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INNOVATIVE GOVERNANCE IN THE STARTUP ERA: THE INTERPLAY OF TECHNOLOGY, INNOVATION, AND VALUE CREATION

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ABSTRACT

Introduction: This groundbreaking paper examines the uncharted territory of corporate governance within non-traditional organizations, focusing on the dynamic landscape of start-up enterprises. **Background Problem**: In an era dominated by rapid technological advancements and unprecedented growth in start-ups, this research sheds light on the intricate relationship between innovation processes and value creation that fundamentally reshapes corporate governance mechanisms. **Novelty**: The novelty of this study paper lies in bridging the research gap in corporate governance studies, specifically in non-traditional settings like start-up enterprises. **Research Methods**: Embarking on a multi-exploratory study, the author examines the value of co-creation processes in eleven vibrant start-up organizations. The study unravels the interplay between stakeholders' value creation and innovation through primary and secondary data from interviews, focus group discussions, observations, and documentary analyses. This exploration vividly illustrates how these dynamics influence organizational culture and, consequently, redefine the very structure of these innovative entities. **Findings**: The findings spotlight unique innovation and co-creation processes intricately tied to customer needs and leadership styles. From product newness to bespoke offerings and active, dynamic leadership, these factors intricately mold the organizational structure of start-ups. **Contributions**: This paper offers insights into successful corporate governance in start-ups, focusing on the social impact of value generation. It outlines transformations like strong leadership, integrated communication systems, innovative remuneration schemes, and technology use, promoting a holistic approach to governance in the fast-paced startup world.

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INTRODUCTION

In the dynamic landscape of entrepreneurship, particularly amid the surge in start-up industries, this research is driven by the magnetic pull of innovation and the unique challenges faced by these budding enterprises. For years, scholars and policymakers have been captivated by Silicon Valley's innovative role as the center of repeated waves of invention in the high-technology industry, beginning in the 1950s (Krishnan & Krisna, 2024). Numerous nations aim to emulate Silicon Valley, but the impact of innovation is influenced by institutions, regulations, and organizations. A systems view is crucial for enhancing growth and social and human development. This trend brings to the forefront not only the allure of entrepreneurship but also the hurdles and distinctive challenges that start-up managers must navigate (Hunckler, 2017).

Navigating the uncharted waters of start-up culture—where diversity in talent, ideas, and capital reigns supreme—poses a distinct governance challenge. The question then becomes: How can organizational structures align with this vibrant collective culture to foster inclusive, effective, efficient, and valuable organizations for stakeholders? This research aims to unravel the intricate dance between governance structures and the kaleidoscopic world of start-up enterprises.

Value co-creation emerges as the lifeline for start-ups grappling with the liability of newness (Täuscher et al., 2020). This phenomenon, however, presents a dual challenge. On one hand, it hinges on accumulating external knowledge, requiring the 'right' organizational structure to integrate this influx seamlessly. On the other hand, the liability of newness may leave start-ups without a pre-established organizational structure, adding complexity to the value co-creation process. Herein lies the heart of this inquiry: How do start-up enterprises forge their organizational structure while undertaking value co-creation efforts?

This research, which investigates the nexus of value creation, innovation, and governance, fills a vital gap in corporate governance literature. The research by Di Vaio, Palladino, Pezzi, and Kalisz (2021) was utilized to examine how the organizational fabric of start-ups is designed to achieve effective value co-creation.

The significance of this research emerges from its timely response to the growing popularity of start-up enterprises worldwide. With the entrepreneurial surge sweeping Silicon Valley and beyond, it is critical to understand the governance systems that drive these ventures. This study's findings not only shed light on the issues that start-up managers face, but also provide practical suggestions for developing inclusive, successful, and value-driven organizational structures. This study explores governance concerns in start-ups, focusing on the interplay between governance structures, value co-creation processes, knowledge gathering, and organizational structure.

Using exploratory research methods, this study explores the value co-creation processes in ten start-up organizations in Indonesia. Primary and secondary data from an interview, focus group discussion, observation, and documentary analysis are used to capture the interplay between the value creation of stakeholders and the innovation process that shapes the organizational culture, which later defines the organizational structure. The results lead to the presentation of unique innovation and value-creation processes associated with customer needs, leadership, and the dynamics of value exchange among stakeholders. This study argues that the organizational structure in start-up enterprises should follow the value interplay and dynamic corporate culture.

LITERATURE REVIEW

Current literature on value co-creation has found extensive empirical support on the benefits of applying value co-creation to the company's innovation processes. For example, value co-creation with customers increases the frequency of new products developed by the company (Stock et al., 2017). Co-created products have a higher rate of market success (Mahr, Lievens, & Blazevic, 2014), and lower risk of failure (Hoyer et al., 2010). Furthermore, applying value co-creation is also found to benefit the company beyond its innovation process further as value co-creation increases the loyalty of customers towards the company's brand (Cossío-Silva et al. 2016).

Despite these benefits, the extant literature has also found that many value co-creation efforts fail (Heidenreich et al., 2015). Many plausible explanations for such failure including the complexity of the value co-creation process (Perks et al., 2012) and the differences in the company's organizational structure to accommodate accumulated knowledge from the value co-creation process (Saebi & Foss, 2015). For value co-creation efforts to succeed, knowledge sharing must take place between the company and all actors involved in the co-creation process (Markovic & Bagherzadeh, 2018). However, studies have found that companies have different capabilities to capitalize on the knowledge gained during the co-creation process due to the differences in their organizational structure (e.g., van der Meer, 2007). This research furthers the idea that the company's organizational structure is elementary to the success of its value co-creation process.

The existing research on the organizational structure for value co-creation is minimal. The literature identifies that the organizational structure for companies applying value co-creation efforts varies based on the degree of the companies' depth and breadth for knowledge search (Saebi & Foss, 2015), and their endogenous and exogenous environments (Nisar, Palacios, & Grijalvo, 2016). This implies that limited research on organizational structure and value co-creation is based on the premise that a company's organizational structure comes before value co-creation efforts. However, start-up companies are more likely to find themselves in situations where value co-creation efforts come first due to their limited resources. It suggests that their organizational structure is a consequence of their value co-creation efforts—not as an enabler/inhibitor. Currently, the limited literature explains how start-up companies develop their organizational structure in response to their value co-creation process.

Therefore, the author approaches this gap using corporate governance theory, which is the stakeholder theory. Corporate governance literature applies to the analysis of value creation processes. First, the stakeholder theory is based on the premise that all stakeholders of the company have intrinsic value, and thus, must be taken into account by managers of the company (Donaldson & Preston, 1995). The value co-creation process is a central concept in the practices of identifying, sharing, and creating values for all actors involved in the value co-creation process (Frow, McColl-Kennedy, & Payne, 2016). The stakeholder theory allows this research to identify the actors involved in the value co-creation process as well as the flows of value creation in the process itself. Second, the corporate governance literature is still very limited in its discussion about start-up companies. Start-up companies tend to avoid traditional organizational structure and embrace more boundary-less configurations that impose less control (Dess, Lumpkin, & McGee, 1999). A thorough discussion of the corporate governance of start-up companies is long overdue.

Understanding how value co-creation shapes a start-up company's organizational structure can help to explain how control is exercised in start-up companies.

1. Corporate Governance for Non-traditional Organizations

Corporate governance refers to the system by which companies are directed and controlled, with boards of directors responsible for setting strategic aims, providing leadership, supervising business management, and reporting to shareholders. The UK Corporate Governance Code defines three main points: the stakeholders' group, laws and regulations to follow, and an appropriate governance structure. Start-up organizations meet most corporate governance definitions, but their law and regulations are underdeveloped and often adopted from established traditional organizations. The Indonesian government is working on developing appropriate laws and regulations for growing start-up enterprises. Chapra and Ahmed (2002) define corporate governance as upholding fairness, accountability, and transparency, addressing social, political, economic, and cultural issues. It also includes responsibility, independence, professionalism, and discipline.

Definitions of corporate governance can be extended to include all institutional forms without any restrictions over whether they are for traditional organizations or non-traditional organizations (Rahajeng, 2018). The traditional organization is defined as an organization with a linear, segmented, and hierarchical framework (such as a large and stock-listed company), and non-traditional organizations are characterized as a more dynamic, flexible structure, and more into innovation and technology (such as a start-up company).

Several studies categorize stakeholders into distinct groups. Freeman (1984) identifies internal and external stakeholders, as well as cooperative and competitive stakeholders. Phillips, Freeman, and Wicks (2003) differentiate between derivative and normative stakeholders. Clarkson (1995) classifies stakeholders into primary and secondary categories. Other categorizations include natural resources (Driscoll & Starik, 2004; Phillips & Reichart, 2000; Starik, 1995), strategic investors, potential customers, and individuals (Cragg & Greenbaum, 2002; Ryan & Schneider, 2003), advocacy groups (Dunham, Freeman, & Liedtka, 2006), strategic networks (Pajunen, 2006), and God as a stakeholder (Schwartz, 2006). This study adopts the definition of internal stakeholders to explore the value interplay between employees and leadership boards (i.e., managers) and focus on the internal co-creation process within the organization. The perspectives of external stakeholders (i.e., customers and suppliers) are explored from the perception of internal stakeholders.

The corporate governance literature is abundant but mainly focused on traditional organizations rather than non-traditional ones (Kirkpatrick and Maimbo, 2002; Doig, 2006; Rahajeng, 2018). The study by Fauzan and Jahja (2021) also highlights the multidisciplinary nature of good governance research, noting significant contributions from social sciences, business, management, and environmental science. Their study concludes that good governance research is growing and remains a critical area of academic inquiry.

Therefore, this paper also aims to fill the gap in corporate governance literature for non-traditional organizations such as start-up enterprises.

2. Value Creation

Value co-creation is defined as the participation of customers and other external actors (e.g., service personnel, suppliers, and other organizations who collaborate with the company) in practices through which value emerges (Kelleher et al., 2019). The literature on value co-creation has been growing significantly ever since Vargo and Lusch (2004) published their seminal article on service-dominant (S-D) logic. The S-D logic is a paradigm that challenges the notion that companies produce either goods or services. The S-D logic instead sees that customers acquire specialized resources—called services—from companies that the customers further use to generate value. Under the S-D logic, companies no longer offer goods and services to customers – they offer value propositions. As a result, value co-creation becomes a central concept in the S-D logic because it matches the companies' value propositions with the customers' value.

The value co-creation process is typically divided into where value exists during the business process. For example, Etgar (2008) argues that value co-creation takes place before and during the consumption process by the customer. Under this view, the value co-creation process typically looks like the following. The value co-creation process that happens before the consumption process starts with a company deciding and developing the contribution of a product and services that they would like to offer to the customers. As this contribution is provided, customers would identify personal goals and values they can achieve, calculate the cost of acquiring the benefits, and start to enter the consumption process. At the same time, the value co-creation process that happens during the consumption process is the generation of outputs and evaluation of consumption results compared to expected goals and value.

The limited literature on the role of the value co-creation process with organizational structure typically focuses on how the organizational structure of the company changes because external stakeholders now become a part of the company due to the process. Nisar, Palacios, and Grijalvo (2016) develop a set of checklists of exogenous and endogenous factors that companies can follow when they decide to change their organizational structure due to the value co-creation process. Meanwhile, Castro-Martinez and Jackson (2015) and Saebi and Foss (2015) both introduce new types of organizational structure that companies can adopt when applying the value co-creation process. Lastly, Petroni, Venturini, and Verbano (2012) found that applying value co-creation processes within the company fundamentally changes the research and development (R&D) structure as it changes the role of R&D within the company and pushes R&D to adopt a more matrix-like structure in their function.

METHOD, DATA, AND ANALYSIS

This study adopts a qualitative research approach since it is an apt method to explore the interrelationships between a start-up enterprise's governance, innovation, and co-creation phenomena. The qualitative research approach provides a holistic understanding of rich, contextual, and generally unstructured, non-numeric data by engaging in conversations with the research participants in a natural setting (Mason, 2002; Creswell, 2009). The author has chosen the qualitative approach as it is the appropriate method at this stage to explore the problems and answer the research question of 'How is the interplay between innovation value creation in start-up enterprise and how does it influence the organizational structure?'

This study employs an exploratory research design, characterized by its broad-ranging, intentional, and systematic data collection aimed at maximizing the discovery of phenomena within the specified domain (Given, 2008). The primary objective of this design is to elucidate micro-level activities, such as the evolution of organizational structures during the value co-creation process over time in start-up organizations. The investigation concentrates on the interactions among stakeholders, with a particular emphasis on internal stakeholders. These interactions are observed through various internal meeting platforms, including co-working areas, to capture the co-creation process during these engagements. The platforms, however, upon request from the respondents, were for observation (eyes) only. Any documentation (i.e., photograph) is strictly prohibited. Therefore, due to respondent requests, this study extracts the data from observation and documentary analysis but only shows the transcript in the discussion. Table 1 below are the respondents' profiles.

As shown in Table 1, this study's samples are ten start-up organizations based on various industries, such as education services, culinary, architecture, telecommunication (including information and technology/IT), consumer goods sector, and global marketing services industries. These start-ups were chosen as suitable cases because they create new business processes within their industries.

Table 1. Respondent's Profiles

Organizations (anonymized)	**Industry Sector**	**Stakeholder Group**	**Respondent**	**Location/ Coverage**	**Interview Duration**
ARC. (Architecture)	Architecture and Design	Manager Staff	1. ARC1 (Legal Manager) 2. ARC2 (Accounting Staff)	Yogyakarta/ Local	60 min (via FGD)
CUL. (Culinary)	Culinary	Manager	CUL1 (Marketing Manager and Customer Research)	Jakarta and Yogyakarta/ Local	45 min
EDU. (Education)	Education	Manager	EDU1 (Product Manager)	Jakarta/ National	60 min
TEL (Telecommunication)	Telecommunication	Staff	TEL1 (Media Specialist)	Jakarta/ Multinational	60 min
MAR. (Marketing)	Marketing Services	Staff	MAR1 (Finance Officer)	Jakarta/ Multinational	60 min
ONL. (Online Marketplace)	Online Retail (Marketplace)	Manager	ONL1 (Head of Strategic Planning & Development)	Jakarta/ Multinational	60 min
TEL2	Telecommunication	Manager	TEL2 (Co-Founder/Director)	Jakarta/ National	20 min
CUL2	Culinary	Manager	CUL2 (Marketing Associate)	Jakarta/ National	20 min
EDU2	Education	Staff	EDU2 (Human Resource Manager)	Jakarta/ National	20 min
ONL2	Online Retail (Online Marketplace)	Manager	ONL2 (Senior Software Engineer)	Jakarta/ Multinational	20 min
Total Organizations		10			
Total Respondents		11			

Source: (composed by author)

As shown in Table 2, the distribution of enterprises in the studied sample was relatively proportional. For instance, the study's respondents are diverse in demographics, including gender, age, and education level. The majority, 50% male and 50% female, are aged 25-32 years, with an average of 28 years. Most have graduated or master's degrees, indicating high education levels. This diversity in education contributes to a diverse pool of opinions and knowledge, strengthening research conclusions. Below the details of respondent profiles:

Table 2. Details of Respondent's Profiles

Respondent	Gender	Age (year)	Education Level
ARC1	Male	26	Graduate[1]
ARC2	Female	25	Graduate
CUL1	Female	32	Graduate
CUL2	Female	28	Master
EDU1	Male	31	Master
EDU2	Male	25	Master
TEL1	Female	29	Master
TEL2	Female	27	Master
MAR1	Male	28	Master
ONL1	Male	28	Master
ONL2	Male	28	Master

Source: (composed by author)

Data is collected at regular intervals over ten months through semi-structured interviews and focus group discussions (FGD), including email correspondences with participants who are involved in the value co-creation process – including from the start-up side, the customer side, and the external actors' side. The interview questions have been reviewed and tested in the pilot study. The author conducted thorough observations of value co-creation interactions in the enterprise's platforms. The author also conducted a documentary analysis of the company profile, particularly the current governance mechanisms. Therefore, the data triangulation (from techniques to sources) is met to fulfill the reliability and validity of the research. The author maintained the reliability, validity, and objectivity to establish the trustworthiness of qualitative research.

The research applies a rigorous coding and analysis process according to established inductive procedures (Gioia, Corley, and Hamilton 2013; Miles and Huberman 1994), and all data analysis is conducted using the QSR NVivo 12 software. The coding process follows three iterative cycles, which means there are recursive cycles between the data, the emerging patterns, and the existing theory. Theoretical saturation is a condition when information, constructs, and relationships are exhausted (Eisenhardt 1989); and this research meets the saturation principle.

RESULT AND DISCUSSION

Table 3 summarizes organizational characterristics and governance extracted from the documents (e.g., company profile, organizational structure, corporate governance documents). Table 3 reveals different industries' intricate and varied organizational characteristics and governance mechanisms. These structures are designed to enhance stakeholder engagement, streamline decision-making processes, and foster effective knowledge sharing. By examining these diverse approaches, the study underscores the critical role of adaptive governance and organizational frameworks in driving value co-creation and innovation.

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[1] In higher education, the term "graduate" refers to individuals who have completed an advanced level of study beyond the undergraduate level. This includes those who have obtained a master's degree, doctoral degree, or other post-baccalaureate credentials. Unlike undergraduates pursuing or earning a diploma, bachelor's degree, or equivalent qualification, graduates have engaged in specialized, in-depth academic or professional training that equips them with advanced knowledge and skills in their chosen field of study.

Table 3: Summary of Non-Traditional (Start-Up) Organizational Characteristics and Governance

Characteristics	ARC	CUL	CUL2	EDU	EDU2	MAR	TEL	TEL2	ONL	ONL2
Industry	Architecture & Design Consulting	Culinary (Food Catering)	Culinary (Cloud Kitchen)	Education Services	Education Services	Global Marketing Services	Telecommu-nications & Consulting Tech	Leading Telecom Equipment Supplier	Online Retail (Marketplace)	Online Retail (Marketplace)
Value Proposition	Transparent, digitally enhanced projects	Flexible digital catering plans	Optimized spaces for food delivery	Language tools for HR quality	Global-minded, rooted in Indonesian culture	Innovation in global digital marketing	Customer-centric digital services	Leading telecom equipment supplier	Vast product range; customer-first values	Pioneers in digital transformation
Funding Scheme	CEO, minimal angel investor	CEO, multiple angel investors	Venture capital and crowd-funding	Leading Indonesian and Chinese investors	Students & donors	Global investors & Japanese parent org	Private equity investors	Owner, venture capital, vendors	Foreign (55%) & local enterprise (45%)	Local enterprise and venture capitalists
Accountability	None	Quarterly reports	Quarterly reviews	Monthly reports to BoD	Monthly reports	Annual General Meeting (AGM)	Monthly reports	AGM in China, less effective for Indonesia	AGM	AGM
Knowledge Dissemination	Daily meetings with CEO	Weekly technical meetings	Daily team meetings	Monthly town halls	Regular meetings; customer-focused	Daily team meetings, weekly CEO updates	Weekly founder meetings, knowledge sharing	Dynamic co-creation with employees	Regular staff meetings, agile management	Regular team meetings, flat structure
Governance System	One-tier, no supervisory board	Two-tier system	Dynamic one-tier structure	Two-tier system	One-tier system	A two-tier system with an audit committee	One-tier, no supervisory board	Two-tier system	One-tier, AGM in China or Indonesia	Traditional two-tier system
Organizational Structure	Hybrid	Flat structure	Functional	C.E.O, C-levels, project leaders, teams	Hybrid structure	Functional and divisional structure	Flat structure	Tall and complex structure, matrix model	Hybrid, dynamic communication structure	Functional and divisional structure

Source: (composed by author)

The value propositions of these enterprises are tailored to their respective industries, offering unique benefits such as transparent, digitally enhanced architectural projects (ARC), flexible digital catering plans (CUL), and innovative global marketing strategies (MAR). Education services focus on enhancing human resource quality through advanced language learning tools (EDU), while telecommunications companies emphasize customer-centric digital services (TEL).

The funding mechanisms exhibit considerable diversity, ranging from angel investors and venture capital (CUL, CUL2) to global investors and parent organizations (MAR). Some companies, such as TEL2, rely on a mix of foreign and local capital, ensuring a balanced financial support structure.

Accountability practices vary across the enterprises. Some maintain regular reporting schedules, such as quarterly or monthly reports to stakeholders (CUL, EDU), while others conduct annual general meetings for shareholders (TEL2, ONL2). This diversity in reporting mechanisms reflects the varied governance requirements and stakeholder expectations.

Internal communication practices are tailored to the specific needs of each organization. Daily or weekly meetings among employees and CEOs are common in several companies (ARC, TEL), serving as platforms for disseminating technical and strategic information. Some organizations, like TEL2, adopt agile management methodlogies to facilitate real-time learning and co-creation processes.

The corporate governance structures range from one-tier systems, where executive officers also function as board members (ARC, TEL), to two-tier systems with separate supervisory boards (CUL, EDU). These governance frameworks are designed to ensure effective oversight and strategic alignment. Organizational structures vary significantly, with some companies adopting hybrid or flat structures to promote innovation and decision-making flexibility (ARC, CUL, TEL2). Others utilize functional or divisional models to manage specialized departments and projects (MAR, ONL2).

In its attempts to answer the research questions, this study first compares the ten start-up companies to understand how start-ups typically operate. Despite operating in different industries, they share many similarities in managing their business. They share their value propositions (including organizational mission, vision, and aims) with their customers through their respective products. By following this approach, they can provide innovative solutions to their customers compared to their competitors (the traditional enterprises in similar industries). They disrupt the current corporations by offering a more dynamic culture, a high innovation process, and advanced technology. They also provide more resource efficiency to customers/ users, which is part of their competitive advantage over the other old/traditional products/ services. For instance, from the documentary analysis, the author found that customers can easily access and process TEL products through their applications and websites.

The initiation process is also relatively similar among start-up enterprises. For instance, the founder, who usually is part of the leadership board (CEO/Chief Executive Officer), provides the capital to initiate the enterprise and its activities, including the co-creation process. The enterprise also invited angel investors at different stages of their business with various contributions. For instance, ARC only asks one angel investor, in the beginning, to help them set up the company. The ARC coverage is limited to Yogyakarta customers; therefore, they only have limited investors.

TEL2 underlines that in the initiation process, the role of stakeholders is critical to shaping the organization's objectives. This statement confirms that Freeman's stakeholder theory is a paradigm that posits that firms make decisions based on the interests of all stakeholders, rather than simply shareholders. Developed by R. Edward Freeman in the 1980s, this theory proposes that stakeholders, like as employees, customers, suppliers, communities, and others affected by the organization's actions, have intrinsic value, and should be included in managerial decision-making processes.

> *"My business is still considered to be at an early stage, therefore, to balance the interests of every stakeholder, we focus on establishing clear communication with every stakeholder. Because the structure is still narrow, we as the management have access to every stakeholder directly and control is oversight daily."* (TEL2).

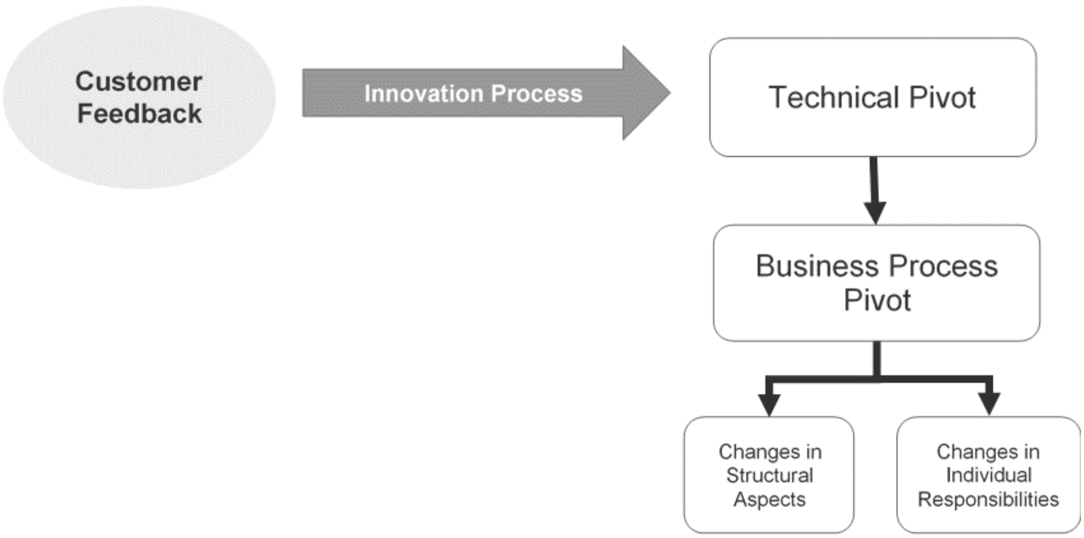
DISCUSSION

1. Co-Creation Process

This study found that the start-ups' internal innovation processes are crucial to their value co-creation process. Most start-ups start with a typical innovation process where they create a product that meets the requirement of a Minimum Viable Product (MVP). MVP is the representation of a new product idea that has a set of minimal features that can solve customers' problems while leaving enough space for learning and new iterations of the product (Moogk 2012; Saadatmand 2017). From there, they gather as much customer feedback on their product that they then use to develop new iterations of their product and services. This finding echoes Merz, Zarantonello, & Grappi (2018) that underline the importance of value customers in shaping the firm's future product, and mainly its brand. The MVP process follows the S-D logic of Vargo and Lusch (2004).

These new iterations, nevertheless, mostly lead to changes in not only the technical aspects of the product and services, but also the employees' responsibilities, the organizational structure, and the whole business process of the start-up companies. This interconnection is depicted in the Figure 1 below:

Figure 1. Innovation Process Model



Source: created by the author

As illustrated in Figure 1, external factors outside the organization (such as customer feedback) also can influence the co-creation process. For instance, in the ARC case, they redefine their values due to disaster. ARC redefine their business process into not-for-profit oriented (by gaining less profit) when they have projects in environmentally challenged locations such as in places where a natural disaster has struck. This strategy is adopted to more outreach to areas and potential customers.

In terms of size and coverage, ONL, MAR, EDU, and TEL are more significant than the ARC and CUL. Therefore, their value creation process also being influenced by more factors such as wider stakeholders, investors, and customers. In ONL, the role of BoD, especially in parent organizations (i.e., home office in China), is the center of decision-makers. However, the absence of supervisory boards in ONL (since they adopt a one-tier system) affects the organization's supervision. ONL is more fragile to agency problems than other organizations in this study.

> *"We rarely have our General Meeting of Shareholders (GMS), especially in the Indonesia office. So, ONL cannot control the BoD as they [shareholders-GMS] have asymmetric information on company's update".* (ONL1)

ONL1 also stated that the implementation of corporate governance principles in an organization is to some extent limited. (i.e., transparency, independence, accountability, responsibility, dan fairness).

> *"Shareholders have access to any data; however, the data are not open to the public yet as we are not listing in the stock-exchange market yet. And I think ONL Indonesia is not as independent as I expected, since all decision-making process is in China which is taking so much time. The other principles like accountability and responsibility are fine, I think, but the fairness is so poor as there is discrimination between Chinese and local [Indonesian] employees. They pay more attention to the Chinese one."* (ONL1)

Based on stakeholder theory, organizations should be accountable not only to shareholders but also to their stakeholders (Freeman 1994). BoD should be responsible to its stakeholders with any nationalities, races, working levels, and areas. Therefore, in the ONL case, they have a barrier in the co-creation process by only allowing stakeholders with a specific background (i.e., the Chinese). Much previous research is also underlining the influence of ethnicity, faith, and socio-cultural values in shaping the organizational culture (Beekun and Badawi, 2005; Vaughn and Ryan, 2006; Okike, 2007; Tsamenyi, Onumah and Enninful-Adu, 2007; Liew, 2008; Tsamenyi and Uddin, 2008; Uddin and Choudhury, 2008).

Annual general meetings, which have also been implemented in traditional governance, in non-traditional organizations such as startup enterprises should also be accountable in a two-way direction between BoD and shareholders and shareholders and BoD. For instance, BoD should also share necessary information as well as organization updates thoroughly. Therefore, information asymmetry can be mitigated.

Regular meetings are essential for internal knowledge dissemination in both traditional and non-traditional organizations. Most enterprises conduct internal meetings frequently; the most frequent meetings were the ARC with having daily meetings. It is due to the small organization size of ARC compared to other enterprises.

3. Co-creation and Organizational Structure

Second, this study found that the innovation process at both start-ups also drives changes to the organizational structure of the start-ups. As shown in Table 1, most enterprises adopt hybrid organizational structures, except MAR, with its tall and complex organizational structure.

Therefore, the organization can adopt a mixed (hybrid) structure to swiftly adapt to rapid changes in the short life cycle. CUL and ARC have a flat hierarchical structure where a lone CEO holds the executive power, followed by a group of managers that is responsible for the functional units within the start-ups. Contrary to the literature where value co-creation processes also change the whole company's and functional unit's structure, the study found the changes of the organizational structure only turn on the individual level—especially to those in management positions. The value co-creation process results in employees changing their roles within the start-up company to manage the changes that customer feedback brings during the process. It is most likely due to the limited human resources that the start-up companies have and therefore forces their employees to venture responsibilities to various areas.

CUL1 explained when her manager asked her to describe her responsibilities and how it has changed over the years.

> *"I was placed in Jakarta for a year. I have been placed in Marketing, and I do customer research like looking for feedback on food, delivery, and digital products. (Now) I hold customer experience and human resources too. If the expansion is like what? There is even no title. It is like I am the project leader too. That is my job description for the expansion. Expansion is not even a functional unit."* (CUL1)

CUL1 began her career handling customer feedback in CUL's sister office, later moving to CUL's head office, marketing, and customer research roles. She was promoted to manager for the customer experience unit, human resource unit, and project manager for a new site, illustrating how business process pivots lead to new responsibilities. It is evidence that market changes, customer demand, and resource availability lead to organizational structure. This study's findings also echo the arguments of Moogk (2012), Saadatmand (2017), Merz, Zarantonello, & Grappi (2018), and Vargo and Lusch (2004).

Similarly, similar changes in the responsibilities of team leaders can also be found. For instance, at ARC, when one of the C-levels, the executive level of a corporation) describes how her responsibilities changed from only being responsible for the legal matters of the company also to including human resource management of the employees.

> *"It's the start-up culture… the culture in a start-up is like everyone has to learn or learn a lot of things, like me. At first, I only worked at legal [department]. I never expect to go into HR [human resource department] I never expect to learn accounting like that."* (ARC1)

ARC1 started at ARC organization with the responsibility of taking care of all the legal contracts for ARC. But she is then given new responsibilities to create a new recruitment system for the human resource unit, as well as helping the accounting unit to create a better reporting system.

As the start-up enterprise also remains under-regulated by the authorities, there is no mandatory structure or mechanism that should be followed by the organizations. From the documentary analysis, this study found that MAR, TEL, and ONL follow their parent organizations' corporate governance structure. In contrast, others (ARC, CUL, and EDU) tend to be dynamic by shaping corporate governance structure based on necessity. Therefore, ARC, CUL, and EDU adopt flat and hybrid corporate governance mechanisms, which are functional and divisional structures.

Lastly, this study found that in a flat organizational structure, CEOs are the majority investor of the company. It implies that the CEOs have a higher power to steer the companies towards their vision. We found that managers hold the key to controlling their CEO by employing a filtering function to all the ideas and strategies CEOs have during the value co-creation process with other stakeholders (i.e., staff). Therefore, the personality of managers becomes a crucial element in corporate governance, as explained by CUL1 below:

> *"So, he or she needs to be able to fight for their idea and their personal opinions. And to be able to convince the CEO, the decision-maker, so that he can see that the idea makes sense, and it is possible. Because it is that open and dynamic, like today, it is this, and tomorrow is that. Today is something we will try for a week. If it is not good, we immediately change the way, change the product, change this, change that."* (CUL1)

Like CUL, ARC also places burdensome criteria (i.e., more responsibility, more tasks) for its employees that sit in the middle management team. However, ARC has a slightly different approach in how they prepare their employees for the dual role of management and control the middle managers hold. Where CUL typically simply assigns an employee as a middle manager and observes the outcomes of the assignment, ARC creates a system where employees can start to take on new responsibilities gradually by staff rotation. These differences are likely due to the nature of the industries where the two start-ups operate.

Interestingly, TEL—which has broader coverage than other multinational organizations (MAR and ONL)—has a more dynamic co-creation process. It was due to its flat and functional organizational structure, and its founders were also willing to provide a co-creation platform with its employees. TEL1 stated that founders offer opportunities for staff to share their values during their regular meetings.

> *"In our weekly meetings, founders discuss directly with us the progress of our projects, sharing new ideas, and sharing our vision for the next product"* (TEL1)

TEL1 also stated that TEL is well-established in the corporate governance principles of an organization (i.e., transparency, responsibility, responsiveness, accountability). TEL founders provide space to grow for its staff and maintain symmetrical information for its investors.

> *"They [founders] treat us [employees] equally. And investors will also get the same information on the company's progress. Employees can also grow in the business. We also get rewarded for any innovation/ideas we share."* (TEL1)

Value Creation and Organizational Structure

The findings above show how start-up companies creating value in their innovation process leads to the change in their organizational structure. Value co-creation processes place customers as central to the innovation process. Start-ups can only make value propositions by offering a solution to their customers through their MVPs, but they build on that from the feedback they receive from customers. As such, changes are inevitable in the innovation process. As sharply stated by the EDU1 that governance structure must follow value interchange among stakeholders.

> *"It is clear that the structure would be altered to cater to this value exchange."* (EDU2)

Yet, due to their size, changes in the innovation process are likely to have trickle-down effects on other parts of the organization—including its organizational structure.

Nevertheless, these changes in the organizational structure are relatively contained and limited to only certain parts of the organizational structure. Despite the significant changes in the innovation and business processes, this study's sample keeps its flat hierarchy organizational structure. The upper part of the organizational structure seldom changes—meaning that the power and responsibility of the CEO remain the same. Changes only happen between the managers and downwards to the employees. These changes include the compositions of the managers, the coverage area of manager responsibilities, and the individual work responsibilities.

It brings us to the role of the CEO in start-ups. As the part played by the CEO remains the same despite the frequent changes in organizational structure in start-ups, this study proposes different explanations for this. First, the investment climate in Indonesia is still underdeveloped compared to Western countries such as the US (i.e., Silicon Valley, the center of start-up development). This causes many start-ups in Indonesia to lack access to funding. As such, start-ups like ARC, CUL, and EDU depend heavily on their founders' financial investment in the company. The ONL, MAR, and TEL start-ups are not necessarily heavily dependent on their investors since they are getting support from their parent organizations. This study argues that this gives the CEO a lot of power to control the company's direction. CEO power is also somewhat of a barrier to other stakeholders of the start-ups to contribute to the discussion of the business process as they lack the bargaining power due to the financial contributions.

Second, this study proposes that the social-demographic background of the start-ups' employees is the reason for the power of the CEOs. Stakeholders from Indonesia, particularly Javanese, are more appreciative and grateful. This study shows how employees from both start-ups exhibit the behavior of being obliged to be able to work in the start-ups, thus giving them the feeling that they owe something to the CEO. It causes the employees to avoid challenging the status quo of the CEO. Employees are critical of the company's business process, but only to a practical degree.

Third, this study proposes that leaders have more roles in shaping organizational governance. Leaders have a significant impact on organizational governance. It is critical to design and implement governance that is flexible within enterprises. This study echoes Anasel et al. (2023) and Priyanka (2022) who show that effective leadership is vital for attaining organizational objectives, adapting to external changes, and enhancing performance. Leadership styles have an impact on organizational members' behavior and attitudes.

CONCLUSION AND LIMITATIONS

The literature on corporate governance in non-traditional organizations, such as start-up companies, is still limited compared to the abundant research on corporate governance in traditional organizations (Kirkpatrick & Maimbo, 2002; Doig, 2006). Moreover, the research context of studies of corporate governance is mainly developed countries, which have characteristics and values different from those of developing countries, like Indonesia. Therefore, the research findings are, to some extent, inapplicable to the non-traditional organizations' settings due to their dynamic organizational characteristics/values (Vaughn & Ryan, 2006; Okike, 2007; Tsamenyi et al., 2007; Liew, 2008; Tsamenyi & Uddin, 2008; Uddin & Choudhury, 2008). Hence, this paper's objective is to fill the gap in the corporate governance literature because there is a need for further examination of corporate governance implementation in non-traditional organizations such as start-up companies in emerging markets like Indonesia. The author provides the first micro-level evidence showing the value creation that affects the corporate governance structure of Indonesia's start-up organizations.

This study's evidence suggests that the changes in values highly influence the corporate governance mechanisms of start-up organizations. For instance, the customers' input influences the product, the employee's innovation and co-creation process shapes the dynamic of product innovation, and ethnicity also impacts the dynamic of the corporate governance mechanism. These findings echo those of Beekun and Badawi (2005) and Uddin and Choudhury (2008), which show that values are the main aspect of an organization's identity that should be mirrored in its corporate governance structures.

The discussion elucidates the intricate relationship between innovation, value creation, and organizational structure within startups, aligning with the research question: "How does the interplay between innovation and value creation in startup enterprises influence their organizational structure?" Despite substantial innovations, structural changes are predominantly confined to lower organizational levels, leaving the upper hierarchy largely unchanged, particularly the CEO's role. This phenomenon can be attributed to several factors. First, the underdeveloped investment climate in Indonesia, compared to regions such as Silicon Valley, limits startups' access to external funding, resulting in a heavy reliance on founders' financial contributions. This financial dependence consolidates the CEO's control over the company, restricting other stakeholders' influence on organizational changes (Anasel et al., 2023; Priyanka, 2022). Second, cultural dynamics, particularly the Javanese employees' sense of obligation and gratitude, discourage challenging the CEO's authority, thereby maintaining the status quo. Lastly, effective leadership is pivotal in shaping organizational governance, with CEOs significantly impacting governance flexibility and organizational behavior (Anasel et al., 2023; Priyanka, 2022). These factors collectively elucidate the limited scope of structural changes in startups despite ongoing innovations and underscore the complex interplay between innovation, value creation, and organizational structure.

This paper has two main limitations, primarily due to its qualitative research perspective and its small sample size of ten organizations. Therefore, future studies could extend the scope to include larger enterprises or big firms to reach a broader audience and provide a more comprehensive understanding of the phenomena under investigation. Alternative methods, such as ethnography or quantitative data, could provide a more comprehensive understanding of the co-creation process in start-up organizations in Indonesia. Future research should expand the sample size and empirically examine the interconnection between co-creation and innovation.

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