

## How Do Social Liberalization Policies Impact Innovation?

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### » Research Questions Addressed

How do social liberalization policies impact the rate and direction of innovation?

Do social liberalization policies attract top inventors to a region?

Do social liberalization policies change the diversity of collaborators?

### » Keywords

Collaboration  
Creativity  
Diversity  
Innovation  
Social Context

### » Primary Findings

The study explores the impact of two social liberalization policies (legalization of same-sex civil unions and medical marijuana) and one anti-liberalization policy (passage of abortion restrictions) on innovation in the United States. The results of the study show that liberalization policies increase state-level patenting, while the anti-liberalization policy reduces patenting.

We do not find evidence that social liberalization policies attract top inventors to a region. However, we do find evidence that social liberalization policies on the state level lead to more diverse collaboration among existing inventors in the region, which results in a higher level of innovative performance (in terms of rate, novelty, and impact). The research points to yet another benefit of such policies: Diverse interactions between individuals result in faster circulation of knowledge within a state.





## » Highlights

Innovation occurs when previously disconnected ideas are combined. At its core, innovation is a social process that depends upon diverse social interactions.

The results of the study suggest that social liberalization policies can promote more liberal views and more openness to diversity in the workplace.

When inventors collaborate with more diverse partners after the implementation of liberalization policies, innovation is stimulated (in terms of rate, novelty, and impact).

By promoting more diverse social interactions, social liberalization policies may also increase entrepreneurial entry.

## » Topic Overview

As many regions around the world attempt to emulate Silicon Valley, they offer a wide array of business incentives to spark the creation of innovation hubs. Common incentives include R&D tax credits, public grants for innovation, public procurement of innovation, grand innovation challenges, and support for intellectual property rights. However, even with robust economic incentives in place, a prosperous regional innovation hub may not materialize. What makes Silicon Valley's success so elusive? This study highlights an overlooked factor that contributes to innovation. The results of this study show that a state's social policies matter just as much as (and possibly more than) economic stimuli in sparking innovation.

## » Implications for Sustainable Business

This study highlights the significant relationship between social policies and innovation. When social liberalization policies are implemented, inventors collaborate with more diverse partners. This, in turn, leads to the production of a greater number of novel and impactful innovations. State governments should be aware that social policies can become a source of regional competitive advantage. When companies are making decisions regarding firm locations, they should carefully consider the implications of the region's social policies in addition to its business regulations. Companies should also consider how their internal policies (e.g., corporate social responsibility) and practices can stimulate innovation. Managers wishing to promote higher levels of innovation in their companies should build a workplace in which employees interact frequently with diverse colleagues and share their ideas in an open setting.

## » Link to Academic Paper

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