**Role of Innovation Capability and ICT in the Innovation Process In Four ASEAN Economies: An SEM Approach**

Hiroki Idota

Faculty of Economics, Kinki University, Japan

e-mail: idota@kindai.ac.jp

Yasushi Ueki

ERIA, Indonesia, and Institute of Development Economies/JETRO, Japan

e-mail: yasushi.ueki@eria.org

and

Masatsugu Tsuji

Graduate School of Applied Informatics, University of Hyogo, Japan

e-mail: tsuji@ai.u-hyogo.ac.jp

In order to achieve successful innovation, firms have to elevate their capability including technology, human resources, business organization, and so on. ICT use collaborates with outside organizations such as MNCs (Multi-national companies), universities, and public organizations. The outside organizations are termed as external linkages. Based on authors’ survey data of four ASEAN economies such as Vietnam, Indonesia, the Philippines, and Thailand from 2013 to 2014, this paper examines how factors such as organizational learning, ICT use enhance product and process innovation. These factors are used as latent variables in analysis and consist of the following variables: (i) organizational learning including QC, cross-functional teams, (ii) ICT use, and (iii) external linkages such as MNCs, local and public organizations, and universities. This study employs SEM (Structural equation modeling) in order to analyze the causal relationships not only among the above three latent variables but also between these and innovation. The four hypotheses were postulated as follows: H1. External linkages enhance organizational learning; H2. External linkage improves ICT use; H3. Organizational learning improves ICT use; and H4. Organizational learning and ICT use enhance innovation. Estimation results on product innovation demonstrate that organization learning and ICT use enhance product innovation. On the other hand, organization learning promotes ICT use, which promotes process innovation. Accordingly, this study clarifies that innovation capability and ICT use enhance product and process innovation.