

## Innovation and Internationalization of Korean SMEs in the Textile and Footwear Industries

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Innovation refers to “a process that begins with an idea, proceeds with the development of an invention, and results in the introduction of a new product, process or service to the marketplace” (Edwards & Gordon, 1984, p. 1). Researchers have identified three dimensions of innovation including product, process, and marketing innovation (Chen, 2006). Further, innovation has been recognized as one of the factors that enhances firm internationalization, a vital route for the growth and survival of small and medium enterprises (SMEs) (Hagen, Denicolai, & Zucchella, 2014). Thus, it is important to identify antecedents of firm innovation and their impacts on SME internationalization for their long-term success. However, despite the strategic importance of innovation in firm internationalization, few researchers have examined this issue within the discipline of textiles and clothing. Accordingly, the present study examined a model of SME internationalization in which the causal relationships among entrepreneurial orientation, absorptive capacity, innovation, and internationalization were proposed as illustrated in Figure 1. Internationalization in the present study refers to the degree of internationalization, measured by export intensity. Entrepreneurial orientation (EO)—defined as the “processes, practices, and decision-making activities that lead to new entry” (Lumpkin & Dess, 1996, p. 136)—was proposed to promote absorptive capacity and innovation. Absorptive capacity, defined as “ability to recognize the value of new information, assimilate it, and apply it to commercial ends” (Cohen & Levinthal, 1990, p. 128), was proposed to influence innovation. Each dimension of innovation, in turn, was proposed to enhance firm internationalization.

One hundred fifty-six usable responses were collected from Korean SMEs exporting textiles, apparel, and footwear using data listed by the Korean Chamber of Commerce and Industry. The questionnaire contained multi-item measurement scales found to be reliable in the previous research. Managers knowledgeable about product development were contacted and asked to complete the questionnaire. Although not presented in Figure 1, this study employed two control variables, firm age and firm size, which prior researchers have found to significantly influence internationalization of SMEs.

Path analysis was performed using AMOS 20 to test the hypotheses, and the parameters were estimated using maximum likelihood. The results showed a good fit of the model to the

data ( $\chi^2 = 9.32$ ,  $df = 6$ ,  $p = .16$ ,  $IFI = .99$ ,  $CFI = .99$ ,  $RMSEA = .06$ ). EO positively influenced absorptive capacity and process innovation while EO did not have any association with product and marketing innovation. Absorptive capacity had a significant and positive impact on product and process innovation, but not on marketing innovation. Process innovation was further found to influence product innovation. Among the three dimensions of innovation, only process and marketing innovation positively affected internationalization. Two control variables did not have any associations with either innovation or internationalization.

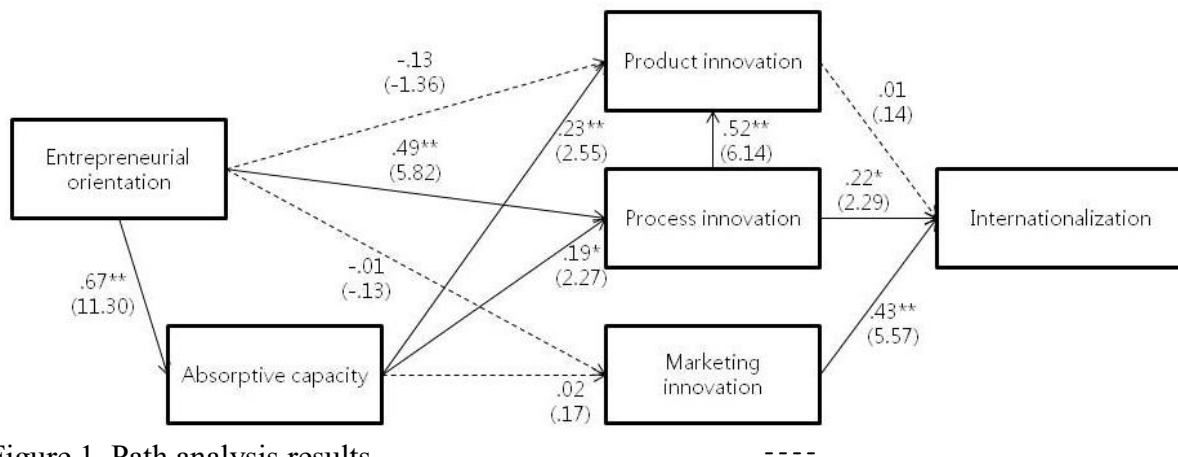


Figure 1. Path analysis results

Note: Standardized path estimates are reported with t-values in parentheses; insignificant paths are dotted; \*\*  $p$ -value < .001, \*  $p$ -value < .05.

The findings of this study emphasized the role of top management's orientation in enhancing absorptive capacity and firm innovation. The study further provided valuable insight to SMEs in the textile and footwear industries by asserting the importance of process and marketing innovation to increase firm internationalization. Future research can build on the results of this study by exploring other antecedents of innovation such as human, marketing, and social resources.

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