

# Chapter 8

## Social Innovation as Driver of Regional Competitiveness: A Conceptual Framework

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### ABSTRACT

*This chapter focuses on the issue of regional competitiveness from a social innovation standpoint. It argues that social innovation plays an important role in enhancing the competitiveness of regions, since social innovation initiatives constitute an ideal context for partnerships between business organizations and Non-Governmental Organizations (NGOs) to utilize local capabilities and create value. The region will ultimately be able to offer a balanced standard of living and will remain competitive by providing for the well-being of the communities and society at large.*

### INTRODUCTION

Business organizations have long been aware that they are under the pressing burden of offering viable solutions to societal problems. While this burden has traditionally been entrusted to governments and NGOs, business organizations have been severely criticized for the contributions they made to heightened societal problems due to

their exclusive focus on profits (Porter & Kramer, 2011; Prahalad & Hart, 2002). To be fair, business organizations got increasingly more involved in giving back to society through their corporate social responsibility (CSR) efforts. However, the shift from an industrial society to a knowledge and network society made it imperative for business organizations to collaborate with governments and NGOs more closely. Charitable work of business

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in the form of CSR is no longer enough – the world needs more proactive solutions to its pressing social issues (Kanter, 1999).

The concept of social innovation is concerned right with this point. In addition to the technological connotations of the term ‘innovation’, there’s increasing recognition that innovation may as well come in relation to social issues, for example with improvements in education, employment, distribution of wealth, among others. In the context of a globalized world delineated by integrated networks, partnerships, and sense of community, the expectation grows on businesses, governments, and NGOs to take action and work together for social development (Adams & Hess, 2010). Social innovation, along with concepts like conscious capitalism (Fyke & Buzzanell, 2013) and creation of shared value (Porter & Kramer, 2011), is about changing the cultural, normative, or regulative structures of the society, so that stakeholders collectively reorganize resources and change the routines of the social system to improve economic and social performance (Heiskala, 2007; Howaldt & Schwarz, 2010).

Social innovation can be examined from multiple perspectives, as it involves multiple stakeholders and sectors taking part in it; however, another aspect that may easily be overlooked is the context in which social innovation takes place. In this regard, it is possible to argue that social innovation will be most easily visible at regional level initiatives. In today’s globalized world, regions are increasingly recognized as important sources of competitive advantage, playing a crucial role in economic and social development of nations. Therefore, it is believed that regions constitute an ideal platform for business and NGO partnerships to drive social innovation, and hence, to enhance competitiveness of the region in question.

This chapter elaborates on the relationship between social innovation and regional competitiveness and attempts to offer a theoretical framework on the ways in which regions can achieve competitive advantage with the value created

through business and NGO partnerships in social innovation initiatives. The first part of the chapter presents an overview of the two main concepts of this study, namely social innovation and competitiveness. The second part of the chapter focuses on the relationship between social innovation and regional competitiveness, highlighting a conceptual framework on the dynamics between the two concepts. Finally, future research directions are discussed and concluding remarks are presented.

## **BACKGROUND**

Social innovation plays an important role in the development of the society and economy. Cooperation and synergies between public and private, academic and business sectors to create social change are the essence of social innovation. Organizations and institutions at all levels of the society are increasingly getting aware of the fact that economic sustainability goes hand in hand with social sustainability. This awareness helps business organizations recognize the fact that leading competitive edge in today’s world is only possible through leading and supporting social innovation initiatives in the regions they operate. This section defines the notions of social innovation and competitiveness, laying the groundwork for their role in ensuring regional sustainability.

### **Defining Social Innovation**

The notion of social innovation is not new. Holt (1971), who initially introduced the term in his article, distinguishes social innovation from technological innovation, and states, “whereas technological innovation is concerned with application of new technology, social innovation deals with application of new social patterns of human interaction” (p. 235). Many practitioners and researchers have formulated a definition of the term since then, but little attention has been given to theory development (Mulgan, 2012). It

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