

The correlation between social capital and incremental innovation in small and medium enterprises: a European cross-country comparison

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1 Introduction

- Social capital and innovation are fundamental factor of development and leadership
- Relationship between social capital and innovation is by now tested

BUT

- More difficult to identify precisely the relationship between social capital and incremental innovation

WITH THIS WORK

- Attempt to test this correlation in different size firms

TWO MAIN HYPOTHESIS OF THIS WORK

- Exist a correlation between social capital and incremental innovation
- There is a difference in the results between small and medium enterprises

2 Methods

- Classical regression methods with use of *instrumental variables*
- Setting-up of four models, two for small enterprises (10-49 employees) and two for medium enterprises (50-249 employees)
- Two *dependent variables* that individuate the two models for each size of firms :
 - number of organisational innovations
 - marketing innovations
- Three *independent variables* for each model: *generalized trust; institutional trust, membership*
- Three *instrumental variables* for each model: *tertiary education level attainment, population, geographical position in the Mediterranean area*

3 RESULTS

1° hypothesis:
weak confirmation

2° hypothesis:
confirmation

Models small enterprises	P-value - OLS	P-value - IV	F Test
Model 1 – organizational innovations	0.078 membership	0.760 membership	6.35 - OLS
	0.003 generalized trust	0.757 generalized trust	0.50 - IV
	0.012 institutional trust	0.254 institutional trust	
Model 2- marketing innovations	0.533 membership	0.726 membership	2.52 - OLS
	0.170 generalized trust	0.598 generalized trust	0.12 - IV
	0.037 institutional trust	0.712 institutional trust	

Models medium enterprises	P-value - OLS	P-value - IV	F Test
Model 3 – organizational innovations	0.089 membership	0.623 membership	3.71 - OLS
	0.368 generalized trust	0.742 generalized trust	0.69 - IV
	0.148 institutional trust	0.219 institutional trust	
Model 4- marketing innovations	0.129 membership	0.856 membership	1.12 - OLS
	0.167 generalized trust	0.636 generalized trust	0.21 - IV
	0.791 institutional trust	0.874 institutional trust	

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Discussion

There is a correlation between social capital and innovation, but with weak confirmation (P-value partially significant)

There is a difference between small and medium enterprises (no significant P-Value in model 3 and 4)

Difficult to identify valid instrumental variables (weaker results than OLS estimations)