

**Human Capital Attributes and Social Innovation  
Capabilities in Social Enterprises: The Mediating Effect of  
Organizational Learning Capabilities**



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**Batch MS-HRM 2k18**

**A thesis submitted to NUST Business School for the degree of  
Master of Science in Human Resource Management**

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## Abstract

Human Capital has always played a very crucial role for the development of any entrepreneurial firm. Building and enhancing human capital attributes strengthens many correlating capabilities. With social enterprise becoming the new widely acclaimed field of entrepreneurship, this study is focused to research on the effect of human capital attributes on social innovative capabilities in social enterprises with the mediating role of organizational learning capabilities. The target sample in the study were the individuals working in the social enterprises, majorly targeting the big cities of Pakistan. The data collected was done through online survey forms. The responses were taken and analyzed through SPSS software (Statistical Package for Social Sciences), to study the relationships and effects of variables. There was a significant effect of human capital attributes on the determinants of social innovative capabilities and an indirect effect of the mediating variable. The study showed a significant relation and an overall impact of the between the variables giving us a more in dept insight on developing the social sector of the market.

**Keywords:** Human Capital, Organizational learning capabilities, social enterprise, social innovativeness, Human Resource Management

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# Chapter 1

## 1. Introduction

The Introductory chapter of the study basically discusses the brief outline and background of the research. The following chapter will highlight the objectives, research questions and objectives and the overall aim and significance of the study.

### 1.1 Background

The organizations are thriving every day to compete with one another on various stages. The most important goal being to have the most market share. The competition takes place to add economic value, financial value, and even social value. Human Capital till date plays a very important role towards economic development (Piwovar, 2021). It is also considered as a key indicator towards the development of not only in economic terms but towards social development as well (Kotsantonis, 2020).

New Challenges and issues every day such as globalization, a knowledge based economy, and innovative advancement, have advanced numerous countries and companies and firms to look for better approaches to keep up upper hand in the market and stay ahead of the others. Eventually, individuals are turning out to be significant resources and can be recognized inside a structure of human resource. Even the fast pace of advancements in machines and technology, Human Capital still remains one of the most important assets a firm can have (Riley, 2012). Initially when the study of Human capital surged, it was originally only studied to know the value of education and the results indicated that people having a good educational background and possessing certain knowledge and skills had an economic value (Becker, 1964). In respect to theories and definition of human capital, it consists of mainly three components: the skills, knowledge and experience an individual hold. In addition, this these are other abilities that add up value of the firm over all progress. Over the years, a lot of development and contribution have been made in the field of Human Capital. Human Capital and its development have an overall focus as well through the perspective of financial terms as well, that is to achieve cost effectiveness in the business and attain good firm performance. As (Bruderl, 1992) have specified in his study that one of the most crucial factor in order for new business to survive is the human capital characteristics of the founder of the business, specifically focusing on the attributes such as **years of schooling**, **work experience** and **industry-specific experience** which have a strong and direct effect on the survival of new

businesses in the market. In many studies such as in (Matshekga, 2013) and (Bernhardt, 2005) have linked Human Capital attributes of the business founder with the profit that the business eventually gets to earn such as the founder's history, education, background etc, overall showing that the firms and organizations employing more human capital have had higher positive outcome than others.

Human capital has been studied extensively in contrast to firm performance (Crook, 2011) (Combs, 2006), however Human capital should also be studied in terms apart from only gaining profits perspectives, such as more innovation and creativity in the workforce to ensure more sustainability and long-term survival (Marimuthu, 2009). Studies and research has shown Human capital as a big contributing factor in building competitive advantage in terms of innovation and technological advancements (Horwitz, 2005). (Muhamad, 2018) in his study indicated and stated the importance and positive impact of human capital on building innovation capacity and its overall impact on economic growth in different developed countries through development of organizations but however this relationship between Human Capital and innovation capacity lacked in comparison to different developing and Asian countries who are required to build their capabilities as innovator rather than user countries.

Over the course of many studies Human capital attributes have been studied under different forms of business ventures to see which human capital attribute links better with which venture type (Unger, 2011) (Barreira, 2008). Through different studies it is shown that developing human capital attributes results in positive entrepreneurial outcomes, a list of studies show that human capital is positively linked to entrepreneurial success (Haber.S, 2007) (Urban, 2011) & (Hatak, 2021). (Lee, 2018) in his study explained the positive impact of human capital in building entrepreneurial labor, the research took in consideration multiple big startups tech-based companies and contributed that high human capital entrepreneurs are more successful in the market in terms of performance compared to the ones with low. Majority of the studies have focused on technological based ventures as they are presumed to be more knowledge extensive rather than the no-tech based ventures, allowing the study of Human capital to be on a broader and extensive level (Colombo, 2005) (Pennings, 2011). A positive impact has been contributed between Human capital and technological advancements (Ganeva, 2010). Human Capital is one of the most crucial and critical element of any entrepreneurial business and is required to be understood well in every

process (Sarasvathy, 2008). With every passing phase, human capital is gaining more and more recognition in the market, most of the world's developed and even developing countries are widely and actively focusing on the development of Human Capital with more time and focused attention as it turned out to give the firms an economical advantage (Maran, 2009). Extensive literature shows the effect and dynamics of attributes of Human capital however, (Sreevas.S, 2018) emphasized building and studying these attributes in different sectors as well, the research showed lack of literature and findings on the human capital attributes impact on social entrepreneurship.

(Marvel et al., 2016) in the study has briefly explained the importance of human capital in social entrepreneurship entry and explained how individuals with firm specific attributes are more likely to become successful social entrepreneurs rather than generic ones. Social entrepreneurship in relevance to Human capital has only been studied on the entry level phase, literature has proven and shown that more people with more sharp attributes are likely to find better social business opportunities (Agarwal, 2018) and individuals with higher human capital are comparatively more likely to become social entrepreneurs (Estrin, 2016).

Social Enterprises are forms of organizations that come under the field and phenomena of social entrepreneurship. It is one of the fastest emerging ventures worldwide, gaining recognition because of its unique characteristics of not only providing growth and development in the economic terms but also along with that works on the benefit of community and society as well. The whole term and field of social entrepreneurship is relatively new in the field of study and research and is widely spreading. With that point in mind, it is still very much new in Pakistan. With most people still unaware regarding the meaning of this term or even the advantages related to it mainly because of lack of data and research on this data which exists very little (Raza, 2017).

One of the most important and significant factors that is crucial towards the success of a social enterprise is innovation (Pérez, 2012). To build and develop the social enterprise, one of the main elements and principles that should be embedded is to build social innovative capabilities (Suseno, 2021). There are certain factors which impact the social innovative capabilities which should be developed and enhanced so that the sector can form new strategies and operate in a more compatible and effective way in the market (Reenen, 2021). This research particularly focuses on the impact of Human Capital attributes on the social innovation capabilities.

There has been recent evidence which show a significant impact of organizational learning capabilities on the element of innovation in the organizations (Gomes, 2017). Certain capabilities prove out to be more effective towards building more innovative capabilities and affecting them in a more efficient and active way and organizational learning capabilities have played a major role in building innovative performance in firms as well (Chiva, 2019). Following these studies and research, this study has taken into account the human capital as it is the foremost important and basic asset of any organization on which most of the firm's success and performance relies on ; to be studied in relation to social innovation capabilities in social enterprises. The study also focuses on the mediating effect of Organizational Learning Capabilities (OLC) on Human capital attributes and social innovation capabilities.

The following sections would explain the context of the study and the variables in more detail with a comprehensive explanation and the flow on how the study is going through the course.

## 1.2 Research Gap

With the brief introduction explained, the following section would state the literature and research gaps upon which the study is being done.

With Human capital being studied in contrast and relation with multiple forms of ventures and focusing on the tech-based firms, it lacks study and contribution to social entrepreneurship and there is gap between defining how both the variables impact each other (Sreevas.S, 2018).

(Dutta, 2019) also supported (Marvel et al., 2016) and studied the Human capital attributes in detail with relevance to other variables to identify the success rate and recognition of different business opportunities in social sector focusing on only the entry phase, leaving a wide gap of research and literature towards the development of the social enterprise once the business is formed.

In relation to the study of social enterprises (Davies, 2019) has studied and identified that the lack of information and data regarding development of social enterprises has resulted in different barriers being formed in the growth towards social ventures, because there is lack of research regarding how to function different variables in a social sector , the social enterprises are still thriving to develop and succeed in the market in comparison to other forms of ventures.

(Raza, 2017) and (Asif, 2020) both have identified the importance of studying the element of innovation in social enterprises to develop the capacity and develop the venture in terms of competitive advantage. (Edward, 2018) studied discussed the impact of different innovative capabilities in various non-profit organizations and suggested to further explore such innovation capabilities for social enterprises (Edward.L, 2018). This research basically takes forward this research to study the social innovative capabilities, in relevance to Human Capital attributes which have been previously focused on more technical based organizations and mostly concentrating on performance and profits of the organization.

Within this context, the following research will be addressing and studying these gaps identified in the literature to develop the social innovation capabilities in relation with Human Capital in social enterprises. The research thrives to establish a link and study the relation between the variables and, to study the mediating effect of the mediating variable organizational learning capabilities on the relationship of the other two variables.

### 1.3 Problem Statement

Social enterprise is the new form of business in development, there is a need of advancement and requirement to study the different elements and variables in this sort of business area to prosper it better. The social enterprise is considered as non-traditional as the they create social value instead of commercial value (Beugré 2016).

In Pakistan, particularly, even though there has been a trend of opening and operating new social enterprises, there is still lack of evidence and research on how to effectively they use the Human Capital (one of the most crucial and important asset available which burdens the weight of rest of the functions of HRM) in association with social innovativeness so that the business can develop and operate better. Very limited research is done on social enterprises in Pakistan. (Shah, 2015) presented in his study the constant need of innovation in the social sector through education development which should collectively full fill the social and as well as the commercial purposes. In the study carried out by (Maryam.A, 2017) and supported by British Council, recent development of social enterprises in Pakistan is having a significant economic impact, having the

turnover of at least 34000 pounds in the year 2016 and a number of jobs created. Moreover, through the survey and study conducted it was also included that over 50% of the social enterprises are working and developing towards new products and services and plan to invest greatly in its team development in the coming up years. Recently in 2015 a center for social entrepreneurship in planning commission was developed in Pakistan to promote innovation through social enterprises and to serve as a main component towards more development of the social enterprises. The commission itself is in its early developments and through this research a more valuable insight could be provided to more than one stakeholder. However, even with the development phase being active, there are still certain boundaries and hurdles from various institutions. (Asif, 2020) in the study has identified various factors and hurdles for the social enterprise sector in Pakistan, majorly being lack of Social Entrepreneurism Learning in the Pakistani market context, lack of Investigation and Research and facing a tough competition from other business ventures. The problems and hurdles indicate that there is a need to study and research the social sector of Pakistan for better understanding and different variables are needed to be explored to develop the sector and make it more competitive.

#### 1.4 Aim of the study

The research aims to study the context of social enterprises in Pakistan and to understand the impact of the defined Human Capital attributes and on building social innovative capabilities in social enterprises. The study further aims to understand the concept and effect of the mediating variable on the relationship of both the variables.

#### 1.5 Research Objectives

The study basically studies the human capital attributes in relation to organizational learning and social innovation. A lot of research has been done at the individual part of both the variables, however the relation between them lacks clarity and work. This study's basic objectives would be ;

1. To understand and determine the impact of Human Capital attributes on the social innovative capabilities,

2. To examine the mediating role of Organizational learning capabilities between Human capital attributes and Social innovative Capabilities

## 1.6 Research Questions

With an overview given on the what the study's context would be, there are specifically formed and addressed questions around which the research is conducted and aim to answer them by the end of the research.

1. What is the relationship between Human Capital attributes and social innovation Capabilities in the social enterprises?
2. Does Organizational Learning capabilities mediate the relationship between Human capital attributes and social innovation capabilities?

## 1.7 Significance of the Study

This research aims to contribute towards more than one stakeholder.

The study and the research carried out in this paper, should be able to give the individuals the knowledge that which certain HC attributes should be developed and looked for while hiring and developing skills of the individuals. The more efficient and effective the human resource is the better the business is to advance. The research should be a form of a first-hand knowledge to know which attributes to focus on to enhance the social innovative capabilities in the firm alongside which organizational learning capabilities to develop which can have an overall impact on the firm itself. The more competitive a firm stays in the market, the more likely it is to survive. Thus, in order to stay competitive and survive in this market environment there is a constant need to stay innovative in the business strategies and functions. Lack of innovativeness often fails to operate and run smoothly in comparison to the other businesses in the market.

The study should also help and place more insight on the development of social enterprises with the results of in terms of economic value as well.

The research should provide better insight and grounds to more than one stakeholder. Foremost being the development of the sector itself to be more competitive and survive better in the market.



Secondly, to the individuals to help them improve their skills and knowledge in a way that is more beneficial and of value to the development of the sector. Better performance in the market and more innovative strategies towards development of the business attracts more market share and investors towards the organization. According to (Parker.S, 2018) social entrepreneurship can be considered and become a very crucial and important source to create employment if developed in the correct way. Development of social sector will not only address the problem of employment but will also improve Social Trade / Investments (Kirton and Maclaren, 2018), help bring social innovation which can give varying conduct or behavior over various institutional situations, across public and market sectors, and t improve base up mindful creativity towards incorporation of environmental, economic, and social objectives (Soma et al., 2018) and also help our issue of poverty Mitigation,

This research should contribute to all these factors impact and help the social sector develop in a very compatible way. The study can help and guide a number of different institutions as well such as private institutions, civil society organizations, international and local organizations, Small and medium enterprise development authority (SMEDA).

The following sections should explain in detail the context in which the study is carried, and the aim of the research conducted. The results obtained from the study which will be discussed in detail and explained as to how it contributes and adds value to the different stakeholders in practical terms and in terms of research and findings towards the literature in the concerned variables.

## Chapter 2

### 2. Literature Review

The following chapter covers a detailed overview of the past literature and concepts related to the variables of the study. It includes detailed information which helps prepare the proposed theoretical framework of the study.

#### 2.1 Human Capital

##### 2.1.1 The Theory

If we talk about the concept of human capital it is basically a mixture of both the components, that is human and capital. In the economic point of view, the capital can be defined as different factors of production that are primarily used to create different goods and services which are likely not used themselves in the production process (Boldizzoni, 2008). The term human mainly addresses to economic activities such as production, consumption, and transaction. On the basis of this view it can be said and stated that human capital means one of the production elements which can generate and produce added-values. There can be two categories which divide the method to create human capital effectively. The first being to use the 'human as labor force' as the term Human is explained in the **classical economic perspective**. This statement and perspective basically states and means that economic added-value is very much dependent on the input of labor just as it is dependent on other factors such as financial capital, land, machinery, and labor hours. Since the 1950s, economists have supported the importance of such quantitative labor force in creating products (Becker, 1993).

Taking into account that the bases of assumptions, the meaning of human capital basically refers and describes the human itself as the creator who basically works towards generating information and knowledge, skills and competency and experience by interacting and working with the environment as well as on one's self. In between all of these concepts it is most recognized and perceived as the former being more important (Beach, 2009). During the 1950's it was discovered by certain economists that investing in the development of human capital was seen as the primary element in comparison to other components mainly such as investing in financial capital or land (Salamon, 1991). Supporting concept and finding, Woodhall (2001) states that human capital investment is more effective than physical capital investment. Through the

investment of human capital, an individual's acquired knowledge can easily be transferred to various goods and services (Romer, 1990).

Learning is the key element to increasing human capital, as the accumulation of knowledge and skills plays such a big role. Meaning that a very crucial and important component to gain the relevant knowledge and skills is through various ways of acquisition which also include the relationship of individual with the other (Sleezer, Conti, Nolan, 2003). The basic theory of Human Capital came out through the concept and theory of Macroeconomics. From the perspective and view of the classical economic theory, Human Capital was viewed as a labor a commodity that can be traded. (Becker, 1993), made the most contribution in the development of the Human Capital theory explaining the HC as the knowledge and skills that an individual hold through education and training. He also distinguished between firm specific Human Capital for example training and skills relating to firm specific program or required and general-purpose Human Capital which means gaining knowledge through education which is relevant to a variety of general firms (Goldin, 2016; Kochetkov & Kochetkova, 2021). As of now human capital can be considered to be built upon knowledge and skills acquired through their learning activities (Abdelmajied & Safijllin, 2018). If we are to include other certain factors of human capital like skills and experience in our component of knowledge, it can be recognized as a synonym to Human Capital itself.

The table summarizes the development and different models of Human Capital Theory.

<p>Human Capital Development Theory: The Conceptual Meaning</p>	<p>(Friedman, 2006) further studied the basic concept and meaning of Human Capital and stated two very important school of thoughts related to it. The first, actually distinguished between human beings and learned abilities; these abilities were referred to as capital itself. This school of thought can be considered as heading towards the path of cognitive development toward a rise in economic capacity, in that it acknowledges and distinguishes learned capacities, or talents, from the human being himself.</p> <p>In the next school of thought, the human beings are considered as a capital meaning that they are an important asset for the business. It took a holistic approach to the theory of human capital development, which considers the whole person, including both, the capacity of knowledge, which is a major contribution in education and health, and also in the well-being of the person possessing who is possessing the skills and knowledge. (Wang &amp; Swanson, 2008).</p>
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<p>Modern Human Capital Development Theory</p>	<p>Recently, the human capital theory is more focused and studied in economic point of view. Shaffer (1961) basically claimed that the impact and benefits of investing in human capital can also be viewed or assessed in the long time run, but would find it difficult to be assessed or measure in the short time run. Since human capital cannot be precisely measured using any accepted technicality, this scenario has long been a source of controversy and criticism for the human capital theory, which explains human capital from an economic point of view. (Schütt, 2003) similarly supports this concept that though Human capital seems to have a positive impact on economic growth with more refined attributes of HC proving to be beneficial for the firm's performance, it is also to be understood that impact is seen in long term rather than immediate.</p>
<p>Global Development through Education</p>	<p>With more contribution and defining in the theory of Human Capital, the investment results of this theory are typically given greater weight compared to the theoretical perspective of human capital development. According to (Woodhall ,1997), the Human Capital Development Theory is predicated on the idea that spending money and making investments has a significant positive impact on raising productivity among the general populace. In support of this (McLean,2006) provided examples of countries with highly educated populations but lacking in natural resources, which are still referred to as developed economies. The theory of human capital development mainly emphasizes the process that education carries out. The acquisition will increase the productivity and efficiency of the work and improve the overall quality of the work in the long run (Woodhall, 1997). This new perception separates modern economists from traditional economists like modern economics. Philosophy is technically more focused on education and health investing in people Development of human capital while traditional economists focus on real assets and capital Of works of land, machinery, money, materials, etc.</p>
<p>Lucas and Solow's Model</p>	<p>Out of other models , Lucas and Solow's Human capital development model is considered most relevant. Education ,health and technology is a major component of human capital development in the Solow and Lucas models. Input of the three and its combination will result in processes and more development in a longer period of time (Hansen</p>

	<p>&amp; Prescott, 2002; Schultz, 1962). Solow basically had more concentration towards the impact of technology and education intervention as a whole rather than focusing on just an individual.; explaining why some countries are richer than others because they invest more in people and have a manageable population growth rate. Explaining and showing that due to this those countries have better ways and options to generate more capital per worker and this eventually leads to higher labor productivity. The main difference between both the Models is the idea of the consequents of human capital development. Solow (1956) stressed on the impact of human capital development on the total population of a country as a whole while Lucas (1998) addressed on growth and output as a consequence of human capital development (Lucas, 1990).</p>
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So how does Human Capital impact us? And in what terms? To answer this we can divide Human capital into three main divisions: impact on the basis of “individual”, “organization”, and “society”. Most researchers refer to raising an individual’s income in order to increase the productivity which comes with enhanced experience and knowledge in view of internal labor market (Becker, 1993; Denison, 1962; Schultz, 1961; Schultz, 1971; Sidorkin, 2007). So for the purpose of maximizing organizational profits, most employees prefer to hire high productivity employees because of the increment and results of their productivity on human capital.

The implication of human capital development at different levels, such as individual, organization, community and nation come with high income as a direct consequence of increased productivity (Weisbrod, 1962; Abdelmajied & Safijllin, 2018). More Income will always play as an attractive incentive for people to invest and engage more in human capital development especially in education which is why, education is considered as an important factor of human capital development that is pursued after many at different levels such as individual as well as organizational. In addition to this, nations also thrive to become high income economy because of more or high income is always an attractive attribute in any developed or rich nation (Mincer & Polachek, 1974; Xiao, 2001). (Solow, 1956), basically explained in his model that the countries and their economies only grow with the rate of technology growth and argued that a nation can solely achieve sustained and constant growth through two major components only that is innovation

and technology which is eventually lead by the basic attribute of education (Solow, 1999). Which is the reason why most developed countries and nations seek more and invest more in education which will eventually result in formation and advancement of innovation and technology; make an economy more stable and steady. The more education development is being made in human capital the likely it is to be awarded with high level of income, which is why it is important for both; individual and a unit whole to fit in the model of the modern developed society where the attribute of education plays a vital role (Becker & Chiswick, 1966). Multiple research have indicated and stated how human capital is extensively studied at individual and organizational level to evaluate better the impact of developing the attributes on overall firm's performance ( McDonald & Roberts, 2002; Lufungula & Borromeo, 2019; Omar, 2021; Sharma, 2021).

Furthermore, it is noticed that improvement in the productivity of the internal labor market which is basically the labor force which is thriving to move within the organization also, contributes to an increase in individual mobility. And with this productivity increase, the individual proving to be a high-productive one is considered and recognized as the one who has a chance to move on to higher levels in the internal market (Sicherman, 1991; Galor 1990; Galperin et al. 2020; Sevilla & Farias, 2020). From the external market's perspective, an unemployed individual's human capital has a direct impact on his/her job seeking ability and employability (Greider, Denise-Neinhaus, & Statham, 1992; Vinokur et al., 2000). By comparing on the level of internalized human capital, individuals possessing sufficient knowledge of the job opportunities and knowledge of information about job opportunities in addition to a high level of human capital are more likely to gain occupational opportunities than would otherwise be possible. With respect to organization (Alerasoul et al, 2021), suggests that a company's core competencies and competitiveness are closely linked to its human capital potential and hence lead to improvement in performance and innovation. In a similar context, (Dawson, 2012) also claim that individual human capital affects organizational human capital, including collective competencies, organizational routines, company culture, and relationship capital. And thus the social perspective of human capital is the combination of both individual and organizational perspective. (Mahoney, 2015) basically states the possibility of human capital for "democracy, human rights, and political stability" on common consciousness of social constituents". According to (Beach, 2009), investing in human capital can

increase the social consciousness of constituents within a community. Therefore, human capital and social consciousness are closely related, resulting in sociopolitical development (Alexander, 1996; Grubb & Lazerson, 2004; Sen, 1999).

### 2.1.2 Human Resource Management

Human Resource Management (HRM) plays a very important role in developing Human Capital so that the firm's overall performance outcome can be enhanced. (Paul F. Buller, 2012) Developed a model that showed how different Human Resource practices need to be strategically aligned in order to contribute towards the development of Human and Social Capital. This would eventually result in the firm performing better. Most of the HRM practices focus on developing Human Capital in order to achieve better performance outcomes. Human Capital is simply defined as the knowledge, skills and abilities that the individual or a group of individuals possess (Becker, 1964). The basic framework of Human Capital states that certain firm-specific skills or abilities have certain type of effect on the individual's performance and behavior. (Carmeli and Schaubroeck, 2005) found in a study involving private and public sectors that organizations having high level of human capital attributes such as the educational level, trainings, experience and skills had a positive impact on the performance when considered valuable by the top management. In another study by (Lopez-Cabrales, Valle, and Herrero, 2006) it was found that certain unique employees having firm specific knowledge, skills and abilities were more positively related to better performance.

(Johnson, 2012) conducted a study on range of different board of directors and the different Human Capital characteristics that impact the performance level of the firm. Those characteristics are the experiences and skills that the board of directors bring on to the decision making process. Industry Experience was taken up a positive trait, as individuals having previous industry experience was seen having a positive impact on the sales growth, however it was also noted that individuals who are less active are preferred to avoid having collusions among different members (Kor & Sundaramurthy, 2009). Experience was further classified as Venture Capital, financial, Position (CEO), tenure (time served) experience. All of which have both positive and negative effects depending on the company type which at times would require a mix of different combinations of experience.

(Boon, 2018) In the research linked Human Capital in relevance to Strategic Human Resource Management to give a more strategic point of view of both the concepts. The concept of Human Capital is viewed through two lenses; Strategic Human Capital (SHC) and through Strategic Human Resource Management (SHRM). Explaining how HC through the lense of SHC is more focused on the resources, specificity and emergence of Human Capital in contrast of SHRM where the role and focus of HC is on the HR system and the individual who holds the human capital attribute. SHRM is mostly focused on the micro level of human capital whereas SHC is more inclined towards the macro level view of the human capital. Human Capital is considered very crucial especially in the present as one of the major key drivers of firm value in the knowledge based society (Hadad, 2017). It refers to the level of expertise and experience of the firm's employee. Studies indicated Human Capital with Social Capital such as the networks, social norms and other relations in and outside the firm that helps the firm thrive.

### 2.1.3 Human Capital Attributes and Entrepreneurship

Generally, some researchers have presented the three divisions of Human Capital such as general, firm specific, and task-specific human capital (Gibbons & Waldman, 2004; Hatch & Dyer, 2004). Otherwise, Becker (1964) making it in simple terms has simply categorized HC into “general” and “specific” one. A company's general human capital is defined as the generic knowledge and skills that are accumulated through work experience and education (Alan at al., 2008). General human capital is “transferrable” across industries, firms, and jobs. Human capital embedded in an individual is relatively easy to transfer from one industry to another. Human capital relevant to a specific firm or task is typically acquired through "education, training, and experience on the topic" in comparison to general human capital (Alan at al., 2008). As pointed out by Becker (1964, 1976), it is practically impossible to transfer much income in the labor market since specific human capital is not easily transferable to other jobs, firms, or industries. Add to this if human capital is only specific it will only be used in a particular firm. In this regard, it is hard to transfer the human capital embedded in an individual across industries.

According to Crawford (1991), when compared to physical labor, human capital can be seen as "expandable", "self-generating", "transportable", and "shareable". Human capital is expandable and self-generational by design. Moreover, as long as knowledge increases, so too does the



individual's human capital. In addition, human capital can grow through endogenous or exogenous factors. Through the relationship between external knowledge, information, skills, experiences, and other knowledge-based factors, originally conceived knowledge can be continuously elaborated and developed.

Various studies have shown that investing in general human capital leads to have a positive impact on the performance of the firm because it enhances the knowledge base in the individual which also allows and opens up the room for more opportunities and specifically enhances the ability of an individual (Unger, 2011). General human capital is more relevant in terms of social entrepreneurship due to its broad adaptability. There are multiple steps and tasks that are needed to be addressed when moving towards a venture start up. That can include finding the appropriate opportunities, planning the resources accordingly (Reynolds, 2010) and in order to successfully implement all this , one needs to have specific know how knowledge and skills of such tasks (Unger, 2011). Specific human capital is seen to have a more positive influence and impact in terms of commercial entrepreneurship rather than social entrepreneurship. From an economic perspective, focusing on knowledge would be an important characteristic for solving the 'problem of scarcity' in which a limited number of resources is distributed evenly among economic agents. The extension of the role of human capital as an economic agent is sufficiently possible with the expansion and self-generation of the human capital.

Multiple studies have explained the link between the importance of human resource management in entrepreneurship. (James, 2005) have specifically studied and implemented the human resource based management with corporate entrepreneurship. He had studied human resource practices and systems in convergence with innovation and corporate entrepreneurship (CE). Hornsby, Kuratko, and (Montagno, 1999) basically identifies five success factors linking HR practices to CE. Among them are using rewards appropriately, providing management support for innovation, providing resources for innovation, and establishing an organizational structure that fosters learning and collaboration. In addition, (Morris and Jones,1993) identified five components of HRM related to CE: performance appraisals; compensation; orientation and training; recruitment and career development; and job designs. Different HRM practices were implemented and evaluated at different stages.

Preisendorfer and Voss (1990) have differentiated between Industry Specific Human Capital and Entrepreneur Specific Human Capital. The basic role of the prior being is to have sufficient experience in the industry before starting the business. A very important factor of Entrepreneur specific human Capital is self-employment experience. Studies have indicated Self-employment and relevant Industry experience as two of the most crucial factors and components of the Entrepreneur specific human Capital. If an individual possessing sufficient self-employment experience even in the kind of “trial and error process”, the knowledge and experience gained in that might result in the best preparation for the entrepreneurial role. The next most important factor and Component of the “Entrepreneur specific human Capital” is the leadership experience such as managing and directing employees or individuals in a firm. Scase and Goffee (1982), states that having self-employment role and experience combined with leadership experience makes the individual more successful. One of the other components identified in the literature presented by (Young 1971; Carroll and Mosakiwski 1987), that is present in the attributes related to Entrepreneur specific human Capital is Parental Self-employment. They predicted that children of the entrepreneurs have access and knowledge of how an organization runs and the strategies required to run the firm and so likely to become more efficient in running the business as the parent may also serve as guidance and role models for the children as they learn from them and then come up with ideas and strategies to manage the business more efficiently. The studies showed that founders with education more than 12 years, more leadership and self-employment experience and industry specific experience resulted in the business surviving well in the market. This research focuses on both the theories of entrepreneurship, sociological and innovation entrepreneurship theory. Sociological theory is more focused towards the social context and innovation theory is more inclined towards the new ideas and ways to operate businesses. This study would be considering both the theories.

#### 2.1.4 Education

Knowledge and experience, both have been studied and identified as the two major components of Human capital. Formal education is basically classified as the general human capital resource (Unger, 2009). Formal education and training plays an integral role in improving the capacities of production (Pasban & Nojehdeh, 2016). Education can play a very important role in developing

creativity and innovation skills in a person. This attribute basically thrives and encourages the collection of different information and its analysis to identify new opportunities and build new capabilities to solve various problems. Investing in education ensures that high economic returns (Demming, 2022). Education has proven to be very important attribute of Human Capital that is very useful especially during exploitation of new opportunities. Knowledge and skills are important for an entrepreneur because they give the sense of freedom and independence and skill to handle the business (Arshed et al, 2021). It basically increases people's know how which is needed to successfully recognize an entrepreneurial opportunity. Education generates creative and innovative ability in a person (Malik, 2020). (Banum, 2001) studied a group of people and their performance at a biotechnology firm and found out that people with higher education such as having a master's degree and even higher diplomas had higher growth. Different studies have indicated that people with higher education have more capability and greater ability towards identifying new ventures and opportunities. High formal education has shown to be building better capabilities among people, especially in the phase of discovering new ventures, opportunities in the business (Aboobaker & Renjini, 2020; Ven et al., 2019; Arshed et al., 2021). Education promotes entrepreneurship because it increases the confidence of the person and helps and motivates them to create their own business and utilize their own ideas in practical life (Arshed et al, 2021).

#### 2.1.5 Knowledge and Experience

When we refer to experience, it includes the formal work on the job experience the employee has, as well as the training the employee takes on the job eventually adding on to the knowledge as well (Marvel, 2007). Previous studies have shown that general experience such as the prior experience of the market, labor experience and relevant entrepreneurial experience especially related to the venturing side had a positive outcome (Robinson, 1994). Previous experience even plays a Vitol role in determining whether an individual should participate in a certain activity or not or should venture out on a certain task or not, basically indicating different cues on whether to take any action and how to go further about it (Fiet, 2002).

(Shane, 2003) basically, pointed out three basic experiences, such as work, functional and industry based experiences and indicated that all three help in exploiting new ideas and opportunities. Such as work experience helps in individual gain more insight and enhance the skills that helps in

entrepreneurial strategies. Experience overall increases a person's HC and the risks of unknown and uncertainty. The more experience you have in the market, the easier it is to recognize new opportunities and to come up with innovative ideas. In depth variation of the experience in the industry and market also allows access to often new information and knowledge which is very useful in the discovery phase. Managerial experience in innovative firms develops the creativity skills which is crucial for new opportunities (Sibindi, 2021). Managers are always encouraged to be more active and strategic. Managers thrive to acquire relevant experience to gain more insight and knowledge to be more proactive and ensure more firm development in various phases (Rabia, 2022; Marchante, 2012). (Staniewski, 2016) have associated knowledge with business experience combined, both do contribute towards the entrepreneurial success. This study would also follow a similar approach and study the experiences in the already explained categories (work, functional and industry) to study their impact on the social innovation capabilities. Knowledge as identified by (Christensen P., 1990) in the earliest days was the primary asset towards recognizing any new opportunity and building towards it. They identified that relevant knowledge of the market and industry basically helps a person to identify both the problem and the potential opportunity and capability to solve it.

## 2.2 Social Enterprise

### 2.2.1 What is Social Enterprise and How is it different?

The concept of Social Enterprise is something different in comparison to the traditional non-profit organizations and businesses, (Young, 2008; Bettes et al., 2018; Gandhi & Raina, 2018). The concept was developed by EMES to bridge the gap between the concepts and theories of social economy and the non-profit organizations. A social enterprise can be defined as “when a founding group sharing a specific and well-defined social goal succeeds in translating it into an institutional arrangement showing specific characteristics” (Galera & Borzaga, 2009). (Sassmannshausen, 2013) defined social entrepreneurs as motivated individuals who provide answers and solutions to social problems where the government is unable to do so, hence social entrepreneurship create both social and economic value (Mair & Marti, 2006). The work performed and tasks done are for the general interest of the society and they are managed in an entrepreneurial way. In the social enterprises mostly the profit that is gained is again reinvested in the firm. One of the added-on

features in the concept of Social Enterprise is that it consists of different types of stakeholders in the membership. As compared to the traditional set up which basically just consists of a single type of stakeholder.

The EMES has defined the social enterprise in terms of both economic and social perspective. Placing 4 and 5 criteria for both respectively. Social Enterprise in terms of economic perspective should have the following criteria (Defourny, 2008):

*“A continuous activity, producing and selling goods and/or services”, “A high degree of autonomy”, “A significant level of economic risk”, “A minimum amount of paid work”.*

Through the economic perspective, a social enterprise should have the following criteria: *“An explicit aim to benefit the community”, “An initiative launched by a group of citizens”, “Decision-making power not based on capital ownership”, “A participatory nature, which involves the various parties affected by the activity”, “Limited profit distribution”.*

For a better and clear understanding (John Thompson, 2006) have listed the following as determining characteristics for a social enterprise:

- To have a social purpose towards community or in general
- Both asset and wealth are created so that it can benefit the community
- The conduct trade in market to pursue this
- Unlike business seeking profits, any surplus or profits made here are not distributed between stakeholders.
- Employees and members in the firm have an active say in decision making
- It is accountable to both its: the community and as well as the members of it
- Depending on the paradigm, there can either be a double- or triple-bottom line. Rather than showing high returns in one aspect and lower returns in another, the most effective social enterprises demonstrate both healthy financial and social returns.

Social Enterprise have been studied in respect to CSR in terms of Human Resource Management. The study indicates that certain CSR activities are well marked and developed in certain private sectors which are basically from small to medium sized. The researcher indicates and states that the theory should be replicated in the business type of social enterprise which could benefit from that (Cornelius, 2007).

There have been research and studies regarding different aspects of Human Resource Management in relevance to Social Enterprise such as the concept of CSR, motivational (intrinsic and extrinsic

needs), stake holder involvement in addition with strategic human resource management, however a gap exists in relevance of Human Capital to Social Enterprise. The research has less to no information regarding which Human Capital attributes prevail in the social enterprise organization and how they can be measured to give a better preview of the concept.

A social Enterprise can also be defined as “Nonprofit, Charitable, and Tax-exempt Organizations” (Stecker, 2014). A non-profit organization in this scenario lacks clear ownership, like a proper conventional business in the market, although certain controllers of the firm are still present such as the managers, or directors/trustees, they are not allowed to use any of the firm’s earning to their personal use. Nonprofits cannot distribute profits to controllers through equity distributions or salary distributions. It is possible for non-profit organizations to generate profits on an institutional level (i.e., revenues may exceed expenses). Although nonprofit organizations' controllers are required to do more than merely refuse to divert surplus or revenues to themselves or to personal use. In addition to advancing an organization's mission, they have an affirmative responsibility to supply more of what they were organized to supply. Among nonprofit organizations, charities are the most familiar, since they promote charitable purposes based on trust law. Most of the charitable organizations are exempted from the government in terms of taxation suspense (Robert A. Katz 2010).

### 2.2.2 Social Enterprise and Profit

In the recent times, the term or concept of "social enterprise" has also been applied to few of the for-profit business ventures who have social missions. These has been referring to these entities such as "for-profit social enterprises." Other terms that are widely used for these businesses are "hybrid social ventures," "for-profit social”, businesses," "social purpose business ventures," blended value organizations, companies with a conscience, Fourth Sector organizations, a "for profit with a nonprofit soul," and for-benefit organizations (Besley, 2013). Social Enterprises can be differentiated as profit seeking enterprises and, non-profit seeking organizations (Khieng, 2015). In the same way that nonprofit social enterprises use their business means to address social challenges, for-profit social enterprises do the same. The main difference between a nonprofit social enterprise and a for-profit social enterprise is that it is owned (in whole or in part) by equity investors, including generating returns for its equity investors (Hudon, 2020). The founders of these companies are entitled to part of the profit generated by the organization's sale or from its

initial public offering (IPO). Thus, the main **difference between nonprofit and for-profit social enterprises** is defined as “the ability of the enterprise's founders, controllers and investors to lawfully appropriate its surpluses for their private benefit”.

### 2.2.3 A For-Profit Social Enterprise

As discussed and stated above that social enterprise can be both, for profit and non-profitable business. Companies that produce and sell goods and services for personal consumption are for-profit companies. For-profit social enterprises concentrate on providing public benefits or positive externalities, as opposed to conventional, for-profit firms. A for profit social enterprise measures its success both by the financial performance it achieves (e.g., profit, shareholder value, return on investment, etc.) and by its success in advancing a social cause or addressing social concerns. However, the sole purpose is not profits for the for-profit organizations (BREWSTER BOYD ET AL. 2009). Even though it shares the profit-making mission of a corporation, it is sometimes required to make decisions that don't maximize profit. As a for-profit social enterprise, a for-profit social enterprise also shares some of the same goals as a nonprofit organization. The business must have at least one explicit reason for conferring social benefits (i.e., providing public goods or mixed goods/private goods with significant positive externalities) that goes beyond what a typical business or firm can do. How to clearly differentiate that? The difference between an ordinary firm and a for profit social enterprise? To clearly differentiate between a for-profit social enterprise and an ordinary business, its controllers or directors must have lawful discretion and a very clear fairly reduce shareholder wealth in “order to make presumably larger improvements in social welfare”. However, not every act can be categorized as a social purpose. This notion, however, remains extremely controversial and critical. There are, some limits and certain considerations on what can actually qualify as a social purpose. Most notably, “personal pecuniary enrichment by itself does not qualify notwithstanding the potential social value that can result from a self-interested person's pursuit of enrichment”. In the same vein, a company's sole purpose is not to maximize profits for its owners and managers. Thus, for-profit social enterprises are not those companies that follow softer forms of corporate social responsibility (e.g., follow pro-social practices only because or in so far as they maximize profits).

## 2.3 Social Innovation

When we talk innovative capability, its majorly referring towards the economic value and profit to the organizations rather than adding social value in it. It is basically considered as a resource and ability to create wealth. Innovation can be differentiated into different categories, each having different determinants, such as: “ administrative and technological innovation”, “ product and process innovation”, “ radical innovation”, etc.

The focus of social component in the study of innovation has recently been discovered. The rising importance of the nonprofit organizations and its relevance to the performance of the economy has encouraged the study of this new field (Mulgan, The process of Social innovation, 2006). Social innovation holds both the components of goal and process-oriented innovation. As to define it per (Grimm, 2013) “ social innovation is a process to basically work on social capital towards its development as it’s a crucial resource and a very important source to learning different skills and creativity and help organizations to adapt to the constant changing and shifting of the surroundings”. Social innovation is more complex than traditional innovation processes because of the multiple number of stakeholders involved in the process, with each one of them having differing interests and priorities from one another (Leticce, 2010).

(Escobar, 2011) noted and stated the basic difference business and social innovation. Social innovation should be accessible to all the stakeholders in it whereas, business innovation is restricted to certain business individuals under trade secrets or intellectual property rights. Therefore, in order for the social innovation to be successful, it is important for all the stakeholders to be proactive. Social innovation is considered as a very integral part of social enterprise. For the goals to be achieved, entrepreneurs engage in social value through continuous improvement and innovation (Choi, 2014).



Following are the summarized definitions by some authors.

Source and year	Definition
(Michelini, 2012)	"Social innovation can be defined and explained as new ideas and knowledge that can meet our social requirements in a more efficient way"
Organization for economic co-operation and development (OECD) (2010)	"Social innovation consists and involves the development of individuals and communities welfare through employment, consumption or participation, it is considered to bring solutions to community issues"
C II-ITC CESD (2010)	"Sustainable and inclusion innovation concerns Innovations that add value to the business, to customers, the environment and society."
(Pol, 2009)	"If a social innovative idea helps improve the quality of life, then it can be considered as an effective social innovative proposition"
(Bisgaard, 2009)	"Formation of products, services, models , business process which can help result in solving of different global issues and propose solutions to it"
(Phills, 2008)	"A solution to a social problem that in many ways is more effective, efficient, sustainable, or just than existing solutions and for which the value caters to the whole population rather on a single person"
(Mulgan, The process of Social innovation, 2006)	"Social innovation consists of new ideas that work towards social goals. Activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organizations whose primary purposes are social"
(Christensen C. , 2006)	"Social innovation is basically a set of innovative ways and ideas and the basic aim is social change"
(Little, 2006)	"Social innovation is the use of different drivers including environmental and sustainability to create new forms of work and ideas and services"

Social innovation is considered and seen to be adding a lot of social value, which makes innovation as a step towards improving the lives of people. A lot of business have taken up to develop their social innovative capabilities to ensure social worth as well along with economical (Poll.E, 2009). Open social innovation is a concept shared by (Chesbrough.H, 2014) to basically emphasis on the process of social innovation. It's basically the process in which the organizations use their internal

and external ideas to increase the innovative capabilities. The basic asset in this is the use of their employees' experience knowledge and management skills. Social innovation capabilities and innovative capabilities slightly differ from one another. Social innovation is considered more of a capability rather than a process. The capability that deals with innovation as an important part of a systematic organization.

The capability of innovation is defined by (Peng.D, 2008) "the strength or proficiency of a bundle of interrelated organizational routines for incrementally improving existing products/processes". There are however, certain determinants that define and form the social innovative capabilities. A lot of work of (Valladares.P, 2014) has been done to identify and study such determinants of social innovative capabilities.

Different organizations have been studied in view of social innovation capabilities. Study shows that even though different companies thrive to achieve economical edge, social element still lacks attention and investment compared to the other aspects of the organization.

The following section would state and discuss the determinants of social innovative capabilities.

### 2.3.1 Social Innovative Capabilities

The following section would define the social innovative capabilities stated and developed by the studies. In simple terms to define, it is an individual or firm's identify new ideas and opportunities and transform them into valuable products or services with a better and enhanced outcome.

### 2.3.2 Intention to innovate Socially

Intention to innovate Socially , also known as the strategic innovation intention, is the extent to which the company and the workforce is willing to take risk and encourage change which basically involves different changes such as the technological development, strategical development in order to gain a competitive edge in the market (Rodrigues 2018; Cavazos-Arroyo et al., 2017). The intention of innovation is considered to be unpredictable and messy and it can be proven to be efficient if the leaders positively encourage the change and the process is finance focused in terms of investment and key stages of innovation are highlighted (Googins, 2013). When we talk about the intention to innovate socially , (Luiz, 2018) defines it as the "degree in which the company is willing to take risks and make investments to favor as a priority, the creation of social value". In terms associations in the market the study by (Luiz, 2018) indicated that there is a high need for

the association to innovate socially as there is lack of intention to innovative among the workforce and management. “It can be said that the effectivation of the intention to innovate socially in the Associations is still weak, since the strategic concern with innovation is incipient”. In reference to how different Business foundations are developing their innovative capabilities, the study showed a link with the intention to innovate in the business foundations. “This intention occurs in an unstructured way and is inserted most often as processes of continuous improvement within the processes themselves”. In comparison to both, the association and business foundations, the social businesses had the highest link and agreement with the intention to socially innovate. As can be stated and explained by (Jappe, 2013) study, it is possible to perceive and take into account that given the current demand of the consumer market and the hybrid nature of Social Businesses, Social Innovation is arising as a necessity. This, however, needs more clearance as to what drives, the social innovation intention to be more active among social businesses compared to other forms of organizations. Can we only consider this to be because of the nature of the business itself or because of the other factors that might be affecting the determinant of intention to socially innovate.

#### 2.3.4 Democratic Management

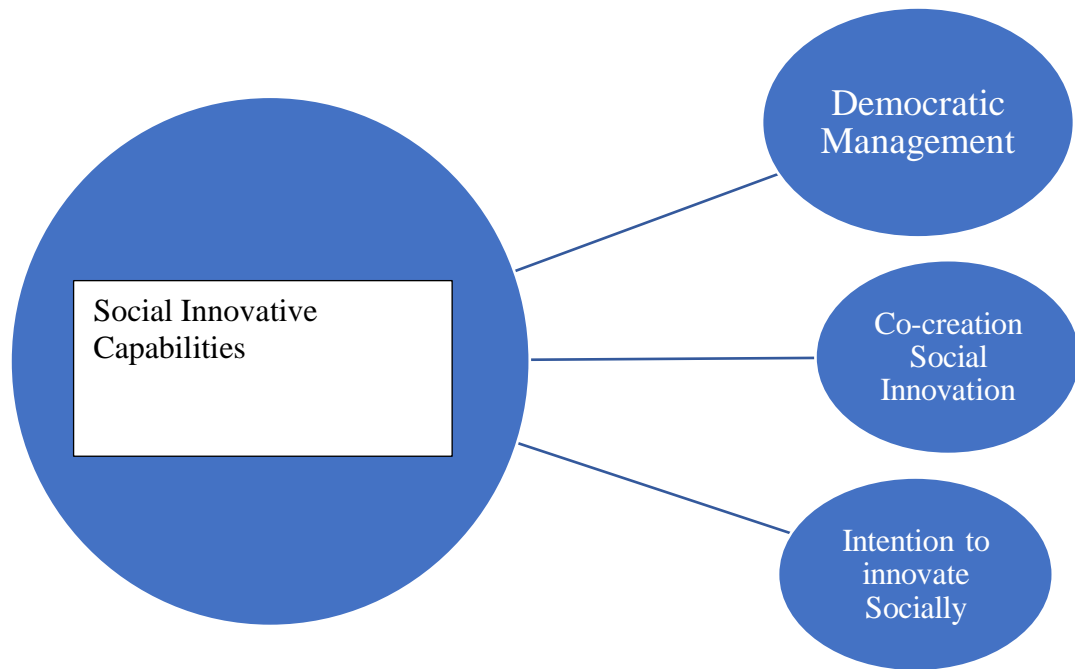
The idea and determinant, democratic management have been combined from traditional view of people of management for innovation “( the process of managing people and encorging them towards development of innovation and giving them the space and freedom for their decisions and providing and setting challenging goals and objectives which should allow them to work on how to achieve them and favoring self-realization and commitment to the organization's objectives)” and organicity of organizational structure “(Degree in which the structure is characterized by the granting of autonomy, flexible controls, clear horizontal and open communication, valorization of knowledge and experience and informality in personal relationships”. Organic structures allow a comparatively quicker response to changes in the external environment than the so-called mechanists). Democratic management can be defined as aligning the communication, the informal relations in the organization and the autonomy to create solutions and responses to different issues and problems of society that are being faced by the organization; the management directs the efforts of the group in dealing with the problems (Joao, 2013). The structure of this management however can be differentiated in the presence of any volunteer workers as that would change the entire flow and intentions of action (Alfes.K, 2017). In comparison to the different organizations,

in the associations there was seen a link of democratic management despite having several problems with a strong hierarchy present. The factor democratic management was most found relevant and present in the business foundations compared to the social foundation. The possible reason for this can be “the proximity to the maintainer company helps the foundations on having a more professional management of people than the other organizations studied”. The democratic management element is present in the social business, however it was observed that an excess of democratic management can cause a bit of issues such the speed of meetings and the speed on which different actions are taken. Also, the level of autonomy was seen among the workforce studied in the social businesses (Luiz, 2018).

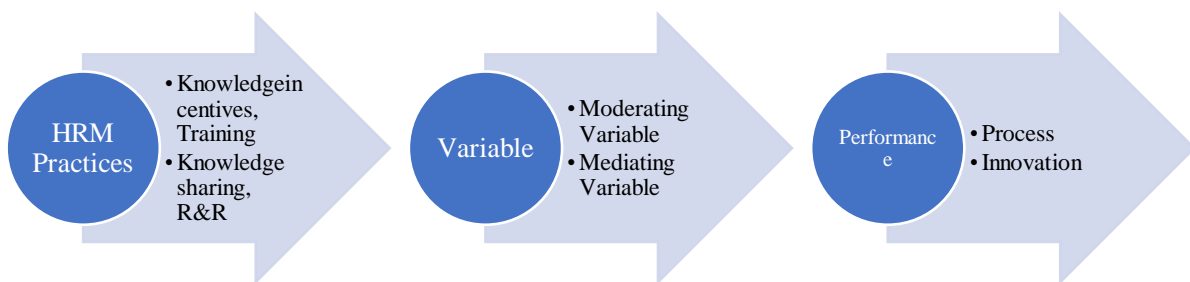
### 2.3.5 Co-creation of Social Innovation

Explaining co-creation of innovation, involves explaining and understanding of three concepts that merged to form the determinant co-creation of social innovation. Technological strategic management, (Management of the process of creation and development of technologies, aiming at the creation of value. The process of technology management basically consists of five steps: identification, selection, acquisition, exploration and protection), through Project management (Planning, provision of resources, execution and control of the innovation process. It includes careful evaluation of the projects, analysis and planning which mainly aim to gain understanding, commitment, and support both corporate and of the personnel that will be involved in the project) and Customer and market knowledge (Ability to detect and identify events, needs and expectations, significant changes and customer and market trends. Understanding market changes ahead of your competitors provides competitive advantage to the company). Co-creation between generators and users of innovation can help in providing important feedback that results in improvement of the functions (Murray.R, 2010). In reference to the presence of the determinant of the co-creation, it was studied and identified that organizations majorly who are associations, were the least favorable. Meaning that the determinant was not widely or practiced at such organizations, the need to understand the demands of the beneficiaries was not presented nor was the presence of social innovation need. Similarly, the absence of the determinant was seen in different business foundations as well. In most the of projects and activities studied in the foundation, only those that had an explicit strand of engagement had the element of the social innovation. Social Businesses were seen to practice and implement the factor of co-creation of

social innovation the most, “social businesses are situated closer to so-called grassroots social innovations than Associations. In addition, contrary to what some authors have pointed out, the Social Businesses with a greater focus on the market, that is, for a lucrative purpose, demonstrated a greater approximation with the beneficiaries / clients”.



The literature provides a lot of examples and studies to show the link between Human Resource Management and Innovation.



The above figure has been adapted by (Laursen.K, 2012), to show how different HRM practices such as training and knowledge sharing can lead up to innovation capability in an organization. In

many HRM practices, problem-solving rights are delegated to the shop-floor, which increases decentralization. If properly implemented, these rights coexist alongside access to relevant knowledge, much of which may be tacit and therefore require decentralization for its efficient application. The discovery and utilization of local knowledge within an organization may be improved by increased delegation, especially if rewards are in place to encourage such discovery. Few firms possess the capability of combining and recombining knowledge and resources across markets, technologies, and products - a key part of innovation. Managing resources effectively helps to increase the number of innovation initiatives while improving the likelihood of stimulating innovation. By managing innovation successfully, firms accumulate experience and learn, allowing them to improve their innovation process even further (Lawson, 2010). Though there have been plenty of literature and studies that shows the impact of Human Resource and its assets, there is a gap of focus solely on the social innovation area. Also, being a generally new term, it lacks focus and relevance. Thus, this study would focus on the determinants of social innovative capabilities and the particular impact of human capital attributes on them. Reviewing the current literature on Human Capital on innovation, the following hypothesis have been assumed:

***H1: Higher education will have a positive significant relation with Social Innovative capabilities***

***H2: Firm specific Experience will have a positive significant relation with Social Innovative capabilities***

***H3: Firm specific knowledge will have a positive significant relation with Social Innovative Capabilities***

## 2.4 Organizational Learning

Organizational learning comes from and has its roots based in the individual learning. Individual Learning and the way it influence, direct or indirect justifies that many organizational learning theories are based on the individual learning theory. "Organizational learning is seen as a dynamic process based on knowledge, which implies moving among the different levels of action, going from the individual to the group level, and then to the organizational level and back again", (Crossan.WM, 1999). This basically starts with the knowledge acquisition form the individuals

and different organizational processes, that knowledge is exchanged and through integration a collection knowledge is created that is eventually merged in the organizational learning. (Teece.DJ, 1997) explained the three important stages of organizational learning, the first stage being the acquisition/creation of knowledge which is mostly done at the individual stage , then the transfer of that knowledge among different groups so that the knowledge is shared and known to all and then the final stage of integration of that knowledge which is an done at the organizational level so that it becomes part of the system. There are four basic ways to effectively develop the organizational learning capabilities, the first one being is that the managers should openly support and involve all the work force in the process (Williams.AP, 2001), then a firm should work as a system and each element must make its own relevant contribution so that the everyone can benefit, a lack of a shared vision can not contribute well towards the organizational learning (Kim.DH, 1993). Then comes the organizational knowledge which needs to be added in the process, the same knowledge that was acquired, transferred and now needs to be the integrated on the organization. And lastly, be more adaptive towards the whole learning processes, flexible to add on new ideas and factors.

Likewise, the 4I framework developed by Dutta and Crossan (2005) yields insights into how the life cycle of entrepreneurs is framed by the process of organizational learning. (Intuiting, Interpreting, Integrating, and Institutionalizing). The 4I framework basically recognizes that a critical part of learning occurs when the individuals develop insights based on their intuitive patterns relating to the emerging business environment.

Organizations are more likely to gain a competitive advantage over the other firms through firm specific resources and capabilities. Organizations that can manage their resources and their capabilities to survive the difficult and complex environment that is unpredictable are likely to achieve success in the short term as well as in the long term (Barney.JB, 2001). A lot of studies have identified different dimensions of OLC which include activities and states that people need to be very much in the process involved so that organizations become learning organizations (Watkins, 1996) as well as in the context of entrepreneurship, social enterprises, and government organizations.

## 2.4.1 Organizational Learning Capabilities

The following sections would cover the organizational learning capabilities that are to be studied in this research. They are the capabilities that enhance organizational learning.

### 2.4.1 Experimentation

Experimentation is basically defined as a series of trial and error changes, which involves the process of learning from failures and to come up with different strategies so that the organization can gain a competitive advantage in the market (Pretouris, 2011). Experimentation involves searching for different creative and innovative solutions to many different social challenges and as results require support for new ideas and change and also, tolerance in case of failure. “Experimentation involves curiosity, testing of new ideas and implementing changes in operational processes, and materialises through incremental changes fostering a creative environment” (Mthani.T, 2014). Experimentation basically requires a culture that promotes and encourages creativity, an enterprising ability, and the readiness to take controlled risks, supporting the idea that one can learn from one’s mistakes. There have been plenty of different studies to show the impact of experimentation on innovation and social innovation, the term itself shows means and shows curiosity, testing of new ideas and implementing changes in operational pprocesses through different innovative methods. Experimentation has shown to have a positive impact on the factor social innovation (Urban, 2017), the more experimentation processes an organization practices the more likely it is to develop its social innovative capabilities.

### 2.4.2 Organizational Dialogue and Knowledge transfer

It is very important for organizations to have proper capabilities such as knowledge management which are often developed through proper and thorough organizational dialogue (Tandon, 2014). “Implementing knowledge management initiatives, building project databases, and fostering dialogue internally and externally generally enhance the capability of the organisation to generate social innovations” (Chalmers & Balan-Vnuk, 2013). Learning is likely to occur if different departments are to be in dialogue with one another, those social entrepreneurs who encourage innovative thinking and encourage a sense of unity among their collaborators and employees are more likely to realize their organizational vision and goal.



Transfer of knowledge basically implies the internal spreading of knowledge that an individual already has or has acquired and it can be shared through conversations and dialogues. With regard and relevance to dialogue and debate, work teams and personnel meetings can be great and ideal to openly discuss ideas. According to a study conducted and reported, implementing knowledge management programs would contribute to increasing the ability of an organization to generate social impact and innovation, such as peer training, creating a project database, hosting informal meetings, and encouraging employees to subscribe to external reports and attend conferences. With help from volunteers, consultants, external managers or social workers, social enterprises hold a lot of tacit knowledge about the communities they serve. These organisations must take advantage of this knowledge by establishing a structure that helps circulate information in their best interest (Tandon, 2014).

Studying the link and relations between OLC and social innovation, the following hypothesis have been assumed

***H4: OLC will be positively related with the Social Innovative Capabilities.***

Meaning that the mediating effect of OLC will be positively related to SIC. The more developed are the organizational capabilities the more impact it will have on the determinants of the social innovative capabilities.

There have been multiple studies showing the significance of Human Capital in relevance of organizational learning capabilities. (Ya-Hui, 2018) basically, argued that the system and processes of solving problems and creating value in an organization constitutes its structural capital. An organization's overall process and organizational structure, the ability to manage intellectual assets, and the information systems it uses are included in these systems and processes. (Persuad.A, 2010) views information technology as a tool for acquiring external knowledge. In addition to structural capital, corporate culture may also support the development of an organization's learning capability. For instance, a firm could create an open learning environment to promote informal learning among employees. In a culture like this, employees may share knowledge more readily. In addition to helping a company maximize value and improve organizational learning capabilities, establishing an intellectual assets management system will

improve its ability to utilize patents and intellectual property rights. Establishing a databank as a form of structural capital will enhance a firm's organizational learning capabilities and reduce the costs of faulty decision making and misjudgments caused by inadequate information.

However, there is still lack of discussion on the attributes of Human Capital itself, with a major focus on Human Capital as a whole.

In view of Human Capital studies in link to OLC, the following hypothesis have been assumed.

The more developed and skilled the attributes, the more they are likely to contribute to the development of OLC.

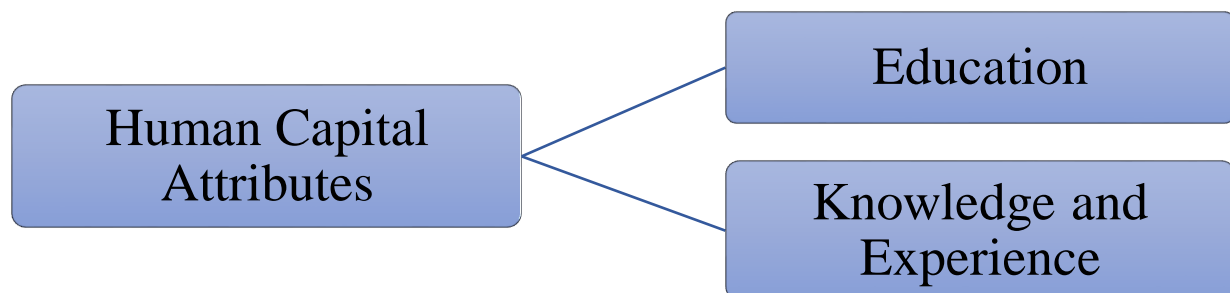
***H5: OLC (experimentation) will have a positive significant mediating effect on the relationship between Human Capital and Social innovative capabilities***

***H6: OLC (Dialogue and knowledge transfer) will have a positive significant mediating effect on the relationship between Human Capital and Social innovative capabilities***

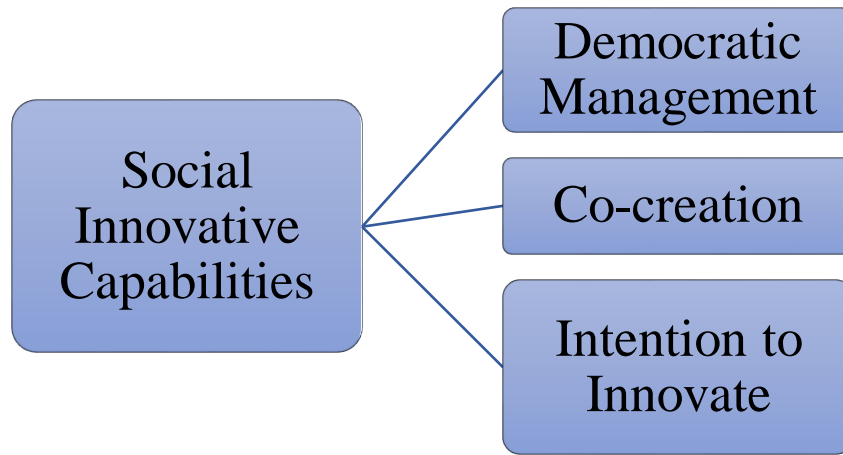
## 2.5 Framework of the study

The framework will consists of three main variables, the dependent, mediating and independent variable.

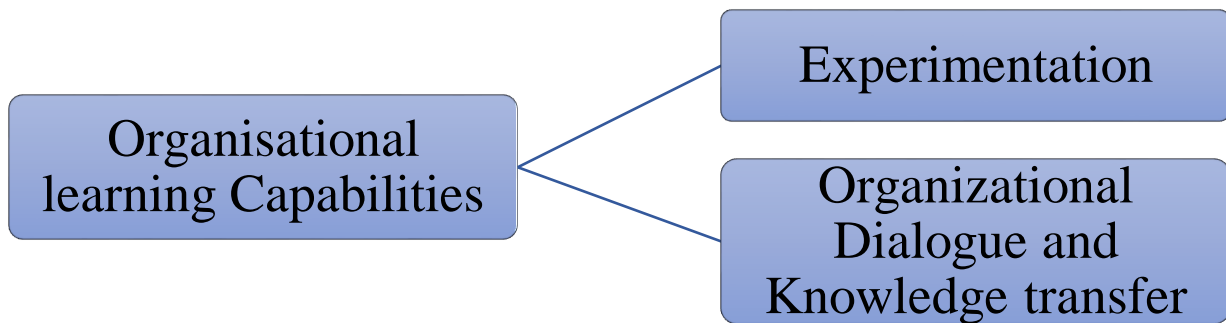
The **independent Variable** used in this study are the Human Capital Attributes. The study would be focusing on the following Human Capital attributes and will be studying their impact on the independent variable.

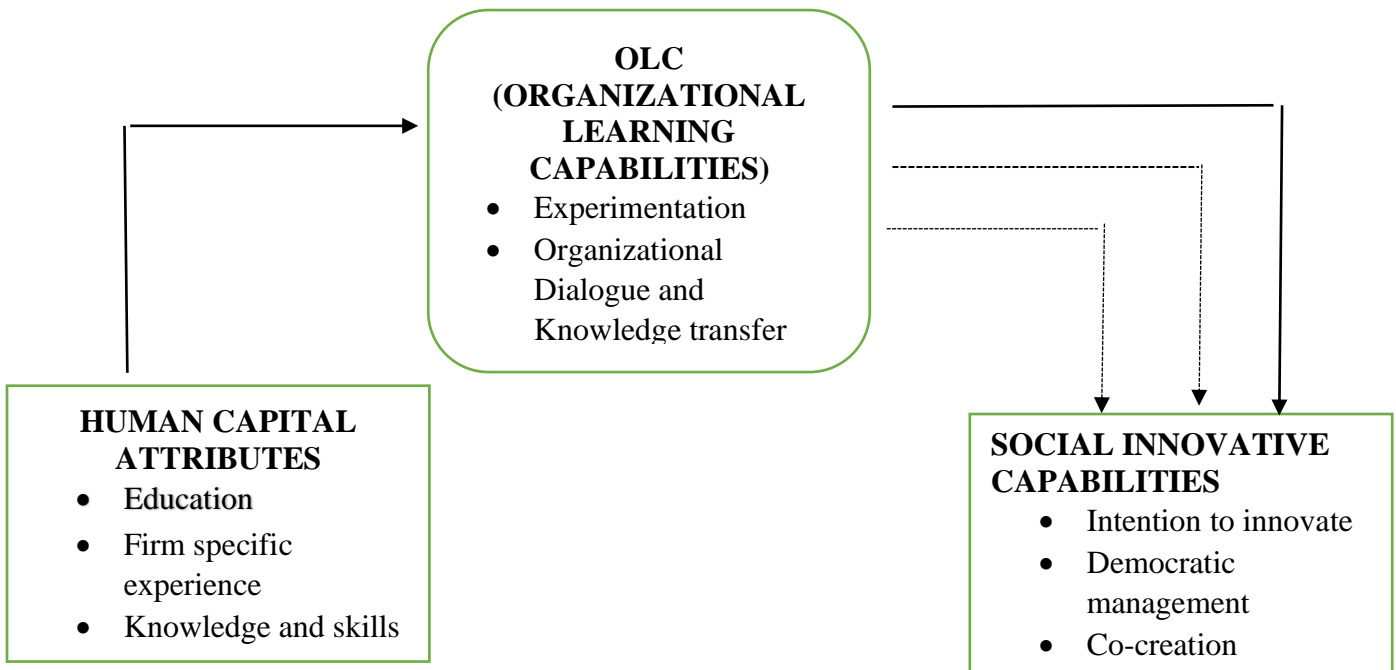


The **Dependent Variable** in the framework is the determinants of social Innovation capabilities in the social Enterprise.

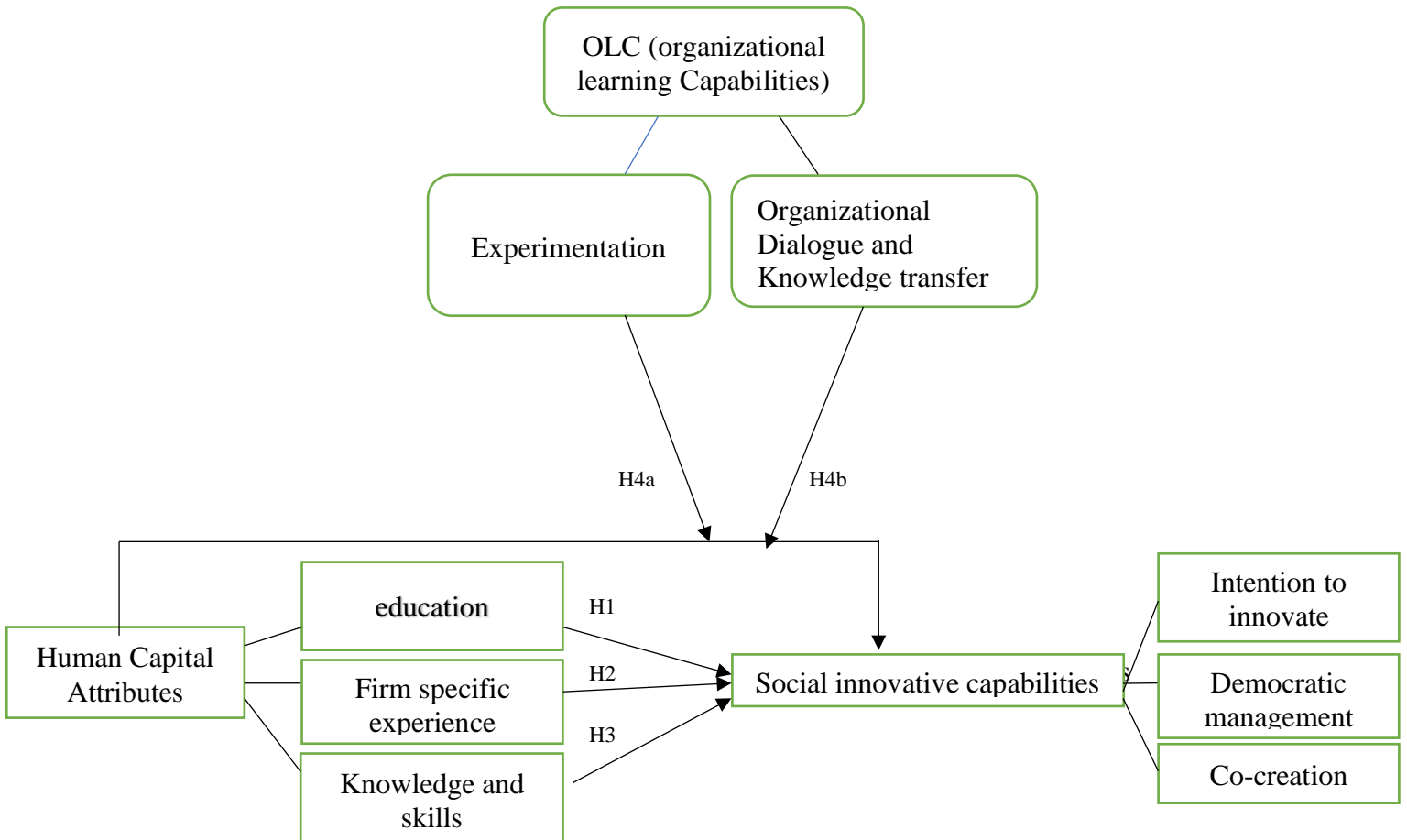


The **mediating Variable** in the framework is the Organizational learning capabilities. The study will be focusing on the two organizational Learning Capabilities listed as follows.





Below is the hypothesized model



## **Hypothesis Statement**

*H1: Higher education will have a positive significant relation with Social Innovative capabilities*

*H2: Firm specific Experience will have a positive significant relation with Social Innovative capabilities*

*H3: Firm specific knowledge will have a positive significant relation with Social Innovative Capabilities*

*H4: OLC will be positively related with the Social Innovative Capabilities.*

*H5: OLC (experimentation) will have a positive significant mediating effect on the relationship between Human Capital and Social innovative capabilities*

*H6: OLC (Dialogue and knowledge transfer) will have a positive significant mediating effect on the relationship between Human Capital and Social innovative capabilities*

This chapter has summed up the existing literature review on the studied variables upon which the hypothesis has been proposed and the theoretical framework has been developed. The following chapters will consist of the results and discussion of the study.

## Chapter 3

### 3. Methodology

This section would cover the proposed methodology that will be used to the study to gather and analyze the data. The proposed methodology will focus on how the data will be collected, from where it is to be gathered and how the data will be analyzed to study the results of the research.

#### 3.1 Research Philosophy and Paradigm

In simple terms a research philosophy is basically a belief or thought regarding how data should be gathered or collected and analyzed in a study. The focus of this research is basically to test the relationship between Human Capital attributes and social innovation capabilities with organizational learning as the mediator which basically implies that the result and meaning of the findings will be derived from the object not any other factor. This leads to the study being studied through the view of objective ontology. The concept of Epistemology is basically process of gaining of knowledge and the basic criteria upon which that knowledge can be evaluated (Hunt,2014). It can be divided into two sub categories Interpretivism (which is more subjective) and Positivism (which is objective based, studying the facts and gaining knowledge in a systemic way). Since the study is more focused towards objective facts, hence, the current study is based on **positivist epistemology** which claims and states that the world can be studied and analyzed through objective ways. It is more based on the scientific research method. This will be further explained in the below sections.

#### 3.2 Research Design

Research Design basically explains how the studied is carried out, through which methods. The data collection process and how it is analyzed through different methods. The study is based on Quantitative research design.

##### 3.2.1 Type of Research

As explained in the previous sections this study involves different variables and aims to study their relation and impact. Thus the study is based on Quantitative research techniques. The quantitative technique is basically defined as a systematic investigation of any phenomena and largely

emphasizes on the objective measurements and statistical analysis rather than subjective. The focus of study is objective which is why quantitative method is adopted which basically collects data and explains and analyzes it through statistical terms. The relationship between the variables in quantitative studies is defined and tested to check if the proposed hypothesis is accepted or rejected. There are different types of Quantitative design and approaches to studies. This study would be a type of correlation research to determine and study the relation and effect of the mentioned variables.

### 3.2.2 Setting and time horizon of the Research

The basic target of the study is to study the social enterprises in Pakistan. So the target setting was the social enterprises actively present and working in the major cities of Pakistan. The study was majorly conducted in the big, developed cities such as Islamabad, Rawalpindi and Lahore. The study conducted was cross-sectional and data was collected over 5-6 months of period.

### 3.2.3 Interference

It was made sure that there was no interference from the researcher itself in the data collection and analyzation. The individuals voluntarily participated in the research study and addressed the questions that were presented to them. There has been no pressure or interference by the researcher and or any external party thus having no bias issue. Resulting in the results being more accurate and reliable.

### 3.2.4 Unit of Analysis

To define the unit of analysis in simple terms, it is simply that “who” or the “what” that one is studying or researching on. There are different forms of unit of analysis such as individuals or groups or even organizations in the market. Basically, entities on which the study is being carried. This research involves the study of social enterprises so the unit of analysis of our research are the individuals working in the social enterprises of Pakistan. Since the objective and the independent variable of this study requires individual knowledge, experience and education level, which is why the **unit of analysis is individual** based rather than organizational.

### 3.3 Population and Sampling

#### 3.3.1 Target Population

The population targeted in the study are the individuals working in the social enterprises in Pakistan. The data is collected from those individuals.

#### 2.3.2 Sampling Technique

Firstly, the task was to identify the social enterprises being operated in Pakistan since there is no official listing of the enterprises available on any government or private portal. A list of characteristics was made from literature categorizing enterprises as social enterprises and other social businesses. The search was made on the ground bases and through online and different social networking groups. The organizations enlisting under the categories were then contacted through physical visits but mainly through online portals to participate in the research study. The focus was concentrated on three big cities on Pakistan due to accessibility and travelling constraint.

#### 3.3.3 Sample Size and Respondents Information

A type of non-probability sampling called as convenience sampling was used to select study respondents. Questionnaire was sent out to be filled by the individuals working in the social enterprises in Pakistan. The forms were given through online platform due to Covid'19, there were certain issues in collecting data physically which is why a more remote method for the collection adopted. A number of 300 questionnaires were given out and the received response was 205 which was considered and analyzed in the research. The respondents were a mix of both males and females with the majority being males. The position of the respondents working in the organizations varied but were mostly from lower to upper managerial level.

### 3.4 Data Collection and Analysis

#### 3.4.1 Data collection instrument

The study would be cross sectional and exploratory study as it's a one-time activity session in which the impact of Human Capital attributes is to be studied.

Our unit of analysis would be the Individuals in the firm. These individuals are surveyed through a questionnaire of 5 Likert scale (*1: strongly disagree, 2: disagree, 3: neutral, 4: agree, 5: strongly*



*agree*) which contained questions and statements regarding every independent and dependent variable which the individuals will be required to fill it out. The first page of the questionnaire given for data collection consisted of demographic information of the participants such as name, age, gender and organization name in which the participant is employed. Next, the survey consists of 42 items structured questionnaire regarding the relevant variables which were adapted from previous recognized authors and studies who studied similar variables and their validity and reliability has been verified.

### 3.4.2 Scales and Items of the variables

The study would be focusing on the Human Capital attributes and will be studying their impact on the independent variable. One of the most important Human Capital to be studied is the Education acquired by an individual and how does the level of education effects the social innovativeness in social expertise. The education item will use an ordinal scale and request the respondents' highest level of education. The scale will include *high school, associate degree, bachelor's degree, master's degree, and PhD*. Multiple studies have shown that the higher the level of education, the more innovativeness is seen in the firms and more focus is inclined towards social entrepreneurship (Estrin, 2016).

Other important attribute is prior knowledge and experience an individual holds. Prior knowledge and experience that is Firm specific has a greater impact on innovations as studies have shown.

The items for measuring human capital attributes are adapted from (Subramaniam, 2005), (Anderson E. , 1984), (Anderson E. , 1985), (Oliveira.Roth, 2012) and (Hinkin, 1995).

The variable Human Capital attribute of skills and knowledge was measured by a 9 item scale. The items were rated on 5 Likert scale with 1 (strongly disagree) to 5 (strongly agree). The attribute of experience was measured by a 6 item scale rated on a 5 Likert scale.

The Dependent Variable in the framework is the Social Innovation Capability. The factors co-creation, democratic management and intention to innovate are studied and scales have been adapted by two different authors. The scale items for the measurement of our dependent variable were adapted from (Vasconcellos, 2014) and (Rodrigues, 2018). Democratic management is

measured by a 4 item scale rated on a 5 Likert scale. Intention to innovate is measured by a 3 item scale rated on a 5 Likert scale.

Co-creation of social innovation is measured by a 5 item scale on a 5 Likert. Items and scales for measuring organizational learning capabilities stated in the study have been adapted from different researchers and studies conducted. The items for experimentation has been adapted from (Isaksen et al.1999), (Gomez,2004), (Chiva,2004), Goh and Richards (1997) and has been measured by a 7 item scale rated under the 5 Likert scale with 1 rating as strongly disagree to 5 rating as strongly agree.

Items for dialogue and knowledge transfer has been adapted from (Isaksen et al. 1999); (Templeton, 2002) and is measured by a 8 item scale.

### 3.4.3 Data Analyses Technique

The data collected was through questionnaire forms which were given online. The results attained were analyzed through two different statistical software SPSS (Statistical Package for Social Sciences). The software was used to run the tests for correlation, regression, reliability tests and hypothesis testing. The obtained results were then studied, interpreted and discussed to conclude what the information the study has gathered.

### 3.5 Ethical Consideration

Certain ethical considerations were also considered while conducting the research. The participants were given complete openness as to fill in the required form or not. As part of the ethical consideration personal details of the individuals was not asked such as their names or any personal contact information. The gathered data was completely anonymous thus resulting in being more accurate and non-biased. There was no external or internal pressure on the target audience and complete aim and objective of the study was explained and told to the individuals before the data was collected.

### 3.6 External and Internal Validity

The concept and term of external validity is to ensure that the data collected could be generalized to a wider population. To ensure the external validity in this research, a big number of respondents were taken into account because with a larger number of sample data collected is also larges which

gives a more valuable insight and results that are more precise and accurate as compared to results gathered from a smaller sample. Along with that any biasness should also be avoided to make sure the results are accurate which was done in this study. To ensure internal validity, questionnaires were given out and anonymous data was gathered, the scales and constructs were adopted instead of developed to ensure strong correlation which is further explained in the results sectioned.

## Chapter 4

### 4. Results and Analysis

The following chapter consists of the results of the research study contained after the data collection and its interpretation. The results obtained were entered into an excel file for further data testing on the statistical software. Out of 300 questionnaire distributed, 205 were considered useful and used for the results of the study.

#### 4.1 Demographic Characteristics

The research was carried in the form of questionnaire surveys and was distributed in the enterprises targeted. The sample most consists from the twin cities (Islamabad and Rawalpindi) and Lahore. During the research 205 responses were collected online considering the element of the pandemic, physical data collection was a hurdle due to which remote collection method was adopted.

Out of the responses received, 39.5% responses were from females and 60.5% responses were males (Appendix, Fig.1). In view of the education there were (65.4%) respondents with a bachelor's degree, (9.8%) with a associate degree, (22%) with a master's degree, (2%) with a PHD and (1%) with a high school degree (appendix. Fig.2)

#### 4.2 Reliability Analysis

For reliability analysis The Cronbach's Alpha for the three scales and sub-scales was measured. First, human capital scale comprised of 14 items in which 8 item were related to human capital skills/knowledge, 6 items were related to human capital experience. Second, organizational learning capability scale was comprised of 15 items in which 7 item were related to experimentation and 8 items were related to dialogue and knowledge transfer. Third, social innovation capability scale was comprised of 12 items in which 4 item were related to democratic management and 3 items were related to intention to innovate and 5 items were related to co-creation of social innovation.

Table 1 Cronbach's Alpha

**Figure 1**

4.2 Cronbach's Alpha on Scales and Sub-scales

Scales and Sub-scales	Total Items	Cronbach's Alpha
1. Human Capital	14	.785
a. Human Capital Skills/Knowledge	8	.783
b. Human Capital Experience	6	.750
2. Organizational Learning Capabilities	15	.965
a. Experimentation	7	.919
b. Dialogue and Knowledge Transfer	8	.938
3. Social Innovation Capability	12	.972
a. Democratic Management	4	.923
b. Intention to Innovate	3	.887
c. Co-creation of Social Innovation	5	.944

The above table shows that, the reliability coefficients for three scales and sub-scales, Cronbach's alpha was .785 of human capital scale, .965 was of organizational learning capabilities, and respectively .972 was of social innovation capability scale. These results shows that all three scales Cronbach's Alpha was above .70 which suggests that all scales had fair internal consistency.

1.3 Anova tests

The following Anova tests have been carried out to result and check if the significant means of the variables are significant with each other. The results an figures of the means show that the means of the variables are significant.

Table 2 Anova

<b>ANOVA</b>				
Sum of Squares	df	Mean Square	F	Sig.

Democratic Management	Between Groups	36.005	18	2.000	2.265	.003
	Within Groups	164.226	186	.883		
	Total	200.230	204			
Intention to Innovate	Between Groups	33.359	18	1.853	2.076	.008
	Within Groups	166.028	186	.893		
	Total	199.388	204			
Co-creation of Social Innovation	Between Groups	34.384	18	1.910	2.078	.008
	Within Groups	170.989	186	.919		
	Total	205.373	204			

Table 3 Anova

		ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
Democratic Management	Between Groups	12.180	4	3.045	3.238	.013
	Within Groups	188.051	200	.940		
	Total	200.230	204			
Intention to Innovate	Between Groups	10.825	4	2.706	2.870	.024
	Within Groups	188.562	200	.943		
	Total	199.388	204			
Co-creation of Social Innovation	Between Groups	12.176	4	3.044	3.151	.015
	Within Groups	193.197	200	.966		
	Total	205.373	204			

#### 4.4 Relationship between Variables

Pearson Correlation Coefficient was applied to test the three hypotheses of the study (H1, H2 and H3). Following values were used to interpret the strength of the Pearson Correlation Coefficient.

Table 4 Correlation

**Table 2**

#### *Strength of the Correlation*

Values	Strength of the Correlation
.80 – 1.00	Very Strong

.60 - .79	Strong
.40 - .59	Moderate
.20 - .39	Weak
00 - .19	Very Weak

Above table 2 indicates that .80 – 1.00 coefficient value shows the very strong correlation, .60 - .79 points out strong relationship, .40 - .59 indicates moderate relationship, .20 - .39 shows weak relationship between variables and similarly 00 - .19 specify very weak relationship between variables.

H1: Higher education will have a positive relation with social innovative capabilities.

Table 5 Relationship between Education and SIC

### Table 3

#### 4.5 Relationship between Higher Education and Social Innovative Capabilities

Variables	1	2
1. Education	-	
2. Social Innovative Capabilities	-.040	-

Note: (n = 205), \*p < .05, \*\*p < .01

It was evident from the above table 3 that hypothesis was rejected that higher education have a positive relation with social innovative capabilities because  $p > .05$ . It was concluded that there was no significant relationship between higher education and social innovative capabilities.

H2: Firm specific experience will have a significant relation with social innovative capabilities

Table 6 Relationship between Experience and SIC

### Table 4

#### 4.6 Relationship between Firm Specific Experience and Social Innovative Capabilities

Variables	1	2
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1. Firm Specific Experience	-	
2. Social Innovative Capabilities	.341**	-

Note: (n = 205), \*p < .05, \*\*p < .01

It was evident from the above table 4 that the hypothesis was accepted the hypothesis that firm specific experience have a significant relation with social innovative capabilities because  $p < .001$ . It was concluded that there was a significant relationship between firm specific experience and social innovative capabilities. Strength of the correlation was .34 which shows a positive weak relationship between variables.

H3: Firm specific knowledge will have a positive significant relation with Social Innovative Capabilities

Table 7 Relationship between Knowledge and SIC

## Table 5

### 4.7 Relationship between Firm Specific Knowledge and Social Innovative Capabilities

Variables	1	2
1. Firm Specific Knowledge	-	
2. Social Innovative Capabilities	.185**	-

Note: (n = 205), \*p < .05, \*\*p < .01

Above table 5 indicates that the study and research has accepted the hypothesis that firm specific knowledge has a significant positive relation with social innovative capabilities because  $p < .01$ . It was concluded that there was a significant positive relationship between firm specific knowledge and social innovative capabilities. Strength of the correlation was .18 which shows a very weak relationship between variables.

Mediation analysis was applied to test the hypotheses H4, H5 and H6.



H4: OLC will be positively related with the Social Innovative Capabilities.

H5: OLC (experimentation) will have a positive mediating effect on the relationship between human capital and social innovative capabilities

Table 8a Mediation Analysis

**Table 6a**

4.8 Mediation Analysis: Regression Analysis

	<i>coeff</i>	<i>se</i>	<i>t</i>	<i>p</i>	<i>LLCI</i>	<i>ULLC</i>
1. Constant	-.6281	.5282	-1.1891	.2358	-1.6696	.4134
Human Capital	1.1476	.1434	8.0027	.0000	.8649	1.4304
2. Constant	1.2428	.4221	2.9443	.0036	.4105	2.0750
Human Capital	-.2609	.1310	-1.9917	.0477	-.5191	-.0026
OLC (Experimentation)	.8932	.0559	15.9802	.0000	.7830	1.0034

LLCI= Lower Limit Confidence Interval, ULCI= Upper Limit Confidence Interval

The above table 6a indicates that the first simple regression model, human capital is a significant predictor of OLC (experimentation) ( $b = 1.1476$ ,  $se = .1434$ ,  $p < .001$ ). This coefficient shows the direct effect of human capital on OLC (experimentation) within the path model. The standardized path coefficient is also provided which is .4897 for the human capital.

In the second regression table, it was indicated that human capital ( $b = -.2609$ ,  $se = .1310$ ,  $p < .05$ ) was a significant predictor of social innovative capabilities. Similarly, OLC (experimentation) ( $b = .8932$ ,  $se = .0559$ ,  $p < .001$ ) was also a significant predictor of social innovative capabilities. These coefficients show the direct effects of human capital and OLC (experimentation) on social innovative capabilities with the path model. Results also indicate the standardized path coefficients for the model -.1019 and .8179 for the human capital and OLC (experimentation) respectively.

Table 9 Direct/Indirect Relationship

**Table 6b**

4.9 Indirect, Direct, and Total Effect of Human Capital and Social Innovative Capabilities

Effect	Effect	Se	LLCI	ULCI
Indirect	1.0250	.2115	.6703	1.4969
Direct	-.2609	.1310	-.5191	-.0026
Total	.7641	.1714	.4262	1.1021

It is evident from the above table 6b that there was a statistically significant indirect effect because zero does not lie between the lower level and upper level of the 95 % confidence interval. These results support the hypothesis H5 that OLC (experimentation) have a significant mediating effect on the relationship between human capital and social innovative capabilities.

H6: OLC (Dialogue and knowledge transfer) will have a significant mediating effect on the relationship between human capital and social innovative capabilities

Table 10 Mediation Analysis

**Table 7a**

4.10 Mediation Analysis: Regression Analysis

	<i>Coeff</i>	<i>se</i>	<i>t</i>	<i>p</i>	<i>LLCI</i>	<i>ULLC</i>
1. Constant	-.9346	.5089	-1.8367	.0677	-1.9379	.0687
Human Capital	1.2334	.1382	8.9280	.0000	.9610	1.5058
2. Constant	1.4685	.4689	3.1319	.0020	.5439	2.3930
Human Capital	-.2740	.1490	-1.8392	.0674	-.5678	.0198

OLC (Dialogue and Knowledge Transfer)	.8417	.0641	13.1227	.0000	.7152	.9682
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LLCI= Lower Limit Confidence Interval, ULCI= Upper Limit Confidence Interval

The above table 7a indicates that in the first simple regression model, human capital is a significant predictor of OLC (Dialogue and Knowledge Transfer) ( $b = 1.2334$ ,  $se = .1382$ ,  $p < .001$ ). This coefficient shows the direct effect of human capital on OLC (Dialogue and Knowledge Transfer) within the path model. The standardized path coefficient is also provided which is .5310 for the human capital.

In the second regression table, it was indicated that human capital ( $b = -.2740$ ,  $se = .1490$ ,  $p > .05$ ) was not a significant predictor of social innovative capabilities. Whereas, OLC (Dialogue and Knowledge Transfer) ( $b = .8417$ ,  $se = .0641$ ,  $p < .001$ ) was a significant predictor of social innovative capabilities. These coefficients show the direct effects of human capital and OLC (Dialogue and Knowledge Transfer) on social innovative capabilities with the path model. Results also indicate the standardized path coefficients for the model  $-.1071$  and  $.7640$  for the human capital and OLC (Dialogue and Knowledge Transfer) respectively.

Table 11 Direct/Indirect Relationship

**Table 7b**

4.11 Indirect, Direct, and Total Effect of Human Capital and Social Innovative Capabilities

Effect	Effect	Se	LLCI	ULCI
Indirect	1.0382	.1846	.7089	1.4374
Direct	-.2740	.1490	-.5678	.0198
Total	.7641	.1714	.4262	1.1021

It is evident from the above table 7b that there was a statistically significant indirect effect because zero does not lie between the lower level and upper level of the 95 % confidence interval. These results support the hypothesis H5 that Organizational learning capabilities (Dialogue and

Knowledge Transfer) have a significant mediating effect on the relationship between human capital and social innovative capabilities.

Overall stating that organizational learning capabilities have a significant mediating effect on the relationship of both the variables.

## Chapter 5

### 5. Discussion

The following chapter will discuss and explain the obtained results of the study. It will provide reasoning and explanation for the findings and its analysis. It will focus and concentrate on the explanation of the findings in relevance to the existing literature and already found and stated facts by other relevant authors and researchers.

The aim and focus of the study were to state and study the relationship of human capital attributes and social innovation capabilities in the environment of a social enterprise with a mediating role of organizational learning capabilities. As expected, and proposed Human capital attributes have a positive impact on the social innovative capabilities in a social enterprise. Organizational learning capabilities also has positive impact on the relationship of both the variables and mediates the relationship between the independent variable Human Capital attributes and dependent variable social innovative capabilities. These effects and impacts will be further discussed in detail in the following sections. The findings are to some extent in consistent with the already existing literature and studies and support the results of those research studies. The results, however, do confirm and show that focusing and developing the human capital attributes in a social enterprise will have positive outcome on building the social innovative capabilities.

Initially the current study has listed out the objectives and aim of the study which the research was based upon, and the findings were to obtain those objectives.

The research was focused on achieving the following objectives:

1. To understand and determine the impact of Human Capital attributes on the social innovative capabilities,

The findings contradicts to the hypothesis ***Higher education will have a positive relation with Social Innovative capabilities***. In contrast to the already studied and existing literature (Estrin, 2016), it was shown, and stated education predicted that higher education was more impacting towards innovation in the firm or more inclined towards social entrepreneurship. Furthermore, it also contradicts the findings of (Kang & Lee, 2008) who also claims that the higher qualification

of an employee or of a CEO effect positively towards the organization's innovation process and output.

It was showed that higher education played a Vital role in developing innovative strategies and capabilities in social and corporate businesses. however that was not in this study as the higher education showed no significant impact on the determinants of social innovative capabilities. Majorly because there is no specific education degree that focuses on social outcome and mostly people with different educational background and even qualified individuals are hired to work in the social sector because of there is no surplus of required individuals who prefer other sectors as more compatible. This theory is supported by the evidence and claims of (Kickul, 2018) who developed a design thinking approach for educators in social enterprise field who be formed into social entrepreneurship education. The research developed a conceptual framework and added four main themes in social entrepreneurship education for better formation of different social ventures; one of the main themes being, innovation. This theory and findings state that relevant social entrepreneurship education is more relevant and impactful in terms of building innovation capabilities and even other features in a social enterprise. The relevant field of education proves to be having a more positive outcome rather than high education and knowledge in other fields.

The findings confirm to the hypothesis ***Firm specific Experience will have a significant relation with Social Innovative capabilities.*** The hypothesis supported the claims and is consistent with the findings of (Hoffman et al, 1998; Mckenzie & Woodraff, 2009; Bala Subrahmnay, 2011; Faloye Olaleye Dotan 2015) who argued that prior firm specific experience in an individual tends to facilitate the process of innovation in small scale organizations. Similarly, it is also supported by the very recent claims and study conducted by (Rahman, 2021) who claims that firm specific factors including the factor of firm specific experience have positive impact on small and medium sized enterprises in India. Firm specific experience had a positive impact on the social capabilities; intention to innovate, co-creation of social innovation and democratic management. Thus, this hypothesis was accepted during the study and it showed that specially individuals with relative firm specific working in the social sector are more likely to develop their social innovative capabilities, because they are more experienced with how the firm works and have similar prior working experience , those individuals have better knowledge and understanding of the operations which creates a better intention to innovate and are more co create different innovative methods to

develop the business and take positive gains from it as compared to individuals to have less understanding of how the business operations work. They obviously require greater time and effort to come with ideas for the firm to develop in the market as compares to the ones already with the experience who proves to be a better asset for the company. This indicating that individuals with specific firm experience are a better fit to the concerned company as compared to individuals with non-specific but greater number of years experience .

The findings confirm the hypothesis ***Firm specific knowledge will have a positive significant relation with Social Innovative Capabilities.*** The study had confirmed that firm specific knowledge a positive impact and a significant with the social innovative capabilities especially with the capability of co-creation and intention to innovate. (Jantunen ,2005) claimed that through knowledge sharing and having relevant information among groups of employees resulted in superior forms of innovation. This claim is further supported by the study (Wang,2012) which states that having relevant knowledge and information in a group actually not only builds innovation capabilities but also determines the level of innovation. Choi et al. (2016), as well states that specific know how of an organization's activities and as well other factors such as the market and environment helps build better innovative strategies. This supports the current findings.

The results consequently also showed that the firm specific knowledge and skills even though does positively impacts the social innovative capabilities but not to a much greater extent. Considering the environment that a social enterprise operates in, it is linked to multiple shareholders and also the market. As much as good knowledge and skills are required regarding the firm itself , it is also very important to have knowledge regarding the stakeholders involved which eventually impacts the firm's decision and output in different matters. Indicating that having firm specific knowledge and skills is as important as having the knowledge of the stakeholders the firm operates in and even the market itself.

The second objective of the study was:

2. To examine the mediating role of Organizational learning capabilities between Human capital attributes and Social innovative Capabilities

The findings support the hypothesis,

***H4: OLC will be positively related with the Social Innovative Capabilities.***

***H4a: OLC (experimentation) will have a positive mediating effect on the relationship between Human Capital and Social innovative capabilities***

***H4b: OLC (Dialogue and knowledge transfer) will have a significant mediating effect on the relationship between Human Capital and Social innovative capabilities***

The findings of the study support the claims and is consistent with the past literature which claimed that knowledge conversion and information transfer has positive outcome on the social innovation in a social enterprise. (Mention and Bontis, 2013) has stated in the study that knowledge in combination with subsequent training stimulates relevant experience and expertise which results in development of social innovation strategies in a company. Knowledge sharing is considered a driving force for innovation which enhances through expertise and know how in the relevant field (Liao et al., 2008; Gonsel et al., 2011). (Seelos and Mair,2012) has also focused on the importance for organizations and social enterprises to develop capabilities such as knowledge management which is often evolved through relevant dialogue between groups of individuals which externally enhances the capability to positive social innovation.

Similarly, trial and error method enhance the skills and capabilities for different innovative strategies and also builds tolerance for failure (Chiva et al., 2007). Experimentation has been studied and stated that with constant risk-taking procedures it implies that a firm is focused towards developing sustainable and creative ideas for the society and as well as the well-being of individuals.

The study shows that organizational learning capabilities plays mediating role and has an effect on the relation between human capital attributes and social innovative capabilities. Experimentation as one of the organizational learning capability that was taken to study in relevance to both the variables, indicating that to build and develop better social innovative capabilities, there should also be strategies to build better organizational learning capabilities so that the impact and output is greater. Similarly, there should be open dialogue and open communication and knowledge transfer between departments and different hierarchy levels so that this process enhances the overall knowledge and understanding of the individual working in the organization, and they come



up with more innovative development plans for the firm. Organizational learning capabilities indirectly impacts the overall the relation which indicates that firm needs to embed this in the organization first, so that with time and frequent experimentation with the individuals and open communication system , the firm will strategically form this sort of environment in the organization that promotes social innovative ideas and develops social innovative capabilities as well alongside.

## Chapter 6

### 6. Conclusion

The final chapter of the study will focus on the theoretical and practical contributions and implications of the research based on the gathered data and information.

#### 6.1 Theoretical and Practical Implication

The study has contributed towards the literature of social innovation capabilities in social enterprises. There was a significant gap in literature and study on the development of social innovative capabilities in the social sector of a market. The social entrepreneurship is a rising phenomena compared to other types of entrepreneurial ventures due to the rising needs and awareness of social welfare. It also contributes towards the literature and theory of organizational learning capabilities which could enhance the and add value to the social innovation capabilities. The research contributes towards social entrepreneurship education adding more variables and phenomena to study and focus on. It shifts the focus from general high education towards more selective and field related education which proves to be more beneficial and has a greater and more positive outcome.

The study has broadened the scope of different factors that need to be studied to have a better understanding of how a social enterprise can develop and prosper better.

The purpose of this study was to basically develop social entrepreneurial sector of Pakistan in relevance to developing the human capital to the firm. In order for the social sector to be more competitive in the market, it needs to be up to date to the trend and needs to develop an efficient and effective human capital and resources so that it could compete and survive in the market. Comparatively, very less social enterprises are actively working in Pakistan and this sector seems to be most avoided majorly because of lack of efficient workforce who are responsible for strategically developing the firm. As the world progresses, social sector is the one gaining the most recognition worldwide, however, that sector remains very underdeveloped in our country. This study focus was to initially help and create a better understanding of how our social sector can be developed taking in account some of the most valuable and important variables. The study showed that which elements are to be taken in to consideration when hiring the individuals and when

developing their skills and how to create a better environment in the organization which would have a positive impact on the workforce and would sharpen their work. Human Resource is considered one of the most important and crucial assets of any organization for that matter. The success and failure of any organization in the market majorly depends on how the effective and efficient the workforce of that company is. To build a sustainable sector and organization, the firm's first and foremost purpose should be to build and develop a better workforce. The better the workforce is, the better the organization will operate and survive. In the case of social sector developing and working on the skills and knowledge of individuals, they will prove to be a better asset of the company as it will enhance their multiple compatibilities.

## 6.2 Limitations of the study

This study however, only took in consideration certain variables and their effect. There are various more variables and elements in the social sector that need consideration and study to see how social sector can be more developed. Future studies should focus on the strategically building of the human resource in the social sector and what that element can add on to the development, there should also be comparative analysis of the social sector in the west and east to determine the areas where we lack and strategies, we can adopt to earn a more sustainable place in the market. Various pilots studies can be done and different case studies should also be studied to create a better and clear understanding of how the social sector operates and what areas can be worked upon. More qualitative research could be done specially on the successful social enterprises working in Pakistan to give a better and in-depth insight of the business.

## 6.3 Conclusion

The aim of the research was to study the relationship between human capital attributes and social innovative capabilities with the mediating role of organizational learning capabilities in social enterprises in the social sector of Pakistan.

The focus was to provide a comprehensive idea and information on how to build innovative capabilities and what factors can contribute in building and developing those capabilities in a more profound way so that the enterprise could be competitive in the market.

The study has tested and confirmed the different constructs and relations between the defined variables. The role of the mediating variable has identified as it mediates the relation in a positive outcome between both the defined variables.

The study contributes to both, the literature and theory and also towards practical implications that the social sector or social enterprises in Pakistan or worldwide can adopt or even test with additional factors.

The limitations can be considered for future and further studies which can target the gap both in practical and theoretical terms.

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## Appendix A

### RESEARCH QUESTIONNAIRE

Dear Respondent,

I am a student of MS Human Resource Management at NUST Islamabad. I am conducting a study on the impact of human capital attributes on the social innovative capabilities in social enterprises with the mediating role of organizational learning capabilities.

Your participation in this survey will be highly appreciated and it is assured that the data collected will be used solely for the research purposes and the identity of the candidates participating will be kept confidential.

**Please fill in the below information.**

Name:

Gender: Male/Female

Age: 20-30 yrs.  
30-40 yrs.  
40 above

Education: High School  
Associate Degree  
Bachelor's Degree  
Master's Degree  
PHD

Name of the Organization:

Position (optional):

**Please read the following statements and tick the appropriate box.**

SA= Strongly agree

A= Agree

N= Neutral

D= Disagree

SD= Strongly disagree

<b><u>Human Capital</u></b>	SA	A	N	D	SD
Our employees are highly skilled					
Our employees are creative and bright					
Our employees develop new ideas and knowledge.					
Effective execution of this business process generally requires tacit knowledge acquired through experience in our firm.					
Workers need a deeper understanding of our firm and customers to be effective in executing this business process					
There is a need for significant firm-specific training for a new employee to effectively execute this business process, even when he or she has general experience in our industry					
To run this business process effectively, workers have to spend a lot of time and effort learning the ins and outs of our firm.					
We have created a stable workforce so that our employees can build better skills					
We promote comprehensive quality education and training of our employees					
We have an education plan where more than 5 percent of an employee's time is devoted to training.					
My hands-on experiences in creating products/services similar to my forthcoming business.					
My knowledge of products/services similar to that of my forthcoming business.					
My knowledge of specific standards are similar that my forthcoming product/service would need to meet.					
Our human resources are specialized on their jobs					
Employees are always producing new ideas and knowledge					
<b><u>Organizational Learning Capabilities</u></b>					
People here receive support and encouragement when presenting new ideas					
Innovation often receives a favourable response here, so people feel encouraged to generate new ideas					



Experiences and ideas provided by external sources (advisors, customers, training firms, etc.) are considered a useful instrument for this firm's learning					
This firm promotes experimentation and innovation as a way of improving the work processes.					
This firm follows up what other firms in the sector are doing, adopting those practices and techniques it believes to be useful and interesting.					
Part of this firm's culture is that employees can express their opinions and make suggestions regarding the procedures and methods in place for carrying out tasks					
In this Organization, teamwork is a usual way to work					
Employees have the chance to talk among themselves about new ideas, programs, and activities that might be of use to the firm.					
New work processes that may be useful to the organization as a whole are usually shared with all employees.					
The firm has instruments (manuals, databases, files, organizational routines, etc.) that allow what has been learnt in past situations to remain valid, although the employees are no longer the same					
Errors and failures are always discussed and analyzed in this firm, on all levels.					
Employees are encouraged to communicate					
There is a free and open communication within my work group					
Managers facilitate communication					
Cross-functional teamwork is a common practice in this organization					
<b><u>Determinants Factors of Social Innovation Capability</u></b>					
The vision of the future about how the organization develops itself with innovation is shared among employees					
Innovation is embedded in the organizational strategy					
Employees have autonomy to solve problems related to the work.					
Employees are encouraged to create ideas to improve the organization's services, products and / or projects					
The organizational structure facilitates communication.					
People benefiting from innovation participate in the creation of innovation.					
People benefiting from innovation participate in innovation management.					
The organization works together with the beneficiaries in the development of new services, products and / or projects.					
The organization routinely allocates its own resources to innovative projects or initiatives.					
The organization captures innovation opportunities outside its border through partnerships with other organizations.					

The organization actively participates in communities that foster the exchange of experiences in innovation with a focus on social impact.					
The organization's partnerships provide information relevant to innovation beyond its boundary.					

## Appendix B

Gender  
205 responses

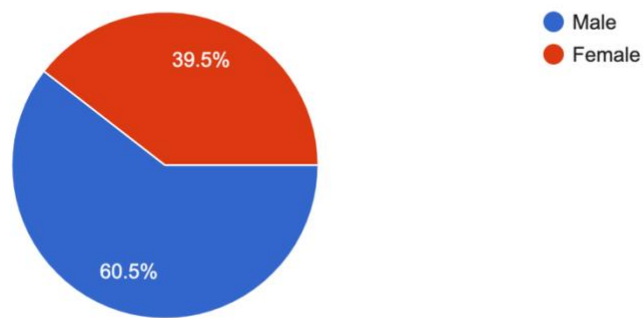


Fig.1

Education  
205 responses

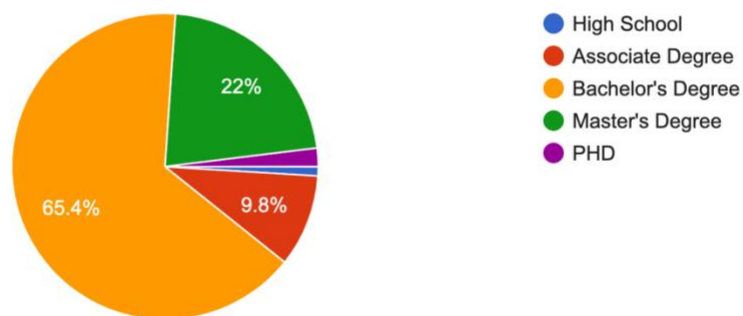


Fig. 2

