations, and document analysis and examined through thematic analysis. Contrasting evidence was explicitly considered when interpreting limited process and organizational innovation.

Finding/Results – The analysis indicates three connected themes: heritage-preserving entrepreneurial leadership, socio-community governance and network support, and value-congruent innovation alignment. Product and marketing innovation were more visible than process and organizational innovation. Community relationships supported information exchange and order sharing, but shared expectations also shaped which changes were regarded as culturally acceptable.

Originality/Value – The study develops a Leadership-Socio-Community Interpretive Framework for heritage-based MSMEs. The framework explains innovation as a negotiated and culturally bounded process rather than as an automatic outcome of leadership or social capital.

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1. Introduction

Micro, small, and medium enterprises (MSMEs) play an important role in Indonesia's economy and employment. A government release reported that MSMEs accounted for approximately 61% of national gross domestic product and 97% of employment (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2022). These figures provide national context rather than estimates for the songkok sector. Alongside their economic and sociocultural role, craft MSMEs face challenges involving capital, digital capabilities, and adaptation to changing markets, as illustrated by research on Indonesian batik enterprises (Muazza et al., 2025).

One sector in which tradition and market adaptation intersect is the songkok craft industry in Lamongan Regency, East Java. The regional industrial information system records songkok-related enterprises across several localities (Pemerintah Kabupaten Lamongan, n.d.). Songkok products carry economic value as well as cultural and Islamic meanings. The present study examines how entrepreneurs respond to demands for design development, digital marketing, and production efficiency while preserving those meanings.

Leaders influence how organizations respond to new opportunities and how workers participate in change. Entrepreneurial leadership links the pursuit of opportunities with the mobilization of others toward value creation (Gupta et al., 2004; Renko et al., 2015). This provides a basis for examining leadership practices in small craft enterprises without assuming that evidence from educational leadership or other organizational settings transfers directly to MSMEs.

In MSMEs, entrepreneurial leadership provides a useful lens for understanding how business actors recognize opportunities, mobilize others, and make decisions under resource constraints (Gupta et al., 2004; Renko et al., 2015). In craft businesses such as songkok production, these practices may involve cautious experimentation, worker consultation, and adaptation to changing demand while retaining elements regarded as central to the product's identity. This makes entrepreneurial leadership particularly relevant for examining how family-based and small-scale enterprises negotiate continuity and change.

Alongside leadership, the social environment may shape how innovation is considered and enacted in MSMEs. The social environment encompasses social interactions, community networks, cultural values, and institutional support. In the songkok craft ecosystem in Lamongan, relationships among artisans, customers, community actors, government agencies, and educational institutions can provide information and opportunities for collaboration while also shaping expectations about acceptable change. Social capital theory helps explain how trusted relationships provide access to information and cooperation, while also drawing attention to possible constraints embedded in shared norms (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998).

The studies reviewed here address complementary aspects of this problem. Renko et al. (2015) conceptualize and measure entrepreneurial leadership, whereas Muazza et al. (2025) examine product innovation and e-commerce in a culturally embedded Indonesian craft sector. These perspectives motivate a more focused question about how leadership and community relationships operate together in songkok MSMEs. Resource limitations, family involvement, and cultural expectations make it necessary to examine this relationship in its local context.

Leadership, social capital, and innovation offer useful but distinct perspectives. Social capital theory addresses resources accessed through relationships and the contingencies affecting their value (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998). The present study brings these perspectives together to examine how leaders negotiate community expectations when deciding which adaptations are culturally acceptable and commercially relevant.

To bridge this theoretical gap, this study addresses the following core research question: How do entrepreneurial leaders in heritage-based MSMEs utilize community social relationships to navigate the paradox between cultural-religious preservation and market adaptation?

By addressing this issue, the study makes two major contributions. The study develops an interpretation of how leadership and community relationships shape cultural negotiation in heritage MSMEs. It identifies conditions under which community expectations may constrain more substantial innovation, rather than establishing a causal effect of network density. The study offers context-sensitive guidance for craft entrepreneurs, policymakers, and heritage custodians seeking to support innovation while preserving cultural identity.

2. Literature Review & Hypothesis Development

2.1. Entrepreneurial Leadership

Entrepreneurial leadership combines opportunity pursuit with the capacity to mobilize others toward value creation (Gupta et al., 2004). Renko et al. (2015) conceptualize it in terms of influencing and directing group members toward entrepreneurial objectives involving the recognition and exploitation of opportunities. These accounts provide the conceptual basis for examining opportunity recognition, cautious experimentation, and worker involvement in songkok MSMEs.

Entrepreneurial leadership is relevant to MSMEs because opportunities must be pursued within resource and organizational constraints. Makhmut and Uzkiyyah (2025) examine entrepreneurial leadership, organizational culture, employee engagement, and innovative work behaviour in SMEs in Malang Raya. Their study provides a related Indonesian setting; its claims should not be extended automatically to heritage craft enterprises. Anderson and Sun (2017), in contrast, review overlaps among leadership styles. Their review supports conceptual caution when distinguishing entrepreneurial leadership from other styles, rather than serving as direct evidence of innovation outcomes in MSMEs.

Evidence from culturally based enterprises also highlights the importance of distinguishing innovation practices from leadership effects. Muazza et al. (2025) examine product innovation and e-commerce among batik MSMEs in Seberang Jambi, including cultural design, market access, and barriers involving capital and digital literacy. Their findings provide a relevant comparison for craft adaptation; the role of leadership in that process requires separate investigation. This study therefore explores how entrepreneurial leadership and social relationships are experienced within the songkok setting.

2.2. Social Environment and Related Concepts

In this study, the social environment refers to the broader local context in which songkok MSMEs operate. It includes the actors, institutions, relationships, cultural-religious norms, and forms of support that influence business decisions. Relevant actors include entrepreneurs, artisans and family workers, suppliers, customers, artisan associations, community and socio-

religious leaders, local government agencies, and academics who assist MSMEs. The concept therefore describes the setting around the enterprise rather than a resource owned by the enterprise.

The related concepts are used more narrowly. Social networks are the actual ties connecting these actors. Trust is a relational quality that reduces uncertainty within those ties, while collaboration refers to joint practices such as sharing information, pooling orders, training, or solving production problems. Community support is the assistance provided through these relationships or institutions. Social capital refers to the information, cooperation, legitimacy, and other resources that entrepreneurs can access through networks characterized by trust and shared norms (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998). Thus, the social environment provides the wider context, whereas social capital is one resource generated and mobilized within that context.

These concepts are related but not interchangeable. Social and cultural values shape whether network resources can be used for a proposed innovation. Mutual assistance may support knowledge sharing and incremental adaptation, while strong expectations concerning religious meaning, decency, and craft authenticity may limit changes viewed as inappropriate. The present study examines how business relationships in Lamongan are embedded in economic, community, and socio-religious activities, and how the same network may enable cooperation while setting boundaries around acceptable innovation (Adler & Kwon, 2002).

Accordingly, the analysis uses social environment for the broader context, social networks for the pattern of relationships, community support for specific assistance, and social capital for resources accessed through trusted relationships. This terminology is applied consistently in the Results, Discussion, and Conclusion.

2.3. Innovation in MSMEs

Innovation involves implementing change, not merely proposing an idea. The Oslo Manual 2018 distinguishes product innovation from business process innovation: a firm must introduce an offering to users or implement a process that is substantially different from its previous practice (OECD/Eurostat, 2018). In MSMEs, such changes may be incremental and shaped by available resources and market demands (Tidd & Bessant, 2020).

Innovation management connects organizational capabilities with market and technological change (Tidd & Bessant, 2020). For craft MSMEs, product refinement and digital marketing may provide routes to adaptation, as illustrated by Muazza et al. (2025). Whether these changes preserve cultural meaning, and why other forms of change remain limited, are empirical questions explored in the present case.

This study uses product, process, marketing, and organizational innovation as four analytical dimensions. They retain distinctions used in the previous Oslo Manual classification; they are not presented as the four principal categories of the 2018 edition. Under the 2018 framework, marketing and organizational changes fall within business processes when they meet the innovation criteria (OECD/Eurostat, 2018). Here, product innovation concerns changes in product design or function; process innovation concerns production methods and efficiency; marketing innovation concerns promotion, packaging, and market access; and organizational innovation concerns task allocation and work structures. This distinction enables comparison

across domains, while routine or minor adjustments are described as practices rather than automatically treated as innovations meeting the Oslo threshold.

Thus, innovation is not simply an attempt to introduce a new product, but a process that may be shaped by leadership, organizational arrangements, market conditions, and social relationships. In this study, the four analytical dimensions are used to examine how entrepreneurial leadership and the social environment are experienced in relation to creative and adaptive practices among songkok MSMEs in Lamongan.

2.4. Conceptual Framework of the Research

The conceptual framework positions entrepreneurial leadership and the social environment as sensitizing concepts for exploring innovation. Leadership directs attention to opportunity pursuit and the mobilization of others (Gupta et al., 2004; Renko et al., 2015), while social capital theory draws attention to resources and constraints associated with trusted relationships (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998). Their interaction is explored empirically rather than assumed to produce sustainable innovation.

This conceptual framework serves as the basis for exploring empirical phenomena in the songkok craft MSMEs in Lamongan Regency, with a primary focus on how leadership dynamics and social context shape the innovative behavior of business actors in facing the challenges of modernization without losing local traditional values.

3. Methodology

This study used a qualitative approach with an exploratory design to understand how entrepreneurial leadership and the social environment shape innovation practices in songkok craft MSMEs in Lamongan Regency. A qualitative approach was selected because it enables close examination of participants' experiences, perceptions, decisions, and meanings within their local social and cultural context (Creswell & Poth, 2018).

The research was conducted in Lamongan Regency, East Java, where songkok-related enterprises form part of the local industrial ecosystem (Pemerintah Kabupaten Lamongan, n.d.). The region was selected because its interconnected artisan community provides a setting for examining innovation in relation to traditional culture.

Informants were selected purposively in two stages. Primary informants were owners, managers, or artisans directly involved in songkok MSMEs and had experience with product, process, marketing, or work-organization decisions. Contextual informants were selected because their roles gave them direct knowledge of the craft ecosystem and its support arrangements. The final sample consisted of 15 key informants: MSME owners/managers and artisans, artisan-community representatives, local government representatives, and academics or MSME facilitators. The sampling strategy was designed to obtain complementary perspectives on enterprise decisions, community relationships, institutional support, and innovation practices rather than to produce statistical representation.

Table 1. Informant Profile and Sampling Characteristics

ID	Role	Experience / business age (Years)	Business / institutional characteristics	Generation / status	Relevance to study
I01	MSME owner	15	Family songkok business; manages production and design decisions; 12 workers	Second generation	Product and design decisions
I02	MSME owner	9	Focuses on marketing and online market development	Second generation	Digital marketing and market development
I03	MSME owner	11	Founder; handles custom orders from shops, communities, and religious events	Founder	Product trials, market demand, and risk decisions
I04	MSME manager	7	Family business; manages marketing, orders, and coordination of about 20 workers	Third generation	Work allocation, online orders, and coordination
I05	Owner / artisan	18	Microenterprise; largely manual production with five workers	Not specified	Manual production, quality, and capital constraints
I06	Artisan / community actor	14	Works with several producers in sharing orders when capacity is insufficient	N/A (artisan role)	Order sharing, supplier information, and community norms
I07	MSME owner	8	Family business; develops packaging and sales through WhatsApp and marketplaces	Not specified	Packaging and digital marketing
I08	Production manager	13	Manages raw materials, work allocation, production, and quality control	Second generation	Process standardization and work organization
I09	MSME owner	16	Sells through traditional shops and intercity trader networks	Not specified	Market information and product decisions
I10	Community leader	22	Coordinates an artisan group and links artisans with suppliers and government programs	N/A (community role)	Community networks and institutional linkage
I11	Community board member	6	Community organizer and marketing actor; interacts with younger producers and online resellers	N/A (community role)	Differences in innovation adoption across domains
I12	Local government	8	MSME support staff involved in marketing and business-development training	N/A (institutional role)	Government support and adoption capacity
I13	Local government	6	Industry/trade staff interacting with artisans on production, exhibitions, and market access	N/A (institutional role)	Market access and local-identity promotion
I14	Academic / MSME facilitator	10	Provides training in branding, digital marketing, and business management	N/A (institutional role)	External support for marketing and organization
I15	Academic / researcher	12	Researches entrepreneurship and culture-based industries and follows local songkok development	N/A (institutional role)	External perspective on socially embedded innovation

Note. Participant codes are used to protect identity. Generation is reported only where it was included in the available participant profile. 'Not specified' indicates that generation was not recorded in the profile, while N/A is used for contextual roles for which business generation is not applicable.

Data were collected through in-depth semi-structured interviews, field observations, and document analysis. Interviews explored leadership practices, forms of community support, innovation decisions, and perceived limits on change. Eight observation records documented production practices, interaction patterns, digital-marketing activities, packaging changes, order sharing, and community exchanges. Eight supporting documentary or visual records included product photographs, digital-account screenshots, product-trial notes, packaging photographs, community communications, training materials, and academic-assistance records. Quotations reported in English were translated from Indonesian for presentation with attention to preserving their source meaning.

The data were analyzed thematically following Braun and Clarke (2006). Interview transcripts, field notes, and documents were read repeatedly, and meaningful segments were assigned initial codes. Related codes were grouped into categories, compared across sources, and developed into candidate themes. Themes were reviewed against the full dataset and refined when observational or documentary evidence qualified an interview-based interpretation. Contrasting and negative cases were also examined, including continued demand for conventional products, rejected material experiments, slower product change relative to marketing change, and community questioning of changes considered too distant from the recognized form of the songkok. The resulting code-category-theme links are summarized in Table 2.

Recruitment concluded at 15 informants when later interviews largely repeated established patterns and did not produce a new main theme. This was treated as thematic redundancy within the bounded case rather than as a claim that all possible views in the wider songkok industry had been captured (Guest et al., 2006). Credibility was strengthened through triangulation across interviews, observations, and documentary records and through explicit examination of contrasting evidence. Contextual description supports transferability, while the codebook and source-linked analytic record support dependability and confirmability in line with Lincoln and Guba (1985).

Table 2. Coding and Evidence Audit Trail

Final theme	Codes and category development	Triangulated evidence	Alternative or contrasting evidence
Heritage-Preserving Entrepreneurial Leadership	Market sensing; small-scale trials; cautious risk taking; consultation with production workers; preservation of core product form -> adaptive leadership under cultural and production constraints	I01 and I03 interviews; O01 product observation; D01 product photographs; D03 product-trial note	I05 reported continued demand for conventional models; I08 discontinued a material experiment after unfavorable customer response
Socio-Community Governance and Network Support	Order sharing; supplier information; training diffusion; trusted ties; normative questioning -> relational support embedded in community expectations	I06 and I10 interviews; O05 order-sharing observation; O06 community meeting; D06 community communication; D07 government training material	The same networks that enabled information and resource sharing also questioned changes viewed as inconsistent with songkok identity

Final theme	Codes and category development	Triangulated evidence	Alternative or contrasting evidence
Value-Congruent Innovation Alignment	Digital promotion; packaging changes; size standardization; task differentiation; continued manual production -> selective adaptation across innovation domains	I02, I04, I07, I08, and I11 interviews; O02, O03, O04, O07, O08; D02, D04, D05, D08	Marketing and packaging changed faster than product form; process and organizational changes remained more selective and limited

Research permission was documented through an official research authorization letter issued by the researchers' affiliated institution. Before the first interview, each participant received a written study-information and informed-consent document explaining the purpose and procedures of the study, confidentiality arrangements, and the intended academic use of the data. Participants indicated their agreement to participate by signing the informed-consent document before the interview was conducted. Participant identities are protected in this report through the use of informant codes.

4. Result and Discussion

4.1. Results

The study documents a songkok craft ecosystem involving family-based producers, artisans, community actors, public-sector support, and academic assistance in Lamongan Regency. Within the studied settings, production remained labour-intensive and included substantial manual work, while marketing and administrative practices showed selective digitalization. Interviews, observations, and documentary materials recorded incremental product trials, packaging changes, digital promotion, size standardization, differentiated task allocation, order sharing, and the continued importance of established production skills. These observations describe the sampled case and do not establish the prevalence of practices across the entire regency.

Participants described constraints involving capital, production capacity, customer acceptance, and the need to maintain product quality and recognizable identity. At the same time, market information, community relationships, government training, and academic assistance provided resources for selected forms of adaptation. The findings therefore point to an interaction between leadership decisions, available resources, social relationships, and culturally embedded expectations.

The thematic analysis produced three connected themes: (1) Heritage-Preserving Entrepreneurial Leadership, (2) Socio-Community Governance and Network Support, and (3) Value-Congruent Innovation Alignment. Table 2 shows how initial codes were grouped and checked across interviews, observations, and documents.

4.1.1. Heritage-Preserving Entrepreneurial Leadership

The first theme concerns leaders' efforts to identify market change while protecting the recognized form and quality of the songkok. Informants described monitoring customer requests, testing changes on a small scale, consulting production workers, and retaining the product's core form rather than pursuing radical redesign.

One MSME owner explained, "When there is a request for a new design, I usually try ten or twenty first. Our capital is limited. If we make a large batch immediately and it does not sell,

it is difficult" (I03, translated from Indonesian). This account illustrates cautious experimentation under resource constraints. It is consistent with I01's description of making samples after observing demand, O01's observation of product variants that retained the same basic form, and D03's record of a limited trial batch.

This pattern is consistent with the opportunity orientation of entrepreneurial leadership (Gupta et al., 2004; Renko et al., 2015), but the local evidence adds an important qualification: opportunity pursuit was filtered through production feasibility, customer response, resource constraints, and concern for continuity of the product's recognized identity. The evidence therefore supports an interpretation of adaptive, heritage-preserving leadership rather than unrestricted transformation.

4.1.2. Socio-Community Governance and Network Support

The second theme concerns how relationships among artisans and supporting actors provide practical resources while also shaping expectations about acceptable change. Participants described sharing orders, supplier information, training opportunities, and market information. Observations of order sharing and community interaction, together with community and government records, corroborated these collaborative practices.

An artisan stated, "If a friend receives a large order and the deadline is short, part of it is usually given to us. We then follow the required size and quality" (I06, translated from Indonesian). The same participant also described asking fellow artisans for supplier information and noted that community members sometimes questioned whether an unusual model could still be regarded as a songkok. These accounts show that trusted relationships provided resources while also carrying normative expectations.

This dual role is consistent with social capital perspectives emphasizing resources embedded in relationships (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998). In the present case, network ties facilitated information exchange and cooperation, but community expectations could narrow the range of changes regarded as appropriate. The evidence supports this as a context-dependent interpretive pattern rather than a quantified or universal effect.

Community support and collaboration therefore functioned as practical resources within the craft ecosystem, while their usefulness for innovation depended partly on how proposed changes aligned with shared expectations about product identity, quality, and appropriateness.

4.1.3. Value-Congruent Innovation Alignment

The third theme shows that innovation was selective across domains. Product changes focused on variations in color, motif, materials, packaging, and information provided to customers; marketing changes included Instagram, WhatsApp Business, marketplace use, and branded packaging. Process changes included shared size patterns and quality-control routines, while organizational changes involved differentiated responsibilities within family businesses. At the same time, substantial parts of production remained manual.

A community representative summarized this uneven pattern: "Marketing can change quickly, but the product form usually changes more slowly" (I11, translated from Indonesian). This distinction was visible across the dataset: O02 and D02 documented digital promotion, O07 and D04 documented packaging change, O04 and D05 documented size standardization and quality control, while O03 showed the continued importance of manual production.

The pattern suggests that adaptation was concentrated in changes that could be reconciled with customer expectations, production capabilities, and the recognized identity of the craft. A comparable concern with cultural identity and product adaptation appears in the batik setting examined by Muazza et al. (2025). In the present study, however, the cross-sectional qualitative evidence does not establish sustainable competitive advantage or long-term performance effects.

4.1.4. Bounded Innovation Alignment in Cultural MSMEs

Comparison across the four analytical innovation dimensions shows an uneven pattern. Product and marketing changes recurred across interviews and were supported by observational and documentary evidence, whereas process and organizational changes were less extensively represented. Table 3 summarizes the evidence base. The pattern labels are qualitative coverage descriptors, not statistical prevalence estimates: 'Recurring evidence' indicates repeated cross-source support, 'Limited evidence' indicates fewer supporting sources or narrower forms of change, and 'Isolated/limited evidence' indicates a small number of examples without broad formalization.

Table 3. Empirical Evidentiary Matrix across Innovation Dimensions

Innovation dimension	Empirical evidence	Evidence base	Pattern in the dataset	Main constraints / drivers
Product	Minimalist/simple design variations, material adjustments, and packaging refinement	9/15 interviews; 3 observed settings; 8 artefacts	Recurring evidence	Customer preferences; cultural authenticity
Marketing	Digital promotion, marketplace use, branded packaging, and local-identity branding	10/15 interviews; 2 observed businesses; 8 digital/documentary records	Recurring evidence	Digital competition; wider market reach
Process	Limited tool/process adjustments; shared size patterns and quality control; production remained largely manual	4/15 interviews; 2 observed settings; 2 production/equipment photographs	Limited evidence	Capital constraints; preservation of manual craftsmanship and quality
Organizational	Informal task differentiation and flexible family-based work arrangements	3/15 interviews; 2 observed businesses; no formal HR documentation identified	Isolated/limited evidence	Family-business structure; seasonal demand

Note. Interview coverage refers to distinct informants contributing evidence to each dimension; repeated statements by the same informant are counted once. Observation counts refer to distinct observed settings recorded for the relevant dimension, and documentary counts refer to distinct records or artefacts in the source-linked analytic record. The pattern labels summarize qualitative coverage and should not be interpreted as statistical frequencies or population estimates.

Observational and documentary materials indicated that production remained substantially manual even where selected process improvements were introduced. For example, standardized size patterns and quality-control routines were documented, but the dataset did not show broad mechanization or formal organizational restructuring. The more limited process and organizational evidence therefore qualifies any claim that entrepreneurial leadership or social capital produced comprehensive transformation across all innovation dimensions.

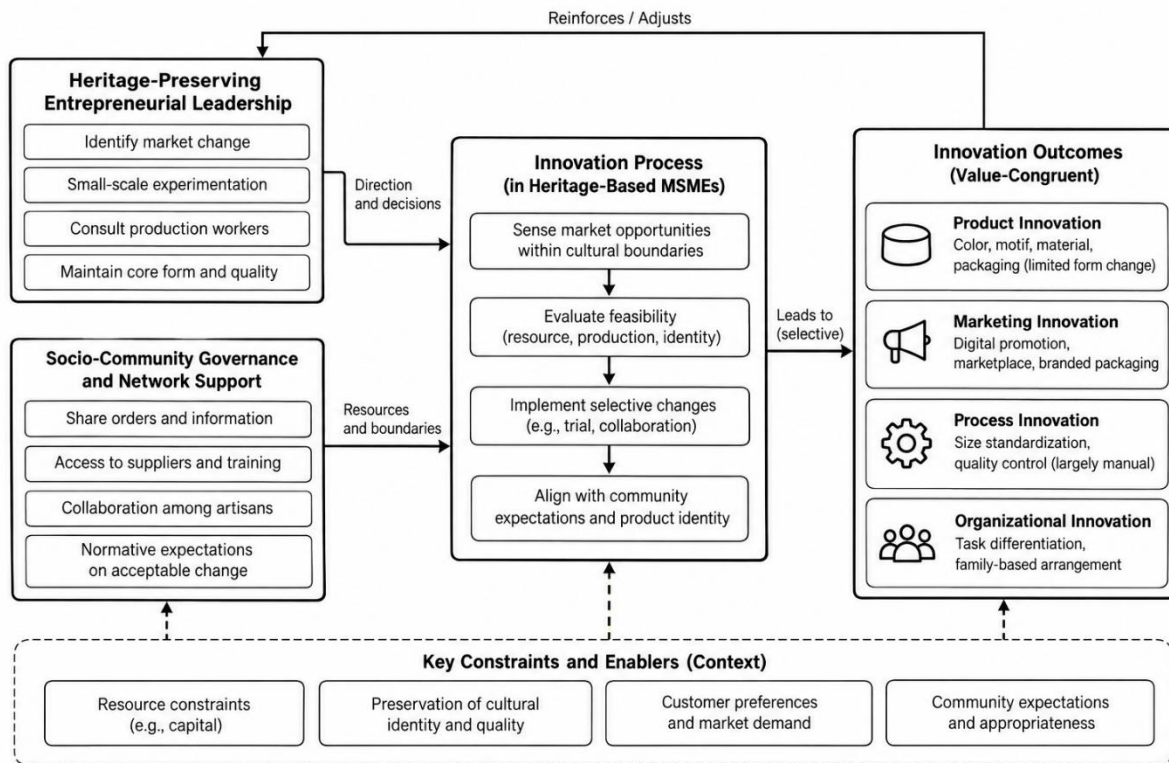


Figure 1. Dynamic Process of Entrepreneurial Leadership, Social Environment, and Innovation in Heritage-Based MSMEs

4.2. Discussion

The findings extend research on entrepreneurship, leadership, and social capital by showing how innovation in heritage-based MSMEs can be shaped by tension between market adaptation and cultural continuity. In this setting, entrepreneurial leadership is interpreted as a form of cultural negotiation and resource-conscious experimentation. Leaders monitored customer requests, tested changes on a limited scale, consulted production workers, and introduced market-facing adjustments while retaining the recognizable form and quality of the songkok. Supported examples include restrained color or motif variations, limited product trials, packaging refinement, clearer product information, and digital marketing. These practices suggest that leadership was expressed through value-congruent adaptation rather than radical product transformation.

The study also distinguishes the broader social environment from social capital. The social environment includes community actors, institutions, relationships, and cultural norms; social capital refers to resources accessed through trusted networks within that environment. In Lamongan, these resources included supplier information, order sharing, market information, and access to training. At the same time, participants described community questioning of product changes regarded as too distant from the recognized identity of the songkok. This pattern is interpreted as a normative boundary condition. The evidence does not quantify the strength of this influence or establish a formal sanctioning system, so the framework treats it as context-dependent rather than universal.

The uneven distribution of innovation further qualifies models that imply uniform change across product, process, marketing, and organizational domains. Evidence was strongest for

digital marketing, packaging, market communication, and incremental product adaptation. Process improvements such as size standardization and quality-control routines were more limited, while organizational change largely involved informal differentiation of responsibilities within family businesses. Continued manual production may reflect resource constraints, quality considerations, and the value attached to established craftsmanship. This coexistence of market-facing modernization and production continuity is interpreted as bounded innovation alignment, while recognizing that the present qualitative design cannot determine long-term performance effects.

These insights are summarized in the Leadership-Socio-Community Interpretive Framework for heritage-based MSMEs. The framework proposes that entrepreneurial leadership identifies and frames possible adaptations, while the social environment shapes access to support and the perceived legitimacy of those adaptations. Social capital can provide information, cooperation, and market legitimacy, but its usefulness depends on how a proposed change aligns with shared cultural expectations. The framework is interpretive: it organizes relationships observed in this case and does not claim mediation, causal sequencing, or statistical effects.

The following propositions translate the framework into directions that can be examined in future quantitative, comparative, or longitudinal research:

Proposition 1 (tentative future research direction): In heritage-based craft MSMEs, sociocultural embeddedness may condition the relationship between entrepreneurial leadership and product innovation, favouring incremental modifications that retain recognizable product features over radical novelty. This possible moderating relationship was not tested in the present study.

Proposition 2 (tentative future research direction): The density and structure of community ties may shape craft innovation in non-linear ways. Network ties may facilitate resource sharing and knowledge exchange, while stronger normative convergence may also narrow the range of product or process changes regarded as acceptable. This possible curvilinear relationship was not tested in the present study.

Proposition 3 (tentative future research direction): Engagement with artisan networks, market intermediaries, and support institutions during the development of new products or marketing practices may shape the perceived legitimacy and adoption of proposed changes. Comparative or longitudinal research is needed to examine when such engagement enables adaptation and when it reinforces existing boundaries.

5. Conclusion and Suggestion

This study examined how entrepreneurial leadership and the social environment shape innovation in songkok craft MSMEs in Lamongan Regency. The findings indicate that innovation in this culturally embedded setting was selective and bounded by the need to maintain recognizable product identity, quality, and established craft values. Entrepreneurial leaders monitored market change, experimented cautiously, and introduced incremental product and marketing adaptations. Community relationships provided supplier information, market knowledge, order sharing, and access to support, while shared expectations also influenced which changes were regarded as appropriate. Product and marketing innovation were therefore more recurrent than process and organizational innovation. Rather than

establishing causal effects or long-term competitive outcomes, the study offers an interpretive framework for understanding how leadership initiative, accessible social capital, resource constraints, and value congruence interact in heritage-based MSMEs.

6. Limitations and Future Research

Despite its theoretical and empirical contributions, this study has several limitations. It focuses on songkok craft MSMEs and related support actors in Lamongan Regency, so the findings may not transfer directly to other craft sectors or industrial settings with different sociocultural expectations. The exploratory qualitative design relies on cross-sectional observations and retrospective accounts and therefore cannot establish causal relationships, statistical mediation, curvilinear effects, or differences in statistical significance. It also does not measure longitudinal financial performance, firm survival, or innovation persistence. Although the study triangulates interviews, observations, and documentary evidence, the evidence base remains a bounded case and does not support statistical generalization or exhaustive comparison across informant groups. Future research should test the proposed relationships with larger and clearly documented samples, compare different heritage sectors, and follow enterprises across leadership and generational transitions. Quantitative studies could examine the tentative non-linear network proposition, while longitudinal qualitative research could explore how changing market and generational views affect the balance between cultural continuity and operational change.

Declaration of AI and AI-assisted technologies in the writing process

During the preparation of this work, the author(s) used ChatGPT (OpenAI) to explore how the qualitative coding results and thematic relationships could be visually represented as a dynamic process model. The tool was also used to generate an initial visual representation of the process based on the authors' coding structure and interpretation of the findings. The AI tool was not used to generate, modify, or independently interpret the empirical data. After using this tool/service, the author(s) reviewed, verified, and revised the visualization and related content to ensure consistency with the underlying qualitative evidence and take(s) full responsibility for the content of the publication.

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