

Sub-plenary session 5: Social Innovation in Europe: How management scholars can solve the European innovation paradox

Friday, July 3, 2009: 14.00–15.30, E2-1-119

Most innovation policies of Western economies focus on knowledge-related macro variables, such as the private investments in R&D or the percentage of available scientists and engineers (WEF, OECD). For instance, the European Union's Lisbon summit 2000 outlining its objective to become the world's most dynamic knowledge economy, or the Barcelona 2002 priority to spend approximately 3% of the GDP on investment in R&D assume that increased knowledge investments result in higher innovation and competitiveness (cf. O'Mahony & Van Ark, 2003; Soete, 2004). However, measures of a firm's knowledge base have been rudimentary and do not fully reflect the richness of the construct. The majority of empirical studies in the knowledge-based theory of the firm as well as in innovation policy studies used proxies (such as R&D expenditures or the number of scientists working in R&D departments) rather than direct measures of the construct (cf. Zahra & George, 2002; Minbaeva et al., 2003). These archival data proxies are attractive in research, as they can often be obtained more efficiently than direct measures. However, they may provide less accurate representations. Moreover, many studies have provided empirical evidence about the relatively low explanatory power of R&D spending in comparison to other variables (Lane & Lubatkin, 1998; Mowery et al., 1996; Van Den Bosch, Volberda & De Boer, 1999).

Several studies have pointed to the relevance of non-technological determinants of innovation, such as new management practices, new business models or new managerial capabilities. Unfortunately, most European management scholars are too silent in this debate, while they have much to offer to bridge the innovation gap. Europe has an excellent record in knowledge creation, but a mediocre record in innovation activity, which is defined as the successful transfer and application of knowledge in new products and services. Evidence from both SMEs and large firms shows that successful innovation is not just the result of technological inventions, but is also heavily reliant on what has been called "social innovation". *Social innovation* is defined as changing a firm's organization, management and labour in a way that is new to the organization and/or the industry, with the effect of leveraging the firm's technological knowledge base and improving organizational performance. For Europe more active stimulation of social innovation and its leverage of technological innovation will be crucial to sustain long-term competitiveness. At the moment, European firms are relatively unsuccessful in introducing non-technological innovation. They are apparently weak in terms of transferring and utilizing management, organization, and marketing knowledge. The aim of this plenary is to discuss the various ways in which social innovation and its leverage of technological innovation can be enhanced within a firm; between firms through open innovation networks; and during interaction with institutional stakeholders, as well as through overall better measurement and monitoring. In comparison to technological innovations that are measured by deployment of budgets, number of scientists involved, number of patents or simply by R&D expenses as percentage of turnover, social

innovations in terms of outstanding managerial capabilities, management practices and organizing principles of innovation are more difficult to assess and quantify.

Research Theme: Social Innovation in Europe

- *Antecedents: What are the main determinants of social innovation?*
- *Measuring, monitoring, and benchmarking: How to measure social innovation on firm and industry level and how to monitor progress on social innovation in Europe?*
- *Policy implications: How can social innovation and its leverage of technological innovation be enhanced within firms, between firms through open innovation networks, and during interactions with institutional stakeholders?*

Chair: **Social Innovation in Europe: How management scholars can solve the European innovation paradox**

Henk W. Volberda, Rotterdam School of Management, Erasmus University, the Netherlands

Panellists: **The Challenge for European Firms is Not Different from American Firms**

Arie Y. Lewin, Fuqua School of Business, Duke University, USA

How to improve radical innovation performance?

Charles Baden-Fuller, Cass Business School, London, UK

The Role of Business Schools in Social Innovation in Europe

Alfons Sauquet Rovira, ESADE Business School, Barcelona, ES

How does knowledge creation, transfer and utilization impact on Innovation in Europe

Max Boisot, Birmingham Business School, UK