UNDERSTANDING THE DRIVERS OF SOCIAL INNOVATION: SOCIAL ENTREPRENEURS, COMMERCIAL ENTREPRENEURS, OR BOTH? (INTERACTIVE PAPER)

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UNDERSTANDING THE DRIVERS OF SOCIAL INNOVATION: SOCIAL ENTREPRENEURS, COMMERCIAL ENTREPRENEURS, OR BOTH?

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Principal Topic

Social innovation is a subject of growing interest to policy makers and private initiatives alike, yet this phenomenon remains largely unexplored by the scholarly community. As such, developing a conceptual framework and unpacking the determinants of social innovation is a goal of considerable importance. Extant research has shown that entrepreneurs are important agents in the process of innovation; can a parallel relationship exist whereby social entrepreneurs drive social innovation? In this study, we develop a conceptual framework for social innovation lending itself to empirical operationalization. To do so, we define social innovation as new ways of combining existing resources more efficiently in order to improve the local quality of life. We also test a series of hypotheses predicting the impact of both social and commercial entrepreneurship on social innovation, as well as the moderating effect of a region's relative wealth.

Method

The data for this study covers 88 counties in the State of Ohio from the period 2000-2012. Social innovation is operationalized by computing a Malmquist Productivity Index for each county, an approach recently adopted by the entrepreneurship literature to capture innovation. By observing the changes in efficiency with which counties convert comparable inputs into socially desirable outputs, social innovation can be inferred. To address violations of certain assumptions on which subsequent statistical models are based, we dichotomize the dependent variable into socially innovative and non-innovative counties. We then employ a panel version of the probit model to regress social innovation on social and commercial start-up rates, the interaction of these predictors and relative wealth (per capita income), and a wide range of control variables such as the effect of various tax structures, government expenditures, and non-profit support.

Results and Implications

The analysis shows that social entrepreneurship positively affects social innovation, especially in low-income counties. At the same time, commercial entrepreneurship rates appear to exert negative impact on social innovation. The effect is particularly pronounced in low-income counties. Our findings have non-trivial implications for policy makers interested in addressing social issues.

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