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How Does Corporate Sustainability Increase Financial Performance for Small- and Medium-Sized Fashion Companies: Roles of Organizational Values and Business Model Innovation

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Abstract: The objective of this study was to examine how corporate sustainability can raise the level of corporate financial performance of small- and medium-sized enterprises (SMEs) in the fashion industry by considering the roles of organizational values and business model innovation in forming corporate sustainability. It is meaningful to explore the role of corporate sustainability in SMEs as well as fashion companies considering the recent growth of SMEs in the fashion industry. Practitioners (N = 218) working for SMEs located in South Korea participated in an online survey. Exploratory factor analysis resulted in three organizational values of SMEs: flexibility value, rational value, and hierarchical value. While flexibility has contributed to forming business model innovation and sustainability, having a rational value has impacted business model innovation and financial performance. A hierarchical value affected only corporate sustainability. However, business model innovation did not show any significant impact on corporate sustainability or financial performance. Finally, corporate sustainability positively influenced financial performance only for SMEs that had experience practicing at least three sustainable activities. These results have implications for how SMEs manage sustainability to enhance financial performance.

Keywords: organizational values; corporate sustainability; business model innovation; financial performance; sustainable activity

1. Introduction

Sustainability has become an important issue that corporations have to pursue, not only to take social and environmental responsibility but to also successfully increase their sustainable profitability. However, previous research on sustainability has focused on consumers' responses to certain sustainable strategic activities or products, but the focus has not been extended from practitioners' perceptions to the overall corporate level of sustainability that can be achieved by supply chain management or business model innovation. Thus, we focus on the concept of corporate sustainability and examine how corporates build sustainable systems ranging from monitoring, reporting, to rewards, which are also related to corporate social responsibility (CSR) and corporate citizenship. Although several studies have explored the relationship between corporate sustainability and financial performance, there is no consistent agreement on this relationship [1] (Pedersen et al., 2018). More academic research is needed on the relationship in various industries. Thus, the purpose of the current research is to examine how corporate sustainability influences financial performance focusing on small- and medium-sized enterprises (SMEs) in the fashion industry. The fashion industry has a reputation as one of the most

destructive fields in terms of sustainability. The complicated supply chain also involves numerous SMEs. Given the scarce research on sustainability in SMEs in the fashion industry, there is an urgent need to examine the role of sustainability and the relationship to SMEs' financial performance.

Corporate sustainability has generally been seen as a result of business model innovation, as evidenced by the various sustainable business model innovation theories that have taken sustainability into account, such as social business models [2] (Yunus et al., 2010), green business models [3] (Sommer, 2012), triple bottom line business models [4] (Osterwalder & Pigneur, 2010), community development business models [5] (Stubbs & Cocklin, 2008), inclusive business models [6] (Michelini & Fiorentino, 2012), and sustainability business models [5,7] (Birkin et al., 2009; Stubbs & Cocklin, 2008). Most of these theories have argued that corporate sustainability will be profitable only when the business model includes a goal of sustainability. More specifically, they have reasoned that corporate sustainability can be successful only when it is achieved based on business model innovation as well as a flexible and open organizational culture. Thus, this study considered organizational values and business model innovation as the antecedents of corporate sustainability and how these antecedents related to financial performance.

This study explores the role of organizational values that directly relate to business model innovation and sustainability. Many studies have suggested that organizational values comprise multiple dimensions [8–11] (Cameron & Quinn, 1999; Henri, 2006; Ogbonna & Harris, 2000; Tharp, 2009), and that certain dimensions are more effective for a company in pursuing innovation and sustainability [12] (Denison & Spreitzer, 1991). However, given the assumption that sustainability is a special type of business model and is related to innovation, it is unclear what organizational values play a critical role in contributing to business model innovation and corporate sustainability, and how they can lead to financial performance. Given that corporate sustainable activities seem to be influenced by the culture and society in which the industry is situated [13] (Thanetsunthorn, 2015), we examined the types of organizational values important in forming business model innovation and corporate sustainability in South Korea. We also identified the contributing organizational values for sustainability and financial performance.

Lastly, this study examined the effect of corporate sustainability as a distinct type of business innovation on financial performance by identifying the sustainable activities practiced by SMEs in the fashion industry. Despite the recent importance of corporate sustainability, relatively little is known about the relationship between the overall innovative values of an organization, corporate sustainability, and the expected results of specific levels of sustainability-related activities [14,15] (Boons & Lüdeke-Freund 2013; Louch et al., 2010). The results show that fashion companies engage in a variety of sustainable activities throughout the whole, complex supply chain. Furthermore, if a company invests in sustainable activities that can innovate the business model, the relationships of the drivers as well as the consequences, such as financial performance, are expected to be stronger. This paper contributes to related academic literature by applying the framework of organizational values, business model innovation, sustainability, and financial performance to SMEs in the fashion industry.

2. Literature Review

2.1. Sustainability in the Fashion Industry

Sustainability in the fashion industry refers to a compatible system that does not adversely affect happiness or the environment [16] (Curwen et al., 2013). However, the nature of the fashion industry, such as a complicated supply chain and the rapid response to trend changes, may hinder fashion companies in maintaining sustainability. The fashion and textile industries have an extremely complicated supply chain involving extensive international, national, and local supply chain networks [17] (Forman & Jørgensen, 2004). To make matters worse, fast fashion is infamous for pollution in the product production process, mass waste reclamation and incineration due to rapid trend changes, and labor exploitation in low-wage countries [18] (Jang, 2013). Specifically, fast fashion

is sensitive to rapidly changing consumer trends that shorten the product life cycle at a relatively cheap price, which inevitably leads to more waste and more labor exploitation [19] (Giesen, 2008).

Given the visibility and accessibility of fashion, there are also several consumer psychological issues such as additive purchase behavior leading to lowered self-esteem [20] (Lee et al., 2009). Specifically, consumers often do not wear good fashion products for a long time and often buy fashion items that reflect the rapidly changing trends. Consumers may also experience lower self-esteem given the pressure to keep up with high-fashion brands and trendy designs created by fashion brand companies through various marketing avenues. Consumers' psychological issues can enhance the pace of fashion product consumption and inevitably lead to an overwhelming amount of waste from fashion products. As a result, many large companies have attempted to address the negative effects of fashion related to sustainability.

The fashion industry has increasingly gained attention as one of the most unsustainable industries, and fashion consumers and global fashion companies, including fast fashion, have gained a bad reputation as an industry that destroys sustainability. However, if consumers actively consider sustainability in their consumption patterns [21] (Cotler, 2019), the level of sustainability of fashion brands can become a crucial factor in the success or failure of fashion companies. To eliminate the stigma, large global companies like Zara, H&M, and Nike have worked towards more sustainability to combat their reputation as "environmental destroyers" by rebuilding the supply chain and transforming their stores into environment-friendly systems [22] (Catharina, 2018). Nevertheless, few studies have examined fashion companies' efforts to improve sustainability and connect such improvement to their financial performance. To date, several related studies have examined sustainability and financial performance [16,18,23–36] (Ählström, 2010; Ahn & Ryou, 2013; Bastholm, 2011; Battaglia et al., 2014; Colucci et al., 2020; Dickson, 2000; Kim et al., 2016; Kolk & Tulder, 2002; Lee et al., 2017; Lee et al., 2018; Curwen et al., 2013; Jang, 2013; Jung & Jin, 2016; Park, 2017; Park & Ko, 2017; Youn, et al., 2017). However, most of these studies have either focused on consumers' perceptions or evaluations [25,33,34,36] (Bastholm, 2011; Jung & Jin, 2016; Park, 2017; Youn et al., 2017), or utilized alternative indicators of financial performance such as brand equity [24] (Ahn & Ryou, 2013), CSR activities [26,27,29,31,32] (Battaglia et al., 2014; Colucci et al., 2020; Kim et al., 2016; Lee et al., 2017; Lee et al., 2018), or purchase intention [28,35] (Dickson, 2000; Park & Ko, 2017). These studies have validated the directly related results of sustainable strategic approaches such as development of green products, brands, and promotions. However, unlike previous literature, this study attempts to shed light on the overall level of corporate sustainability and financial performance rather than focusing on a certain sustainable activity. This approach is valuable since the fashion industry has a very complicated supply chain, making it difficult to overcome the lack of sustainability with one type of sustainable action. Thus, we invited actual practitioners to measure financial performance including sales, earnings, and market share over three years compared to competitors. Likewise, we applied the number of sustainable activities that the practitioners believed SMEs should work for and execute as a moderating variable of the relationship between corporate sustainability and financial performance.

In addition, while most research has dealt with famous and well-known fashion brands [16,23,30,37,38] (Ählström, 2010; Ameer & Othman, 2012; Curwen et al., 2013; Doorey, 2011; Kolk & Tulder, 2002), these relatively few brands are unlikely to reflect the reality of the fashion industry. Small- and medium-sized enterprises (SMEs) are most common and are the crucial issue makers of sustainability in the fashion industry. Catharina [22] (2018) reported that sustainability of the fashion industry can only be achieved when most SMEs are engaged in more sustainable efforts. However, SMEs have yet to reach 50% sustainability, whereas some big players have reached up to 80%. Therefore, it is essential to develop research considering SMEs' sustainability-related practices and the effects of their efforts to enhance the sustainability of the entire fashion industry. Given the scarce research and lack of consensus in the research on the success of SMEs' sustainability, the current research focuses on SMEs in the fashion industry. In particular, we examine how SMEs' sustainability strategy practices impact their financial performance considering both organizational values and business model innovation.

2.2. Organizational Values and Corporate Sustainability

Organizational values can be defined as values, beliefs, and hidden assumptions that organizational members share [8,39,40] (Cameron & Quinn, 1999; Miron et al., 2004; Naranjo-Valencia et al., 2011). Although studies have suggested various organizational values [8–11] (Cameron & Quinn, 1999; Henri, 2006; Ogbonna & Harris, 2000; Tharp, 2009), the most frequently accepted concept in the organizational value research stream [41–43] (Carmen et al., 2017; Chen et al., 2018; Naïma, 2017) has been the competing values framework (CVF) by Cameron and Quinn [8] (1999). CVF conceptualizes organizational values based on a framework with two dimensions between competing values such as flexibility/rational vs. stability, and control/internal focus vs. external focus. It includes six characteristics of organizations: dominant characteristics, organizational leadership, management of employees, organizational glue, strategic emphases, and criteria of success. These characteristics are categorized into four organizational values: adhocracy, clan, market, and hierarchy. Specifically, organizations with an adhocracy value are more externally oriented and emphasize flexibility, change, and creativity. They are also risk-takers and focus on entrepreneurship. Organizations with a clan value also seek excellence but focus on the internal rather than external side by pursuing teamwork, employee participation, and employee welfare. Organizations with a market value also have an external focus but tend to have a control orientation. The key value of this type of organization is productivity and competitiveness. Lastly, organizations with a hierarchy value are oriented to control and maintain an internal focus. Thus, they tend to pursue efficiency, coordination, and close adherence to rules and regulations.

Previous research [44–50] (Aboramadan et al., 2019; Chang & Lee, 2007; Higgins & McAllaster, 2002; Linnenluecke & Andrew, 2010; Mazur & Zaborek, 2016; Naranjo-Valencia et al., 2010; Sharifirad & Ataei, 2012) has indicated that these organizational values correlate with innovation. Adams et al. [51] (2016) also stressed that innovation creates shared values and offers social and responsible benefits that necessitate ultimate changes in the organizational mindset and goals. If an organization does not accept innovation as a basic organizational value, the company cannot transform its business model to achieve the level of corporate sustainability desired [52] (Prajogo & McDermott, 2011). In particular, when sustainability is achieved through breakthrough innovation of the dominant business model, we can assume that organizational values are based on learning, adaptation, and flexibility [53,54] (Abdelkafi & Taüscher, 2016; Medeiros et al., 2014). Therefore, we hypothesize that organizational values may influence business model innovation, corporate sustainability, and finally financial performance.

2.3. Business Model Innovation and Corporate Sustainability

The essence of a business model lies in defining the way customers pay for the values companies provide, which is then transferred into profit for the company [55] (Teece, 2010). It is well recognized that a business model must include innovation in products, customer relations, infrastructure management, and finance [56] (Osterwalder & Pigneur, 2002). Business model innovation (BMI) implies innovation in products, services, and processes through which a company develops a new method to recognize, create, and provide greater value for its customers [57,58] (Preuss, 2011; Wells, 2008). While most research has viewed technological innovation as a critical part of BMI [55,59,60] (Chesbrough & Rosenbloom, 2002; Markides, 2006; Teece, 2010), sustainability can also be an important methodology of BMI [61] (Geissdoerfer et al., 2018). A sustainable business model seems to be related to innovation by activating drivers to create new processing methods to develop innovative products, services, and processes, as well as new market opportunities [26,62] (Battaglia et al., 2014; Mendibil et al., 2007).

Two supporting theories reflect the effects of sustainability on a company's BMI: the resource-based view (RSV) and the stakeholder theory. According to the RSV, a company's performance is determined based on differentiated internal critical resources and competences rather than external factors such as industry prospects or attractiveness [63] (Barney, 1991). Importantly, internal resources must be heterogenous, rare, and imperfectly mobile from competitors. In this sense, Singh et al. [64]

(2020) suggested that sustainability is a critical internal factor for a company to achieve a sustainable competitive advantage in its business model.

Stakeholder theory, which stresses the pursuit of profit, may be a good excuse for a company to engage in unethical strategic activities for higher profit if the activities are legally exploited [65] (Carr, 1968). However, with unlimited competition, consumers have become the most important stakeholders of a company. Consumers have also begun to focus on a sustainable Earth for themselves and the next generation, so they carefully watch a company's sustainable endeavors. Since a company cannot survive without continuous support from its consumers and other stakeholders like investors, employees, and the government, most companies have some focus on sustainability [66–69] (Jacobs, 1997; Schaltegger et al., 2019; Starik, 1995; Warhurst, 2005). Based on this rationale, researchers have argued that companies that promise to be socially and environmentally responsible can develop strong stakeholder relationships and create important intangible resources [70] (Surroca et al., 2010). Thus, sustainability as a resource can relieve the conflict between the company and its stakeholders [71] (Hillman & Keim, 2001), build a solid reputation [70] (Surroca et al., 2010), elevate the company's attractiveness as an employer [72] (Backhaus et al., 2002), and ultimately strengthen customer loyalty [73] (Brown & Dacin, 1997).

Several well-known examples explain the relationship between sustainability and performance in the fashion industry, including Nike and Levi-Strauss (Levis). Private watchdogs have put pressure on their inhuman exploitation of labor in underdeveloped countries for a long time. Under this pressure in the 1990s, both companies attempted to make their supply chain transparent and fair in both social and environmental practices [38] (Doorey, 2011). Furthermore, internal audits and executing systems were introduced to regulate global supply chains and require them to adhere to a code of conduct. Nike and Levis have been evaluated as cases of successful integration of sustainability in their business model [74] (Gao & Bansal, 2013). These examples also illustrate that sustainability in the fashion industry relies on the extension of BMI, which affects companies' financial performance.

SMEs in the fashion industry still have many opportunities to improve their sustainability and decrease harmful effects on the environment through BMI [75] (Todeschini et al., 2017). To illustrate, Battaglia et al. [26] (2014) tested whether the four types of sustainability (i.e., workplace, community, marketplace, and environment) can elevate innovation, and found a positive influence of the environment type of sustainability. They also recommended adopting an environmental management system (EMS) including audits, a monitoring system, and training as environmental tools through which a company can achieve a higher level of innovation by accumulating the related know-how and empowering technical capability.

2.4. Impact of Business Model Innovation and Corporate Sustainability on Financial Performance

While it is generally accepted that BMI is related to financial performance [76–80] (Aspara et al., 2010; Hamel, 1998; Heikkilä et al., 2017; Gatignon & Xuereb, 1997; Green et al., 1995), researchers have not fully agreed on the positive effect of sustainability on financial performance [81–84] (Aupperle et al., 1985; Lopez et al., 2007; Nelling & Webb, 2006; Shabbir & Wisdom, 2020). Some researchers have argued that sustainable activities are not related to financial performance and can even cause a negative effect. In particular, compared to larger companies, SMEs with limited resources tend to perceive a higher level of risk given the costs of innovating the business model, and the expected confrontation of difficulties as they adjust to new environments [85–88] (Cooper et al., 1994; Ebben & Johnson, 2005; Gibb, 2000; Lee et al., 1999). Based on these assumptions, business model innovation, even if it is a strategic option, can worsen the financial performance of SMEs. From a short-term perspective, since sustainability usually requires extreme changes for a company and even more sacrifice for stakeholders, it necessarily requires increased cost, which mostly results in bad financial performance. Some researchers have also questioned the fundamental issue of why corporations should be obligated to take responsibility for social and environmental sustainability if it is beyond maximizing stakeholder value in this capitalistic

economy [81–84] (Aupperle et al., 1985; Lopez et al., 2007; Nelling & Webb, 2006; Shabbir & Wisdom, 2020). However, from every perspective, sustainability can be seen as affecting financial performance.

Business mode innovation may be a good driver to improve financial performance if it pushes SMEs to adapt to new niche markets in efficient and flexible ways [89–92] (Bigliardi, 2013; Chen & Hambrick, 2017; Dean et al., 1998; Mcmahon, 2001). Corporate sustainability is a type of BMI that can help corporations retain a competitive advantage in the market [93,94] (McWilliam & Siegel, 2011; Saeidi et al., 2015), and can rationally lead to the better financial performance. Yu and Zhao [95] (2015) also pointed out that sustainability positively affects corporate value, since a corporate business model incorporating sustainability can lessen future risk and promote long-term value creation. Jose and Lee [96] (2007) also examined the value premium of environment-friendly or ethical products, which directly enlarged sales. Alshehhi et al. [97] (2018) analyzed 132 articles on the relationship between sustainability and financial performance and found a positive influence in 78% of the companies examined. Ameer and Othman [37] (2012) also analyzed 100 highly ranked sustainable global companies including big fashion brands such as Adidas, Nike, H&M, Inditex, and Marks & Spencer, and their actual financial performance (e.g., return on assets, profit before taxation, and cash flow from operations). They argued that the companies with a sustainable strategic orientation had a better financial performance than those that did not. Thus, we assume that BMI and corporate sustainability may influence financial performance. Furthermore, based on the research framework examining the relationships between organizational values, sustainability, and financial performance, we explored whether the hypothesized relationships including sustainability are moderated according to the level of actual participation in sustainability activities. The conceptual framework of this study was described in Figure 1.

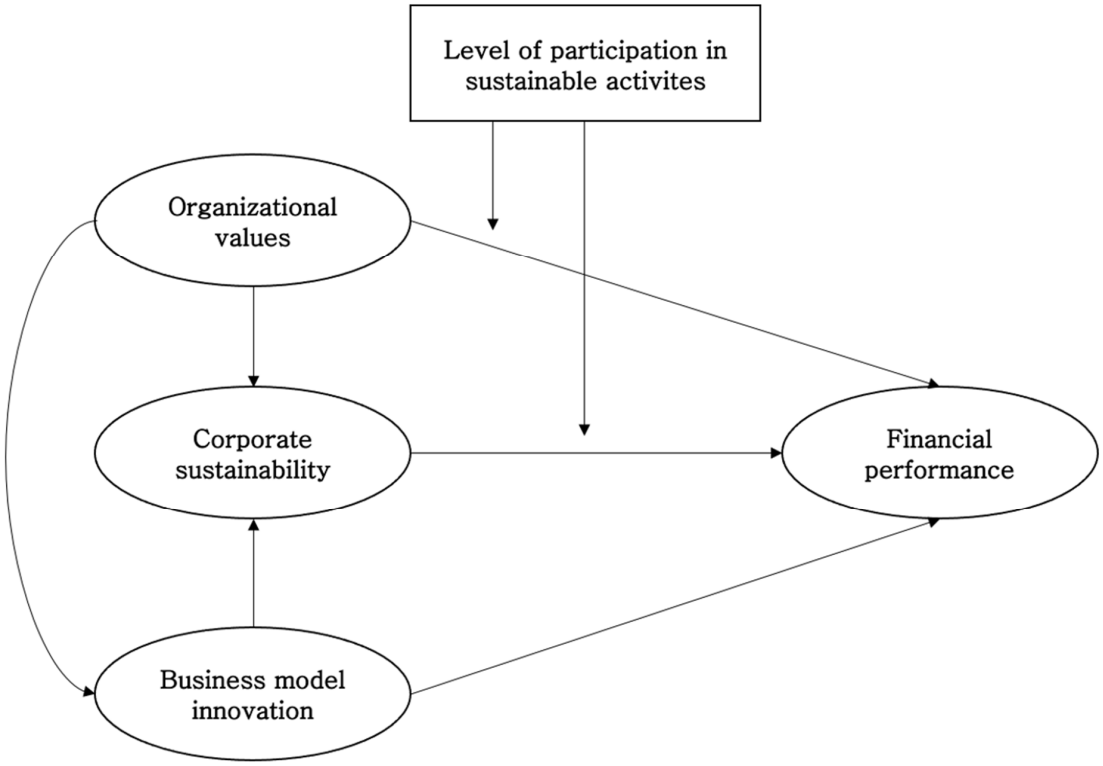

Figure 1. Conceptual framework.

3. Research Method

3.1. Data Collection

Since the current research pursues the actual perceptions of practitioners working in the Korean fashion industry, we recruited members of the Korea Research Institute for Fashion and Distribution

Information (FaDI, www.fadi.or.kr), which is a non-profit organization that distributes fashion-related information and receives government funds. The survey was distributed to officially registered members of FaDI through email with a URL directing them to the questionnaire. A total of 252 members responded to the online survey and were given coffee coupons as a reward. However, after excluding 34 responses which had inadequate information about their jobs and companies, 218 cases remained and were utilized for statistical analysis.

As shown in Table 1, 52.8% of the participants answered that they worked for a small- and medium-sized fashion company. In addition, 31.2% were self-employed. As for the fashion sector supply chain, 54.1% worked for middle-stream players such as designing and merchandizing, and 21.1% worked for companies that mainly focused on retailing. Specifically, 64.2% of the participants worked as general staff, 43.1% were designers, and 21.2% were merchandizers. In addition, 57.8% of the companies the participants worked for had been in business for less than 15 years.

Table 1. Descriptive analysis of survey participants' companies.

Characters	Details	Frequency	Percent (%)
Company category	Design & merchandizing	118	54.1
	Manufacturing (sewing)	30	13.8
	Retailing	46	21.1
	Strategy consulting	24	11
Company size	Private business	68	31.2
	Small–mid sized	115	52.8
	Major company	17	7.8
	Non-profit	18	8.3
Company history	Under 5 years	56	25.7
	6–15years	70	32.1
	16–25 years	34	15.6
	Over 25 years	54	24.8
	Unanswered	4	1.8
Job position	General staff	140	64.2
	Manager	44	20.2
	Executives	33	15.1
	Researcher	1	0.5
Job task	Design	94	43.1
	Merchandizing	46	21.1
	Marketing	28	12.8
	Research & development	14	6.4
	Distribution	11	5.0
	Education	9	4.1
	Manufacturing	7	3.2
	Buying	6	2.8
	Promotion	3	1.4

3.2. Measurements

The scale items were drawn from previous literature related to the research model measuring organizational values, business model innovation, sustainability, and financial performance (see Table 2).

The items measuring the concepts were scored on a five-point Likert scale, with 1 denoting "strongly disagree" and 5 "strongly agree." First, the framework of organizational values was taken from Prajogo and McDermott [52] (2011). In general, values reflect the principles by which the organizations operate [98] (Sullivan et al., 2002). We operationalize organizational values with the competing value frameworks by distinguishing the cultural orientations of the structure (hierarchy/flexibility) and focus (internal/external). For this scale, we asked respondents about their level of agreement with statements related to the behaviors and attitudes of members of their organization. In terms of business model innovation, we adopted the scale from Pedersen et al. [1]'s (2018) research to capture the empirical meaning of business model innovation in fashion companies. Business model innovation was operationalized as a continuous level between existing competence and new business opportunities [1] (Pedersen et al., 2018), based on Osterwalder and Pigneur's [4] (2010) business model canvas. The model included companies' proposition, customer segments, key resources, key activities, key partnerships, customer relationships, channels, cost structure, and revenue streams. The study also utilized an adjusted version of items for corporate sustainability from Josefina et al. [99] (2008). Based on stakeholder theory and a resource-based view, corporate sustainability is defined as all efforts of a company to satisfy the needs of its direct, indirect, and future stakeholders including shareholders, employees, clients, and worldwide communities [100] (Dyllick & Hockerts 2002). Finally, the financial performance measurement was a self-evaluation of financial performance that has been adopted by several researchers [26,76,101,102] (Aspara et al. 2010; Battaglia et al., 2014; Matsoso & Benedict, 2016; Menguc et al. 2010). A sustainability activities variable was included as a moderating variable, since relationships including corporate sustainability can be affected by sustainable activities of fashion companies.

Table 2. Survey questions.

Variable	Item	Details	5-Likert Scale
Business model innovation	BMI_1	Focus on developing radically new products and/or services.	1 = Strongly disagree, 3 = Neutral, 5 = Strongly agree
	BMI_2	Focus on identifying and serving entirely new markets and customer segments.	
	BMI_3	Focus on developing and/or acquiring new resources and competences (technology, people, IT systems).	
	BMI_4	Focus on developing new core processes and activities (design, logistics, marketing).	
	BMI_5	Focus on establishing relationships with new strategic business partners (suppliers, distributors, end users).	
	BMI_6	Focus on developing new tools for building customer relationships (personal service, memberships, bonus systems).	
	BMI_7	Focus on selling products and/or services through new channels (own stores, partner stores, online).	
	BMI_8	Focus on making major changes in the combination of costs incurred when operating the company.	
	BMI_9	Develops new ways of generating revenue (products, services, leasing, sponsorships).	

Table 2. *Cont.*

Variable	Item	Details	5-Likert Scale
Organizational value	OV_1	Participation and open discussion	1 = Strongly disagree, 3 = Neutral, 5 = Strongly agree
	OV_2	Empowers employees to act	
	OV_3	Assesses employee concerns and ideas	
	OV_4	Human relations, teamwork, and cohesion	
	OV_5	Flexibility and decentralization	
	OV_6	Expansion, growth, and development	
	OV_7	Innovation and change	
	OV_8	Creative problem-solving processes	
	OV_9	Control and centralization	
	OV_10	Routinization, formalization, and structure	
	OV_11	Stability, continuity, and order	
	OV_12	Predictable performance outcomes	
	OV_13	Task focus, accomplishment, and goal achievement	
	OV_14	Direction, objective setting, and goal clarity	
	OV_15	Efficiency, productivity, and profitability	
	OV_16	Outcome excellence and quality	
Corporate sustainability	CS_1	Has clearly defined social and environmental objectives.	1 = Totally disagree, 5 = Totally agree
	CS_2	Allocates substantial resources to social and environmental improvements.	
	CS_3	Regularly measures and reports social and environmental performance.	
	CS_4	Always tries to substitute polluting materials/products with less polluting ones.	
	CS_5	Managers and employees receive training and education on social and environmental responsibility.	
	CS_6	Management always considers social and environmental impacts when making important business decisions.	
	CS_7	Recognizes and rewards managers/employees who contribute to social and environmental improvements.	
	CS_8	Is open, honest, and transparent in its internal and external communication of social and environmental impacts.	
	CS_9	Works hard to ensure high social and environmental standards in the supply chain.	
	CS_10	Actively promotes social and environmental-friendly customer/consumer behavior.	
Financial performance	FP_1	Development in sales	1 = Much worse, 5 = much better
	FP_2	Development in earnings	
	FP_3	Development in market share	

4. Results

4.1. Exploratory Factor Analysis Finding Multiple Dimensions of Organizational Values

Since we assumed that multiple dimensions exist in organizational values, we conducted optimal scaling for organizational values using statistical package of social science (SPSS) 24.00. Regarding scales of organizational values as ordinal, nonlinear Principal Component Analysis (PCA) would be preferable to inspect those multiple dimensions. Based on Varimax rotation with Kaiser's normalization, we found that the model with three components is the most suitable one based on the proper eigenvalue level (i.e., over 1). This is because its total variance accounted for was improved (71.04%) by more than when we assumed two components (64.275%). Also, when we assumed four components, the fourth component's eigen of value dropped below 1 (0.839). Thus, Table 3 describes the results of nonlinear PCA of the model of three components of organizational values. Finally, all the three components showed an appropriate level of Cronbach's alpha. We named the three components for the statements based on previous literature. The first one, "flexibility," includes teamwork, empowerment, and open discussion. The second one, "rational," includes efficiency, direction, and task focus. The last one, "hierarchical," represents structure, order, and control. We named the extracted factors according to Prajogo and McDermott's [52] (2011) suggestion from Quinn and Spreitzer's [103] (1991) CVF model to explain organizational culture. Unlike in the current study, the results of exploratory factor analysis showed that both internal or external flexibility was a single and dominant cultural value. In contrast, control was more likely to be perceived as separate from an internal value (i.e., hierarchical) as well as the other external value (i.e., rational). Based on previous literature [52,103] (Prajogo & McDermott, 2011; Quinn & Spreitzer, 1991), we defined flexibility as an organizational value emphasizing both creative and flexible values empowering learning processes pursuing innovation over quality. In addition, both rational and hierarchical values could be defined as the controlling values. The rational value stresses internal and predictable stability and the hierarchical value stresses external and performance.

Table 3. Exploratory factor analysis of the organizational value.

Component				Cronbach's α	Variance Accounted for	
Var.	Flexibility	Rational	Hierarchy		Total (Eigenvalue)	% of Variance
OV_1	0.800	0.188	−0.192	0.907	5.292	33.074
OV_2	0.814	0.287	−0.140			
OV_3	0.797	0.344	−0.159			
OV_4	0.809	0.181	−0.067			
OV_5	0.785	0.298	−0.184			
OV_6	0.799	0.14	−0.077			
OV_7	0.713	0.197	−0.159			
OV_8	0.712	0.417	−0.215			
OV_9	−0.280	0	0.810	0.866	3.720	23.250
OV_10	−0.223	0.109	0.889			
OV_11	0.077	0.235	0.793			
OV_12	0.049	0.753	0.252	0.715	2.355	14.716
OV_13	0.162	0.786	0.112			
OV_14	0.327	0.741	0.019			
OV_15	0.193	0.868	0.036			
OV_16	0.350	0.758	0.062			
Total					11.366	71.040

Rotation method: Varimax with Kaiser normalization.

4.2. Measurement Model

To test the internal reliability, we utilized the Cronbach's α which were calculated using SPSS 24.00. The Cronbach's alphas for the scales were all above the appropriate level of 0.70, from 0.779 to 0.956. For convergent validity, confirmatory factor analysis (CFA) was employed to assess the factor loadings (see Table 4). All factor loadings for the constructs were over the recommended value of 0.60. Using the factor loadings, we calculated the composite reliability (CR) and average variance extracted (AVE). For CR, all values were higher than the appropriate level of 0.70, from 0.803 to 0.956. For AVE, the majority were greater than the threshold of 0.50; however, business model innovation was 0.487, which was marginally lower than the threshold. Nevertheless, the CR was greater than the AVE in every case, which satisfied the desired condition of convergent validity. Finally, we tested the discriminant validity by comparing the correlations between the constructs and the square root of AVE. Discriminant validity was achieved when a certain construct was confirmed to have a square root of AVE over all the correlations with respect to all the other constructs in the model. As shown in Table 5, the square roots of AVE were greater than the respective correlations, confirming that the measure of the constructs were robust for discriminant validity.

Table 4. Results for internal reliability, convergent validity, and discriminant validity.

Construct	Variable	Factor Loading	Cronbach α	AVE	CR
Flexibility	OV_1	0.785	0.935	0.631	0.932
	OV_2	0.821			
	OV_3	0.885			
	OV_4	0.8			
	OV_5	0.859			
	OV_6	0.716			
	OV_7	0.669			
	OV_8	0.8			
Hierarchy	OV_9	0.762	0.779	0.586	0.803
	OV_10	0.924			
	OV_11	0.568			
Rational	OV_12	0.548	0.858	0.529	0.847
	OV_13	0.709			
	OV_14	0.776			
	OV_15	0.805			
	OV_16	0.769			
Business model innovation	BMI_1	0.676	0.898	0.487	0.895
	BMI_2	0.741			
	BMI_3	0.696			
	BMI_4	0.715			
	BMI_5	0.695			
	BMI_6	0.721			
	BMI_7	0.681			
	BMI_8	0.686			
	BMI_9	0.669			

Table 4. *Cont.*

Construct	Variable	Factor Loading	Cronbach α	AVE	CR
Corporate sustainability	CS_1	0.84	0.956	0.687	0.956
	CS_2	0.876			
	CS_3	0.854			
	CS_4	0.83			
	CS_5	0.816			
	CS_6	0.88			
	CS_7	0.775			
	CS_8	0.771			
	CS_9	0.808			
	CS_10	0.832			
Financial performance	FP_1	0.865	0.907	0.782	0.915
	FP_2	0.909			
	FP_3	0.878			

Table 5. Correlations and square roots of AVE.

	FLEX	HI	DC	BMI	CS	FP
Flexibility (FLEX)	**0.795**					
Hierarchy (HI)	−0.324 **	**0.765**				
Rational (DC)	0.511 **	0.180 **	**0.727**			
Business model innovation (BMI)	0.517 **	0.012	0.366 **	**0.698**		
Corporate sustainability (CS)	0.487 **	−0.101	0.464 **	0.245 **	**0.829**	
Financial performance (FP)	0.300 **	0.069	0.350 **	0.300 **	0.249 **	**0.884**

** Correlation is significant at the 0.01 level (2-tailed). Bold numbers on the diagonal are square roots of AVE.

4.3. Structural Model

We examined various fit indexes. First, the χ^2 test revealed significant results (χ^2 = 1177.808, $p < 0.00$) on the full (saturated) model; however, the χ^2/df fit index was also considered due to sensitivity of the χ^2 test to a large sample size. The χ^2/df fit index was 1.823 smaller than 3.00, which is the desired criteria. The goodness-of-fit index (GFI) was 0.778, which is slightly below the recommended criteria of 0.80. However, the root mean square error of approximation (RMSEA) was below 0.08. In addition, the normed fit index (NFI), Tucker–Lewis index (TLI), and comparative fit index (CFI) were all greater than the minimum recommended value of 0.50. The parsimonious goodness-of-fit index (PGFI) and the parsimonious comparative fit index (PCFI) surpassed the recommended level of 0.50. Therefore, we concluded that the GFIs for the structural model were accepted and we could proceed with the estimation for parameters in the hypotheses.

Table 6 presents the results of the analyses of the hypotheses. Only five hypothesized relationships turned out to be statistically significant and positive. Flexibility seems to be a significant dimension comprising an organizational value explaining not only business model innovation (β = 0.634, p = 0.00), but also corporate sustainability (β = 0.385, p = 0.002). Hierarchy turned out to be significant and positive only for business model innovation (β = 0.238, p = 0.001). Rational also showed a positive and significant impact on both corporate sustainability (β = 0.381, p = 0.00) and financial performance (β = 0.229, p = 0.03). However, business model innovation indicates no significant influence on either corporate sustainability or financial performance. Corporate sustainability also fails to show a significant impact on financial performance.

Table 6. Hypotheses and model path coefficients.

Hypotheses				β [a]	SE [b]	CV [c]	*p*
H1_a	Flexibility	→	Business model innovation	0.634	0.115	5.52	0.00
H1_b	Hierarchy	→		0.238	0.075	3.195	0.001
H1_c	Rational	→		−0.003	0.109	−0.029	0.976
H2_a	Flexibility	→	Corporate sustainability	0.385	0.126	3.043	0.002
H2_b	Hierarchy	→		0.024	0.078	0.309	0.758
H2_c	Rational	→		0.381	0.115	3.319	0.00
H3	Business model innovation	→		−0.078	0.087	−0.896	0.37
H4_a	Flexibility	→	Financial performance	0.04	0.114	0.35	0.727
H4_b	Hierarchy	→		0.043	0.069	0.62	0.535
H4_c	Rational	→		0.229	0.105	2.172	0.03
H5	Business model innovation	→		0.141	0.079	1.793	0.073
H6	Corporate sustainability	→		0.071	0.067	1.058	0.29

χ^2 = 1177.808, χ^2/df = 1.823 (df = 646), RMSEA = 0.062, TLI = 0.903, CFI = 0.911, PGFI = 0.678, PNFI = 0.757; [a] Estimates. [b] Standard error of the regression weight. [c] Critical ratio value for regression weight.

4.4. Moderation of Sustainable Activities

Regarding sustainability activities, we asked participants to select all of the activities their companies participated in among 31 activities listed (see Table 7). The top three most frequently reported activities that may contribute to sustainability were production on demand, differentiating prices for eco-friendly or social products, and development of eco-friendly products. Over 20% of the participants indicated that their companies engaged in three sustainable activities to enhance the sustainability of their companies: product development through co-operation with partners, innovative products that cut related costs, and repair. However, few participants reported that their companies were trying to participate in new business model innovation like shared economy (4%), subscription (3.6%), or a waste exchange platform (2%). In terms of sustainable activities, 65.6% of participants indicated that their companies had participated in only one (25.2%) or two (40.4%) activities. The average number of sustainable activities was 2.72 with a standard deviation of 2.11. The maximum number was 13. To examine the moderating effect of sustainable activities, we created a moderator group based on the number of sustainable activities. Based on descriptive analytics, we designated the highest 25% of the sample (n = 47; 21.4%) as the high participation group reporting that their company had participated in at least three sustainable activities, and the other 75% as the low participation group (n = 171; 78.4%).

To examine the mediating effect on the hypotheses including corporate sustainability, we utilized PROCESS v. 3.4 proposed by Hayes [104] (2018). The PROCESS is macro for mediation, moderation, and conditional process analysis for SPSS and SAS which has been widely accepted as offering an exact examination of the moderating and moderated mediating effects. Since corporate sustainability played a role as a mediator between business model innovation and financial performance, it would be beneficial to adopt the PROCESS for further analysis of the moderating effects. Thus, based on Hayes [104]'s suggestion, we utilized the Model 87 to test the moderating effects on the relationship among significant organizational values, sustainability, and financial performance. Due to the benefits of PROCESS, we could check the moderated mediating effects of participation in sustainable activities. Hayes [104] (2018) suggested that the index of moderated mediation, which indicates statistically significant differences between conditional indirect effects, is considered significant when the confidence interval (CI) between LLCI and ULCI does not include zero.

Table 7. Frequency analysis of sustainability activities.

Sustainability Activities	Responses		Percent of Cases (%)
	n	Percent (%)	
Production on demand	60	9.10%	23.80%
Differentiating prices for eco-friendly/social products or services	57	8.70%	22.60%
Development of eco-friendly/social products	51	7.80%	20.20%
Product development through co-operation with partners	50	7.60%	19.80%
Innovative product reducing related cost	43	6.60%	17.10%
Repair	38	5.80%	15.10%
Maximize material productivity or energy efficiency	32	4.90%	12.70%
Industrial symbiosis	32	4.90%	12.70%
Recycling raw materials/replacing them with natural processes	31	4.70%	12.30%
Free service for eco-friendly/social products or customer behavior	26	4.00%	10.30%
Recycle	24	3.70%	9.50%
Experience-oriented customer service	23	3.50%	9.10%
Crowd funding	20	3.00%	7.90%
Product recycling	18	2.70%	7.10%
Internal sourcing	18	2.70%	7.10%
Commercial use of social missions (e.g., donations)	15	2.30%	6.00%
Shortening the supply chain	15	2.30%	6.00%
Co-operative possession	12	1.80%	4.80%
Reproduction/used goods sales	10	1.50%	4.00%
Development of digital supply chain platform	10	1.50%	4.00%
Social business model	10	1.50%	4.00%
Subscription service model	9	1.40%	3.60%
Social enterprise model (no stake)	9	1.40%	3.60%
Connected/shared economy	8	1.20%	3.20%
Product development with a hybrid model	7	1.10%	2.80%
Used goods improvement	7	1.10%	2.80%
Participate in a waste exchange platform such as garbage online	5	0.80%	2.00%
Buy one, donate one	5	0.80%	2.00%
Eco-friendly supply chain management	5	0.80%	2.00%
Microfinance	4	0.60%	1.60%
Micro level distribution and retail	2	0.30%	0.80%
Total	656	100.00%	260.30%

As shown in Table 8, tests for the highest order unconditional interactions were marginally significant only in the relationship between corporate sustainability and financial performance with sufficient R^2 changes ($F = 5.355$, $p = 0.022$). The other two relationships from BMI were not significantly moderated by groups for sustainable activities. Specifically, for the high participation group, the impact of corporate sustainability on financial performance was statistically significant ($\beta = 0.355$, $p = 0.015$) and even strong, whereas the impact was not significant for most of the low participation group.

Table 8. Moderating effect of group by sustainable activities (dependent var.: Financial performance).

Interaction	R^2 chng	F	df_1, df_2	*p*
Corporate sustainability × Groups by sustainable activities	0.021	5.355	(1, 210)	0.022
Groups by sustainable activities	Effect	se	t	*p*
Low (*n* = 47)	−0.002	0.069	−0.027	0.978
High (*n* = 171)	0.355	0.144	2.464	0.015

Mediation from the flexibility and rational values to financial performance through corporate sustainability turned out to be significantly moderated by group by sustainable activities, since the bootstrap CIs of indexes did not include zero (see Table 9). An indirect effect of flexibility on financial performance through corporate sustainability was significant only for the high group (effect for the high group = 0.120). The same was true for the rational value on financial performance (effect for the high group = 0.140).

Table 9. Index of moderated mediation.

Indirect Effect	**Flexibility → Corporate sustainability → Financial performance**			
	Index	BootSE	BootLLCI	BootULCI
Groups	0.121	0.080	0.007	0.321
	Effect	BootSE	BootLLCI	BootULCI
Low group	−0.001	0.030	−0.053	0.069
High group	0.120	0.079	0.015	0.318
Indirect Effect	**Rational → Corporate sustainability → Financial performance**			
	Index	BootSE	BootLLCI	BootULCI
Groups	0.140	0.090	0.011	0.357
	Effect	BootSE	BootLLCI	BootULCI
Low group	−0.001	0.032	−0.061	0.068
High group	0.140	0.086	0.020	0.347

5. Discussion

There is an academic and practical need to examine small- and medium-sized fashion companies' sustainable initiatives and results, especially to determine how corporate sustainability relates to financial performance. However, few studies have examined the relationship among business model innovation, corporate sustainability, and financial performance, especially in the fashion sector. Thus, this study explored how corporate sustainability is related to business model innovation, and finally to financial performance. We also examined which organizational values are important in building innovation and corporate sustainability.

Based on factor analysis, employees of fashion SMEs perceived that three dimensions (i.e., flexibility, rational, and hierarchical) were important. Interestingly, the types of organizational values determining business model innovation, corporate sustainability, and financial performance were somewhat different. First, flexibility was the basic driver impacting business model innovation and corporate sustainability. However, business model innovation was likely influenced by the hierarchical value, whereas corporate sustainability seemed to be affected by the rational value. Given that corporate innovation including business model innovation and corporate sustainability tended to be based on both internal and external flexibility [52] (Prajogo & McDermott, 2011), the significant influence of the flexible value on the innovation and control values on performance was consistent with previous

literature. Regarding the positive and significant effect of the hierarchical value on business model innovation, we examined the specific characteristics of SMEs. Innovation in SMEs tends to be driven by the founder or entrepreneur's leadership instead of being managed by a standardized process as in major large companies. In other words, business model innovation in SMEs is likely to be nurtured and generated by the flexibility value, and more effectively carried out if the leader has tight control over the internal processes.

In contrast, corporate sustainability is likely to be related to the rational value of pursuing performance and product quality. Fashion SMEs may be more interested in developing greener products and services rather changing the business model. From the descriptive analysis in this study, most sustainable activities that the SMEs engaged in were either related to eco-friendly/social products or product development. As Lee et al. [31] (2017) pointed out in their study comparing fashion companies in South Korea to global fashion companies, while the participation rate of sustainable activities was lower, they seemed to have a narrow and limited focus on social and eco-friendly activities. From these results, fashion-related SMEs in South Korea may consider sustainability as a process of improving and developing product quality.

The other relationships related to corporate sustainability were insignificant. Unlike our expectation based on previous literature, business model innovation did not affect corporate sustainability or financial performance. Moreover, corporate sustainability was not associated with financial performance. Nevertheless, according to the moderating test of groups based on the number of sustainable activities, the path from corporate sustainability to financial performance was statistically significant only for the high group that reported that their companies had participated in three or more sustainable activities. Moreover, the indirect effects of organizational values through sustainability on financial performance was only significant for the high group. Previous literature has not reached a consensus on the role of business model innovation and corporate sustainability on financial performance. For example, when Pedersen and his colleagues [1] (2018) failed to find significant associations from business model innovation and corporate sustainability to financial performance, they emphasized that organizational values have to be aligned with planning and implementation. As such, based on our results of moderation, we suggest that only companies that actually practice sustainable activities based on relevant organizational values can realize positive financial performance.

6. Implications

We contribute to the growing stream of literature on corporate sustainability and the effects of their sustainability activities by identifying the relevant types of organizational values directing financial performance through corporate sustainability. We also explored the relationship between business model innovation and corporate sustainability. Our systemic statistically relevant analysis revealed that a rational value is essential in creating financial performance with flexibility. Unlike a hierarchical value, which involves internal control, a rational value can positively impact financial performance by itself as well as through corporate sustainability. In particular, we found that the effect of corporate sustainability on financial performance was positive only for companies that implemented sustainable activities following organizational values. Specifically, since this study was based on a survey of employees in SMEs in the fashion industry, we suggest that empirical resources for SMEs in fashion can be successful with participation in sustainable efforts and practices. This study has implications for executives and entrepreneurs of SMEs on which organizational values should be pursued to build their businesses into sustainable enterprises with a positive financial performance.

The current research has limitations, which provides opportunities for future research. This paper examined only one industry sector in only one nation: South Korea. Although South Korea is a representative nation for the fashion industry, it has fallen behind in terms of sustainability efforts when compared to Denmark, for example [25] (Bastholm, 2011). Another limitation is that the moderating effect only applies to corporate sustainability considering business model innovation. Since the study

was originally developed to focus on corporate sustainability, the survey did not include questions about the companies' business model innovation activities.

Future studies should expand the findings to other countries and sustainability activities of SMEs. First, this study can be extended to other national bases comparing Western and Eastern cultures, considering cultural factors such as Hofstede's dimensions [105] (2011). Regarding the impact of organizational values on sustainability and business model innovation, the results can be elaborated by looking at the dynamics between organizational values and national cultural dimensions. Second, future studies can apply these findings of SMEs in the fashion industry to other industries. The involvement of business model innovation with corporate sustainability will be different for different types of industries due to the supply chain characteristics. As a result, the relationship between business model innovation and sustainability may prove to be more powerful. Lastly, we can explore other dependent variables to determine the bridge between corporate sustainability and financial performance, such as brand reputation and brand trust. While financial performance is the ultimate goal of corporates, their sustainable strategy tends to show positive results by increasing brand equity over the long term.

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