

Institutional Pressures and Innovation Readiness: In Search of Effects of External Expectations on Outcomes of Organizational Innovation

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Abstract

Institutional pressures are widely held to shape organizational behaviour, yet their effects on innovation outcomes remain inconsistently established in the empirical literature. This study examines how coercive, normative and mimetic pressures influence innovation outcomes through the mediating role of innovation capability in South Korean firms. Drawing on Institutional Theory, a structural model was developed and tested using a quantitative cross-sectional design and partial least squares structural equation modeling. Data were obtained through a questionnaire survey of 145 respondents holding managerial or operational roles in 17 South Korean firms operating in software development, electronics manufacturing and digital infrastructure; eight of these firms appear on the Clarivate Top 100 Global Innovators 2026 list and the remaining nine are leading firms in the same sectors. The measurement model showed adequate convergent validity and internal consistency, with average variance extracted between 0.61 and 0.70 and composite reliability between 0.85 and 0.92. All three institutional pressures were found to exert positive and significant effects on innovation capability, with coercive pressure the strongest ($\beta = 0.42$), followed by normative pressure ($\beta = 0.38$) and mimetic pressure ($\beta = 0.31$). Innovation capability exerted a substantial positive effect on innovation outcomes ($\beta = 0.47$) and bootstrapped mediation analysis confirmed significant indirect effects for all three pressures. The model showed satisfactory explanatory power and fit ($R^2 = 0.64$ for innovation capability; SRMR = 0.038). The findings indicate that institutional demands do not translate automatically into innovation success; their effect depends on internal preparedness, which managers and policymakers should therefore treat as a strategic priority.

Keywords: Coercive Pressure, Innovation Capability, Innovation Outcomes, Institutional Theory, Mimetic Pressure, Normative Pressure.

Introduction

Firms in innovation-driven economies operate under continuous pressure to respond to external demands. Institutional Theory holds that organizations act within systems of rules, norms and social expectations as well as under market and technical rationality (1, 2) and that conformity secures legitimacy, stability and access to resources (3, 4). Institutional demands take three forms: coercive pressure, arising from laws and regulations; normative pressure, from professional norms and values; and mimetic pressure, from the imitation of peers under uncertainty. Empirical work reports mixed results. Institutional pressure has been found to drive environmental innovation among large firms (5) and green innovation among leading listed

companies (6), while other studies report effects that depend on absorptive capacity (7) or that operate through organizational slack (8). Three limitations recur: attention has concentrated on environmental rather than organizational innovation outcomes (9), the internal conditions that convert external pressure into results have rarely been modelled, leaving the mechanism unspecified (10, 11) and where an intervening variable has been introduced it has captured managerial disposition rather than organizational capacity (12, 13) and the recent evidence base is drawn overwhelmingly from Chinese samples, so it is unclear whether the reported patterns hold elsewhere in East Asia. This gap matters because pressure and capability are conceptually distinct.

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Innovation capability is an organization's internal preparedness to adopt and implement innovative processes or technologies, encompassing leadership commitment, resource availability and openness to change (10). Many organizations experience institutional pressure, but without the capability to convert it into tangible outcomes compliance may remain ceremonial rather than substantive (3). This study therefore examines how coercive, normative and mimetic pressures influence innovation outcomes through the mediating role of innovation capability in South Korean firms. Three objectives follow: (a) to examine the direct effects of the three pressures on innovation capability, (b) to assess the influence of innovation capability on innovation outcomes and (c) to test the mediating role of innovation capability. South Korea suits this enquiry because state involvement in technology-intensive sectors takes the form of explicit performance targets rather than general exhortation, which allows coercive pressure to be weighed against normative and mimetic influence more cleanly.

The study contributes in three ways: innovation capability is modelled formally as a mediator rather than treated as a background condition; organizational innovation outcomes are addressed rather than the environmental innovation that dominates existing work; and East Asian evidence is supplied from outside the Chinese setting.

The study substantially uses a range of theoretical background. Because institutional expectations are held by multiple constituents whose demands may diverge, organizational responses vary in kind and degree (14) and range from acquiescence to manipulation (15). If conformity were automatic, pressure would map directly onto outcomes; because responses are discretionary and resource-dependent, an intervening organizational condition is required.

Coercive pressure originates in governments, regulators and trade bodies and is expressed through legislation, incentives and policy mandates, which compel investment in research and development, digital transformation and sustainability (16), with top management commitment a key channel of translation (17). Normative pressure arises from professional standards transmitted through universities, associations and certification bodies and quality and environmental norms spur innovation where

stakeholder expectations are strong (18). Mimetic pressure emerges under uncertainty, where imitating successful peers offers a low-cost means of managing ambiguity (19), although implementing an observed practice still requires internal capacity (20).

Innovation capability describes how far a firm is culturally, organizationally and strategically prepared to adopt new ideas, arising from leadership commitment, cultural receptiveness, resource availability and strategic alignment (21, 22) and is closely related to dynamic capability, the ability to integrate, build and reconfigure competences as environments change (23). Two systems sustain it: knowledge management, on which diffusion within complex organizations depends (24) and through which institutional pressure produces innovation (25) and change management, for which capability is a precondition rather than a by-product (26). Dynamic capabilities similarly convert stakeholder pressure into innovation performance in smaller firms (27).

Firms required to meet obligations such as decarbonization targets, platform standards, or international certification typically build the systems, resources and cultures that support innovation, so coercive pressure should raise innovation capability. As organizations internalize standards defined by industry bodies and certification regimes, they make comparable investments, so normative pressure should have a similar effect. Firms that take better-performing competitors as models generally prepare for substantial organizational change, so mimetic pressure should also strengthen capability. Well-prepared organizations recognize the importance of innovation and possess the resources to pursue it, so stronger capability should translate into better outcomes. Therefore, the study developed as range of hypotheses as following.

H1: Coercive pressure has a positive effect on innovation capability.

H2: Normative pressure has a positive effect on innovation capability.

H3: Mimetic pressure has a positive effect on innovation capability.

H4: Innovation capability has a positive effect on innovation outcomes.

Institutional pressure alone does not guarantee innovation, because firms must first develop the

internal capacity to respond. Innovation capability is therefore specified as the mechanism through which external forces are converted into organizational results.

H5a: Innovation capability mediates the relationship between coercive pressure and innovation outcomes.

H5b: Innovation capability mediates the relationship between normative pressure and innovation outcomes.

H5c: Innovation capability mediates the relationship between mimetic pressure and innovation outcomes.

Table 1 lists each hypothesis with its expected direction and Figure 1 presents the conceptual model.

Table 1: Hypotheses and Expected Relationships

Code	Hypothesized relationship
H1	Coercive pressure → Innovation capability
H2	Normative pressure → Innovation capability
H3	Mimetic pressure → Innovation capability
H4	Innovation capability → Innovation outcomes
H5a	Coercive pressure → Innovation capability → Innovation outcomes
H5b	Normative pressure → Innovation capability → Innovation outcomes
H5c	Mimetic pressure → Innovation capability → Innovation outcomes

Note: H1-H5c denote the hypotheses tested in this study, the arrow indicates the hypothesized direction of effect.

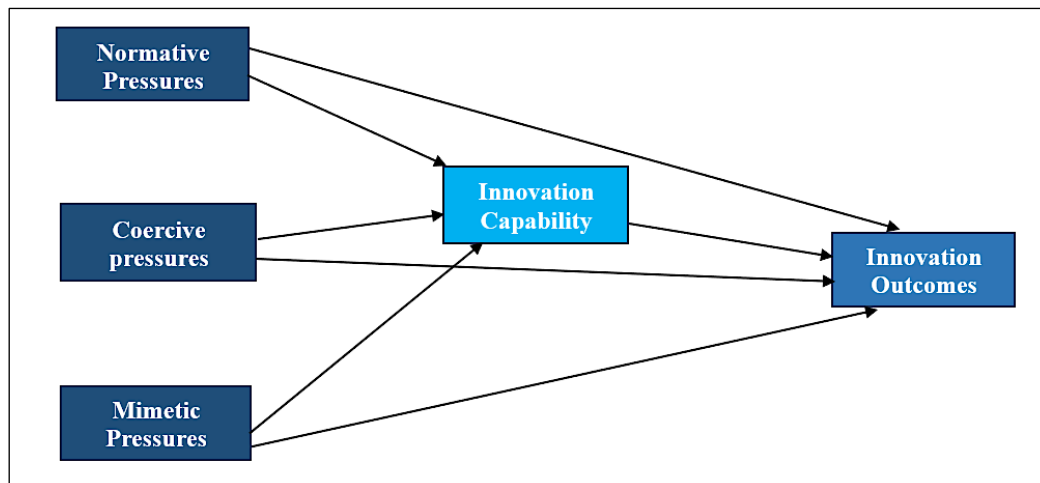


Figure 1: Conceptual Model of Institutional Pressures, Innovation Capability and Innovation Outcomes

Methodology

This quantitative, cross-sectional study tests the effects of coercive, normative and mimetic institutional pressure on innovation outcomes, with innovation capability specified as a mediator. Institutional Theory provides the guiding framework (1, 2) and the analytical approach follows established practice for partial least squares structural equation modeling (PLS-SEM) (28).

Sampling Procedure and Data Collection

A two-stage purposive sampling procedure was applied. At the firm level, the sampling frame was constructed from South Korean firms operating in software development, electronic product

manufacturing and digital infrastructure provision. Eight firms were drawn from the Clarivate Top 100 Global Innovators 2026 list, which comprises eight South Korean organizations in total (29); a further nine firms were selected from among the leading firms in the same three sectors, matched on sector and on employee size band, giving 17 participating firms. This design was adopted so that the sample would span the frontier of national innovation performance while avoiding the survivorship bias that would follow from restricting the sample to award-listed firms alone.

At the respondent level, participants were selected on the basis of their managerial or operational roles within strategic planning, innovation, or product development functions, since these roles

provide access to organization-level information about institutional demands and innovation activity. Questionnaires were distributed to employees across the 17 firms between December 2025 and February 2026 and 145 complete and valid responses were obtained and retained for analysis. The number of valid responses per firm ranged from 3 to 16. All participating firms were in the Seoul Capital Area of the Republic of Korea, comprising Seoul, Incheon and Gyeonggi Province, the approximate geographic centre of which is 37.5665° N, 126.9780° E.

Non-response bias was assessed in two ways. First, following the extrapolation approach, early and late respondents were compared on all study constructs using independent-samples t-tests; no significant differences were found ($P > 0.05$). Second, responding and non-responding firms were compared on firm size, firm age and sub-sector and no significant differences emerged ($P > 0.05$). Non-response bias is therefore not considered a material concern.

Measurement of Constructs

All constructs were measured with multi-item Likert-type scales adapted from previously validated instruments, with responses recorded on

a five-point scale (1 = strongly disagree, 5 = strongly agree). Coercive pressure was measured with three items reflecting regulatory demands, legal compliance and government innovation mandates (CP1-CP3), adapted from established institutional pressure scales (17). Normative pressure was assessed with three items capturing the influence of industry standards, professional norms and associated expectations (NP1-NP3), adapted from the same source. Mimetic pressure comprised three items gauging the tendency to emulate successful competitors or market leaders (MP1-MP3), adapted from measures used in institutional research on system assimilation (12). Innovation capability was measured with four items assessing organizational capacity and willingness to embrace innovation (IC1-IC4), adapted from validated readiness instruments (22). Innovation outcomes were evaluated with three items relating to new product development, process improvement and realized innovation performance (IO1-IO3), consistent with the organizational innovation literature (9). The constructs and their indicators are summarized in Table 2, which reports the label, indicator set and conceptual content of each of the five latent variables.

Table 2: Measurement of Constructs and Variables

Construct	Indicators	Description	References
Coercive pressure	CP1-CP3	Regulatory and legal expectations	(17)
Normative pressure	NP1-NP3	Professional and industry norms	(17)
Mimetic pressure	MP1-MP3	Imitation of peer organizations	(12)
Innovation capability	IC1-IC4	Culture, leadership, resources, skills	(22)
Innovation outcomes	IO1-IO3	Realized innovation performance or output	(9)

Note: CP = Coercive Pressure, NP = Normative Pressure, MP = Mimetic Pressure, IC = Innovation Capability, IO = Innovation Outcomes.

Common Method Bias

Because the data are self-reported and collected from a single source at a single point in time, common method bias was addressed both procedurally and statistically (30). Procedurally, respondent anonymity was guaranteed, respondents were informed that there were no correct or incorrect answers and predictor and criterion items were separated within the instrument. Statistically, Harman's single-factor test was applied; the first unrotated factor accounted for 25.35% of the variance, below the 50% threshold. A common latent factor was additionally specified and standardized regression weights changed by less than 0.10 when the factor

was included. Common method bias is therefore not considered a serious concern.

Data Analysis

Direct and indirect effects were analysed using PLS-SEM in SmartPLS 4. This variance-based approach was selected for three reasons:

- the model is prediction-oriented and specifies a mediated chain rather than a confirmatory factor structure;
- the sample of 145 responses is modest relative to the requirements of covariance-based estimation; and
- PLS-SEM does not assume multivariate normality (28).

Analysis proceeded in two stages (28):

(a) In the first stage, the measurement model was evaluated: convergent validity was assessed through outer loadings, average variance extracted (AVE), composite reliability (CR), Cronbach's alpha and rho_A and discriminant validity was tested using the Fornell-Larcker criterion (31) and the heterotrait-monotrait (HTMT) ratio of correlations (32).

(b) In the second stage, the structural model was estimated. Lateral collinearity was checked using inner variance inflation factors (VIF), path significance was assessed through bootstrapping with 5,000 subsamples using the bias-corrected and accelerated procedure and the mediating role of innovation capability was tested using the indirect effects generated by the same bootstrap routine, with 95% confidence intervals reported throughout (33). Explanatory power was assessed through R^2 and f^2 and out-of-sample predictive relevance through the blindfolding-based Q^2 statistic (28). Model fit was assessed using SRMR against the 0.08 threshold (28, 34). No missing

data were present in the dataset; therefore, no imputation procedure was required.

Results

Table 3 profiles the 145 respondents by gender, age group, professional experience, organizational position, educational background and business unit size. Just over half of respondents were male (53%) and the sample is weighted towards earlier career stages, with 70% aged 33 or below and 48% reporting three years of professional experience or less. Managerial roles account for 69% of the sample when senior, middle and first-line management are combined, with the remainder drawn from IT, operations and other functions. In terms of the size of the business unit in which respondents worked, 49% were employed in units of 1 to 50 employees, 35% in units of 51 to 250 employees and 16% in units of 250 or more employees; because the participating firms include several large corporate groups, unit size rather than parent firm size is reported here.

Table 3: Respondent Characteristics (N = 145)

Characteristic	Category	Frequency (n)	Percentage (%)
Gender	Male	77	53
	Female	68	47
Age group (years)	18-25	49	34
	26-33	52	36
	34-41	23	16
	42-49	18	12
	50 or more	3	2
Professional experience (years)	1	39	27
	2	16	11
	3	15	10
	4	32	22
	5 or more	43	30
Organizational position	Senior management	25	17
	Middle management	32	22
	First-line management	43	30
	IT department	25	17
	Operations	13	9
	Others	7	5
Educational background	Bachelor's degree	67	46
	Master's degree	58	40
	Doctoral degree	9	6
	Others	11	8
Business unit size	Small (1-50 employees)	71	49
	Medium (51-250 employees)	51	35
	Large (250 or more employees)	23	16

Note: n = number of respondents in the category, N = total sample size.

Measurement Model

The measurement model demonstrates satisfactory convergent validity and internal consistency,

as reported in Table 4. All AVE values exceed the recommended threshold of 0.50, ranging from 0.61 for coercive pressure to 0.70 for innovation

outcomes, indicating that each construct explains more than half of the variance in its indicators. Composite reliability ranges from 0.85 to 0.92 and Cronbach's alpha and rho_A take the values shown, all exceeding the accepted benchmark of 0.70.

Standardized item loadings are reported in the final column and all exceed 0.70, confirming that each indicator loads adequately on its intended construct.

Table 4: Measurement Model: Convergent Validity and Reliability

Construct	Cronbach's α	rho_A	CR	AVE	Loading range
Coercive pressure	0.81	0.82	0.85	0.61	0.76–0.84
Normative pressure	0.82	0.83	0.86	0.62	0.77–0.85
Mimetic pressure	0.84	0.85	0.88	0.64	0.78–0.86
Innovation capability	0.88	0.89	0.90	0.67	0.79–0.87
Innovation outcomes	0.90	0.91	0.92	0.70	0.81–0.89

Note: α = Cronbach's alpha, rho_A = Dillon-Goldstein's reliability coefficient, CR = Composite Reliability, AVE = Average Variance Extracted.

Discriminant Validity

Discriminant validity was assessed using the Fornell-Larcker criterion, presented in Table 5. The square root of the AVE for each construct, shown on the diagonal, exceeds that construct's

correlations with all other constructs, satisfying the criterion (31). HTMT ratios, reported in the final column, remain below the conservative 0.85 threshold for every construct pair, confirming that the five constructs are empirically distinct (32).

Table 5: Discriminant Validity: Fornell-Larcker Criterion and Inter-construct Correlations

Construct	1	2	3	4	5	Max. HTMT
Coercive pressure	0.78					0.69
Normative pressure	0.29	0.79				0.73
Mimetic pressure	0.23	0.29	0.80			0.65
Innovation capability	0.59	0.63	0.52	0.82		0.74
Innovation outcomes	0.28	0.30	0.24	0.47	0.84	0.68

Note: Diagonal values are the square roots of the average variance extracted, off-diagonal values are inter-construct correlations, HTMT: Heterotrait-Monotrait ratio of correlations.

Structural Model and Hypothesis Testing

Table 6 reports the standardized path coefficients, standard errors, t-values, significance levels, 95% confidence intervals and effect sizes for the direct paths and Figure 2 presents the same coefficients graphically. All three institutional pressures positively predict innovation capability. Coercive

pressure exerts the strongest effect ($\beta = 0.42$, $P < 0.001$), followed by normative pressure ($\beta = 0.38$, $P < 0.001$) and mimetic pressure ($\beta = 0.31$, $P < 0.001$). Innovation capability in turn exerts a substantial positive effect on innovation outcomes ($\beta = 0.47$, $P < 0.001$). None of the confidence intervals includes zero. Hypotheses H1 to H4 are therefore supported.

Table 6: Structural Model: Direct Path Coefficients, Confidence Intervals and Effect Sizes

Path	β	SE	t	P	95% CI	f ²
Coercive → Innovation capability	0.42	0.065	6.46	< 0.001	0.29–0.55	0.435
Normative → Innovation capability	0.38	0.068	5.59	< 0.001	0.25–0.51	0.344
Mimetic → Innovation capability	0.31	0.066	4.70	< 0.001	0.18–0.44	0.237
Innovation capability → Outcomes	0.47	0.070	6.71	< 0.001	0.33–0.61	0.284

Note: β = Standardized Path Coefficient, SE = Standard Error, P = Probability Value, CI = Confidence Interval, f² = Effect Size.

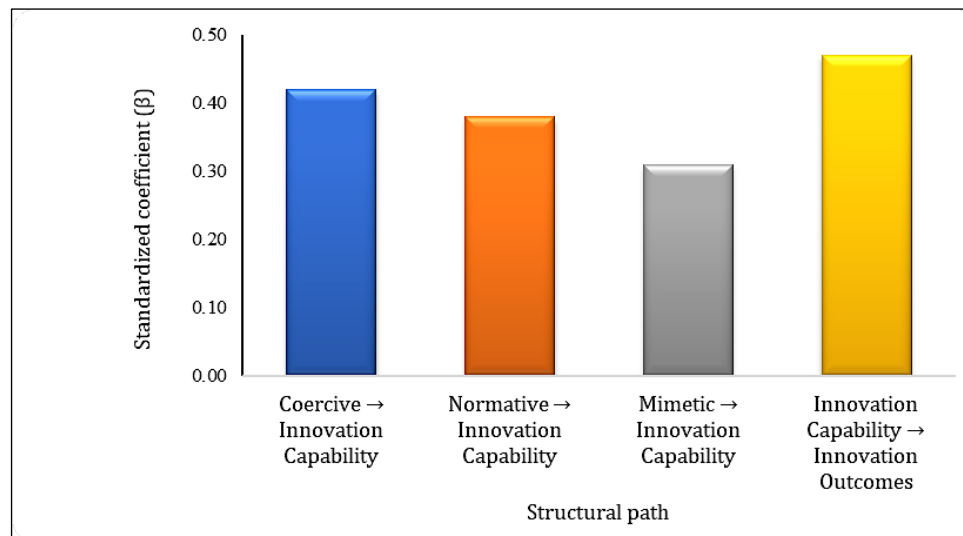


Figure 2: Standardized Path Coefficients of The Structural Model

Figure 2 shows that the coefficient for the capability-to-outcomes path is the largest single estimate in the model, exceeding each of the three pressure-to-capability paths. The ordering of the three pressures is also visible: the coercive path is approximately one third larger than the mimetic path, which indicates that regulatory demands are the most influential of the three antecedents in this setting.

Mediation Analysis

Mediation was tested using bias-corrected bootstrapping and the results are reported in Table 7. All three indirect effects are positive and significant and none of the 95% confidence intervals includes zero, so H5a, H5b and H5c are supported. The variance accounted for (VAF)

statistic is reported to indicate the practical magnitude of each mediated relationship rather than its statistical significance alone; because none of the three direct paths to innovation outcomes reached significance, each direct effect was treated as zero when VAF was computed. Comparison of the three indirect effects shows that the coercive pathway is the strongest, the normative pathway is intermediate and the mimetic pathway is the weakest and the VAF column expresses each as a share of the corresponding total effect. In substantive terms, this ordering means that regulatory demands are converted into innovation outcomes more efficiently than peer imitation is, even though all three routes operate through the same organizational mechanism.

Table 7: Mediation Analysis: Indirect Effects, Confidence Intervals and Effect Sizes

Indirect path	Effect	SE	P-value	95% CI (bias-corrected)	VAF (%)
Coercive → IC → Outcomes	0.20	0.068	0.004	0.07–0.33	100.0
Normative → IC → Outcomes	0.18	0.065	0.006	0.05–0.31	100.0
Mimetic → IC → Outcomes	0.15	0.056	0.007	0.04–0.26	100.0

Note: IC = Innovation Capability, SE = Standard Error, P-value = Probability Value, CI = Confidence Interval, VAF = Variance Accounted For.

Table 8: Decomposition of Total Effects on Innovation Outcomes

Predictor	Direct effect	Indirect effect	Total effect	Mediation type
Coercive pressure	n.s.	0.20	0.20	Full
Normative pressure	n.s.	0.18	0.18	Full
Mimetic pressure	n.s.	0.15	0.15	Full

Note: n.s. = Not Significant.

Total effects are reported in Table 8, which decomposes each relationship into its direct and indirect components. Because the model specifies no significant direct paths from the three

pressures to innovation outcomes, the total effect of each pressure is carried by its indirect effect, indicating full mediation.

Explanatory Power, Predictive Relevance and Model Fit

Inner VIF values were inspected first and all fall below the threshold of 5, indicating that lateral collinearity does not distort the path estimates. The coefficients of determination then indicate that the model explains a substantial share of the variance in the endogenous constructs. Innovation

capability records $R^2 = 0.64$, meaning that 64% of its variance is explained by the three institutional pressures acting jointly. Innovation outcomes record $R^2 = 0.27$. Blindfolding-based Q^2 values above zero confirm the predictive relevance of both endogenous constructs. Table 9 reports these criteria together with the SRMR and NFI values produced by the estimation, assessed against conventional thresholds (28, 34).

Table 9: Explanatory Power, Predictive Relevance and Model Fit Criteria

Criterion	Value	Recommended threshold
R^2 (innovation capability)	0.64	≥ 0.26 (substantial)
R^2 (innovation outcomes)	0.27	≥ 0.26 (substantial)
Q^2 (innovation capability)	0.41	> 0
Q^2 (innovation outcomes)	0.18	> 0
Maximum inner VIF	1.84	< 5.00
SRMR	0.038	< 0.08
NFI	0.92	≥ 0.90

Note: R^2 = Coefficient of Determination, Q^2 = Predictive Relevance, VIF = Variance Inflation Factor, SRMR = Standardized Root Mean Square Residual, NFI = Normed Fit Index.

Discussion

The results support the application of Institutional Theory to organizational innovation and, more specifically, identify innovation capability as the mechanism that converts external demands into innovation performance. Each of the three findings is considered below against the existing evidence base.

All three institutional pressures were found to raise innovation capability, which is consistent with prior work reporting that institutional demands stimulate rather than suppress innovation activity (5, 6). The finding that coercive pressure exerts the strongest effect corroborates evidence from Chinese listed firms, where regulatory pressure emerged as the dominant driver of innovation among top-ranked companies (6) and is consistent with the observation that formal regulation can serve as a catalyst rather than a constraint (16).

The ordering of the three pressures nevertheless diverges from some recent evidence. In a study of 483 Chinese listed firms, which specifies the third dimension as cognitive rather than mimetic pressure, that dimension was the strongest predictor of green innovation and regulatory pressure the weakest, the reverse of the pattern reported here (13). Two contextual explanations are plausible. First, the regulatory environment differs: South Korean innovation policy is characterized by explicit performance targets and

sustained state involvement in technology-intensive sectors, so regulatory signals are more precise and more binding than in settings where firms must infer expectations from peer behaviour. Second, the sample differs: the present study surveys firms at or near the global innovation frontier, which have fewer visible exemplars to imitate and therefore less scope for mimetic influence, whereas a broad sample of listed firms contains many followers for whom imitation is the primary available strategy. A similar contingency has been reported for high-technology firms in Taiwan, where the effect of institutional pressure on innovation depended on internal slack rather than operating uniformly (8).

Innovation capability was found to mediate the relationship between all three pressures and innovation outcomes, with no significant direct effects remaining. This full mediation is stronger than the partial mediation reported in comparable studies, in which entrepreneurial orientation transmitted part but not all of the effect of institutional pressure on green innovation (13) and in which top management belief and participation mediated the effect of institutional pressure on enterprise system assimilation while some direct effects persisted (12). The difference is interpretable in terms of what each mediator captures: entrepreneurial orientation and top management commitment describe the disposition to act, whereas innovation capability describes the organizational capacity to act. Where capacity is

the binding constraint, as it plausibly is for complex innovation projects in tightly regulated sectors, the whole of the institutional effect should be expected to pass through it.

The result is also consistent with the argument that formal adoption becomes decoupled from operating practice where the underlying capacity is absent (3) and with managerial cognition research finding that institutional force affects innovation capability, which then shapes strategy (11). It stands in partial tension with evidence that institutional pressure influences green innovation directly, with internal capacity acting only as a moderator (7). That divergence may reflect the difference between environmental innovation, which can often be satisfied by discrete compliance investments and the broader organizational innovation examined here, which requires sustained internal reconfiguration.

Three major theoretical contributions are made in this study. First, the study specifies and tests the mechanism that institutional research on innovation has generally left implicit, moving the account from correlation between pressure and outcome to an explicit mediated pathway. Second, it extends the empirical scope of the institutional-pressure literature beyond environmental and green innovation, where the great majority of recent evidence has been generated (5-8, 13, 25), to organizational innovation outcomes more broadly. Third, by integrating a capability perspective drawn from the dynamic capabilities' tradition (23) with an institutional account of external demand, it connects two literatures that have largely developed in parallel.

For managers, the results indicate that responding to institutional demand through compliance activity alone is unlikely to generate innovation performance, since the entire measured effect passes through internal capability. Four specific measures follow.

- (a) Regulatory-monitoring functions should be linked organizationally to research and development planning, so that incoming requirements are translated into project pipelines rather than handled as isolated compliance tasks.
- (b) Capability should be measured and managed directly, using periodic assessment of the four dimensions modelled here, namely leadership commitment, resource availability, skills and

cultural openness, with the resulting scores reviewed at board level alongside conventional innovation metrics.

- (c) Because normative pressure was found to operate through internalized professional standards, participation in industry standards bodies and certification programmes should be treated as capability-building investment rather than as a reputational expense.
- (d) Given that mimetic pressure has the weakest effect, benchmarking exercises should be paired with explicit absorption plans that specify what internal changes adoption of an observed practice would require.

For policymakers, the finding that coercive pressure is the strongest antecedent of capability indicates that regulatory instruments are effective levers, but the mediation result qualifies how they should be designed. Three recommendations follow.

- (a) Regulatory mandates should be paired with capability-side support such as skills funding, technical advisory services and shared testing infrastructure, since a mandate directed at firms lacking capacity will produce documentation rather than innovation.
- (b) Compliance frameworks should reward demonstrated organizational change rather than reported adoption, for example by tying incentives to process or product outcomes instead of to certification status alone.
- (c) Given that professional norms carry a substantial share of the effect, public support for industry associations, standards development and continuing professional education represents an indirect but efficient instrument of innovation policy.

Conclusion

This study examined the mediating role of innovation capability in the relationship between coercive, normative and mimetic institutional pressures and innovation outcomes among South Korean technology firms. All three pressures were found to strengthen innovation capability; with coercive pressure the strongest and innovation capability was found to transmit their effects to innovation outcomes in full. The principal contribution is to specify and empirically test the organizational mechanism through which institutional demand becomes innovation

performance, thereby showing that external pressures operate indirectly rather than directly. The practical implication is that organizations should invest in capability-building that aligns internal capacity with external demand, rather than relying on formal conformity or imitation and that policymakers should pair regulatory mandates with capability-side support.

Several limitations of this study are discussed here.

- (a) The cross-sectional design supports statements about association but not causal inference, so the mediation reported here is theoretically motivated rather than temporally established.
- (b) The data are self-reported and drawn from a single source and a single wave; although procedural and statistical remedies were applied, common method variance cannot be excluded entirely.
- (c) The sample of 145 respondents across 17 firms is modest for structural equation modeling and is confined to technology-intensive sectors in a single country, which limits generalizability to other industries and institutional environments.
- (d) Respondents were sampled purposively rather than randomly and the profile in Table 3 is weighted towards earlier career stages, with 48% reporting three years of professional experience or less, which may limit the depth of organization-level knowledge available to some respondents.
- (e) Institutional pressures were measured as individual perceptions while the constructs are conceptually organizational, which introduces a level-of-analysis concern that aggregation at the firm level would address in future work.

These limitations suggest four directions for further research. Longitudinal designs would allow the co-evolution of institutional pressure and organizational capability to be traced over time and would strengthen causal claims. Cross-sector and cross-country comparisons would clarify how the effects vary with institutional context, particularly given the divergent ordering of pressures reported in Chinese samples. Institutional models could be extended with environmental, social and governance frameworks or digital transformation readiness frameworks. Finally, additional mediating or moderating constructs such as organizational maturity, organizational learning and absorptive capacity

merit examination, since absorptive capacity has already been shown to condition the institutional pressure-innovation relationship in adjacent settings.

Abbreviations

AVE: Average Variance Extracted, CI: Confidence Interval, CR: Composite Reliability, HTMT: Heterotrait-Monotrait ratio, NFI: Normed Fit Index, PLS-SEM: Partial Least Squares Structural Equation Modeling, SE: Standard Error, SRMR: Standardized Root Mean Square Residual, VAF: Variance Accounted For, VIF: Variance Inflation Factor.

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Author Contributions

All authors made substantial contributions to the work reported in this manuscript, including conceptualization and study design, data collection, data analysis and interpretation, drafting and critical review. All authors have read and approved the final version.

Conflict Of Interest

The authors declare that they have no competing interests.

Data Availability

The data supporting the findings of this study are available from the corresponding author on reasonable request.

Declaration of Artificial Intelligence (AI) Assistance

Artificial intelligence tools were used in a limited capacity to check language, grammar and clarity of expression during manuscript preparation. No AI tool was used to generate data, conduct the statistical analysis, produce the figures, or draw the conclusions reported. All content was reviewed and verified by the authors, who take full responsibility for the accuracy and integrity of the work.

Ethics Approval

This study involved no clinical, biological, or interventional procedures and collected no

identifiable personal data. Participation was voluntary, respondents were informed of the purpose and intended use of the survey, consent was obtained before completion and anonymity was preserved throughout data collection and analysis. Formal ethics committee approval was therefore not required under the institutional guidelines applicable to this study.

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