

[01043] TERRITORIAL INNOVATION, SOCIAL VENTURES AND LOCAL DEVELOPMENT: AN EXPLORATORY CASE STUDY

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ABSTRACT

Social innovation is recognized as an important driver of growth and social value creation. Social innovative strategies are often pursued at the local level, by (social) organizations which have a more comprehensive knowledge of the complex social problems that a specific community is facing. The objective of the present study is to analyse the extent to which innovative social ventures are able to contribute to local development. By means of a qualitative approach, based on the case study method, we attempt to illustrate the innovative strategies conceived on the ground by a social venture specifically created to foster the local development of its inhabitants. The results shows that social innovation is a viable strategy to revitalize the economic growth of a region, through the creation of local employment on the basis of village's traditional activities that are redefined in a new and competitive way. However, to be successful the strategy demands the deep knowledge of existing social problems as well as the availability of endogenous local resources and capabilities that could be used by social entrepreneurs. Therefore, social innovation ensures that local development and social cohesion are achieved in a sustainable way, at the same time that cultural and environmental heritage are also preserved.

Keywords: Social innovation, social ventures, social entrepreneurship, endogenous development, regional resources and capabilities.

INOVAÇÃO TERRITORIAL, INICIATIVAS SOCIAIS E DESENVOLVIMENTO LOCAL: UM ESTUDO DE CASO EXPLORATÓRIO

RESUMO

A inovação social é reconhecida como um importante instrumento de crescimento e de criação de valor social. As estratégias de inovação social são frequentemente prosseguidas ao nível local por organizações (sociais) que detêm um maior conhecimento da complexidade dos problemas sociais que uma comunidade enfrenta. O objetivo deste estudo é o de analisar em que medida as iniciativas sociais inovadoras são capazes de contribuir para o desenvolvimento local. Pelo uso de uma metodologia qualitativa, baseada no método do estudo de caso, procura-se ilustrar as estratégias inovadoras que desenhadas a partir do caso concreto de uma iniciativa social especificamente criada para promover o desenvolvimento local dos seus habitantes. Os resultados mostram que a inovação social é uma estratégia viável de revitalização do crescimento económico de uma região, através da criação de emprego local sustentado nas atividades tradicionais que foram redesenhadas de uma forma nova e mais competitiva. Contudo, para esta estratégia ter sucesso é necessário haver um profundo conhecimento dos problemas sociais existentes, bem como dispor de recursos e capacidades locais endógenos que possam ser usados pelos empreendedores sociais. Neste sentido, a inovação social assegura que o desenvolvimento local e a coesão social sejam atingidos de forma sustentável, ao mesmo tempo que a herança cultural e ambiental é também preservada.

Palavras-chave: Inovação social, iniciativas sociais, empreendedorismo social, desenvolvimento endógeno, recursos e capacidades locais.

1. INTRODUCTION

Innovation is one of the main causes of economic growth, while the social entrepreneur is the main driver of social innovation in modern economies. Today challenges have taken on an increasingly social dimension and innovative responses to problems and needs should be imagined and initiated on the ground by the social entrepreneur (Hoogendoorn & Hartog, 2011).

Some of the most prominent societal challenges is the increasing unemployment that is often linked to increased crime and social exclusion, with long-lasting consequences not only for those losing their jobs, but also for their children who have fewer opportunities in society (European Communities, 2011). Social innovation plays a central role in solving new societal problems. The emergence of social actors' initiatives to satisfy social specific needs and offer solutions to different problems derives mostly from the employment crisis and the reshaping of State interventions (Bouchard, 2011).

A growing number of institutions and local entities have adopted social innovation as an instrument of political action with respect to employment, to intergenerational population stability, to economic development and sustainability, and other social issues. In the policy of the European Union the social innovation is mentioned as a strategic element of a Europe more intelligent, sustainable and inclusive and a response for the social challenges of the internal market.

These new strategies are pursued at the local level not only by domestic governments and local authorities (largely supported by European funds), but also by not-for-profit and private organizations (through initiatives of corporate social responsibility). The objective focuses largely on local problems, where proximity is a critical factor to identify and evaluate the problems and to improve efficiency in the actions taken. These actions relate to the dynamism of the social system, the vitality of the formal and informal local social ecosystem and the emergence of new forms of intervention adopted by local organizations.

Innovative responses to problems and needs have been published in the form of research reports of various international organizations (e.g. European Commission) and foundations (e.g. Young Foundation) (Choi & Majundar, 2015). To our best knowledge, academic research on the role of social innovation on the local development is scant. Therefore, the analyses of paradigmatic case studies by academics at the operational level could enhance our knowledge base to better understand the mechanisms of social innovation in underdeveloped regions. In this context, a number of benefits can be drawn from this research. First, the present study adds to academic empirical knowledge by assessing the extent to which members of the community manage to launch new ventures that take advantage of the resources and capabilities of the territory to create sustainable businesses, create new jobs and maintain traditional know-how. Second, it helps identify the specific role of social innovation originating from a small and underdeveloped region, but with potential for local economic development from below. Specifically, the research focuses on the characteristics of the territory (culture, natural and social heritage, etc.) and the local community where the inhabitants jointly decide on the products to be offered and the tourist attractions to be implemented in order to achieve a competitive and sustainable advantage in the market.

Third, from a regional perspective, the study provides both social entrepreneurs and public policy makers with valuable information on how to deal with problems and issues emerging from the entrepreneurs' resource allocation decisions.

The paper begins to discuss the notion of social innovation and explain how it can be used as an analytical framework to understand the launch of new social ventures in underdeveloped regions. The next section describes the dynamic capabilities of the territory and analyzes how the management of resources contributes to sustain the competitive advantage and was affected by the characteristics of the territory. It then explains the case study methodology employed. Subsequently, the Cooperative Terra Chã from the point of view of social innovation is examined and the research findings are presented and discussed with the emphasis placed on managerial implications. Finally, the conclusion section develops recommendations for social entrepreneurs and policy makers.

2. SOCIAL INNOVATION

The upsurge of social innovation among researchers has not been accompanied by consensus in the literature regarding the scope and dimensionality of the concept. From an institutional point of view, social innovation is about "new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations" (European Communities, 2011, p. 9). According to OCDE (2010), social innovation seeks new answers to social problems by: i) identifying and delivering new services that improve the quality of life of individuals and communities; ii) identifying and implementing new labor market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce.

From an academic perspective social innovation is a "creative process, mostly collective, driven by the purpose of social utility that tries to establish a link between knowledge and competences of various actors in order to obtain a certain level of well-being starting from a community that plays the role of disseminator" (Guida & Maiolini, 2014:15). Clarence (2014:47) defines social innovation as looking for new ideas and ways of working to meet unmet needs, involving concepts, products, and organisations to address social problems and challenges. Social innovations usually happen by trial and error, learning-by-doing, and exchanging ideas within groups where exchange of opinions assures new ways of doing things.

The key distinction between social innovation and other types of innovation (commercial and technological) is that social innovation is oriented to the social and public good and not to the market (Edwards-Schachter, Matti & Alcântara, 2012). Another difference occurs both in its outcomes and in its relationships, and in the new forms of cooperation and collaboration that it brings (Murray, Caulier-Grice & Mulgan, 2010). As Phills, Deiglmeier and Miller

(2008) pointed out social innovation is any novel and useful solution to a social need or problem, that is better than existing approaches (i.e., more effective, efficient, sustainable, or just) and for which the value created (benefits) accrues primarily to society as a whole rather than private individuals. According to Phills *et al.* (2008) the microfinance and the fair trade examples could illustrate the prior definition. Novy and Leubolt (2005) state that social innovation mainly stems from the satisfaction of basic human needs; an increased level of political participation from deprived groups; and increasing the socio-political capacity and access to resources needed to enhance rights to enable satisfaction of human needs and participation.

One important contribution for the study of social innovation derives from the review of 49 studies conducted by members of CRISES (Tardif & Harrison, 2005). The analysis found five common dimensions: transformations, innovative character, characteristics of innovation, actors involved, and process of developing the innovation (Klein, Fontan, Harrisson & Levesque, 2012; Maurer & Silva, 2014). The dimension transformation refers to the context in which the innovation is developed and includes three aspects: i) macro and micro contexts with the identification of crisis, ruptures, discontinuities and facts that force people to rethink their actions and develop new solutions for times of social and economic crises; ii) territorial contexts (local, regional and national) that are adapted or developed to promote change in production, consumption and work relations; iii) social context with the identification of problematic contexts in social structures (e.g. marginalization, socioeconomic exclusion). The second dimension refers to the innovative character which indicates the central role of social action as a source of innovation in a given territory, since actors are induced to search for innovative solutions to problems they identify in their context.

The third dimension comprises the types of innovation (technical, socio-technical, social, organizational and institutional), their scale (local or localized innovations) and purposes (individual, collective, general, or common good). The fourth dimension includes the actors (individuals, organizations, institutions and intermediaries) involved in the social innovation process. The individuals comprise civil society, cooperative movements, associations and unions. The organizations can be companies, social economy organizations, collective organizations and beneficiaries. Institutions are understood as the state as well as established norms, values and identity. Lastly, the intermediaries arise from the interaction among the different actors, and committees, social networks, alliances and innovation networks, represent them. The fifth dimension refers to processes, and it involves three elements: i) methods of coordination indicate the way in which the actors interact and structure the process of social innovation, and how they share and disseminate information, knowledge and practices as they develop social innovations; ii) modes of implementation encompasses cooperation, partnerships, integration, negotiation, and diffusion, among others; iii) constraints includes complexity, resistance, tensions and uncertainties among the actors when faced with something new.

Social innovation is accelerated by the pressures caused by societal changes (Moulaert, MacCallum & Hiller, 2013). In the words of the same authors (2013, p. 14) social innovations could be understand as “reformist ‘solutions’ for the scarcity of the resources in the welfare state” and as a “reformist approach to solve social problems”. Thus, social innovation increases the satisfaction of social needs such as exclusion, deprivation, alienation, lack of wellbeing and allows to attain significant higher wellbeing and human progress, as well as development. In this sense, social innovation is seen as a kind of innovation, characterized by its intentionality, which evolves by reshaping the society and aspire to bring more effective and efficient solutions to social problems (Franz, Hochgerner & Howaldt, 2012).

Klein (2013, p. 9) argues that social innovation is seen as a “tool box that could provide rapid solutions to pressing problems”, of the most vulnerable segments of society. But it is also considered as a way to foster social cohesion of territories, being able to positively contribute to social, spatial and ecological development, at the same time that recognize the principle of social justice (Dyck & Broeck, 2013). As stated by OECD (2014, p. 148) “innovation can make a substantial contribution to dealing with social challenges such as poverty, ageing, social exclusion and health”. Therefore, innovation is considered as an important driver of growth, whilst it plays a key role in shaping inequalities and in helping to support well-being (OECD, 2014). As stressed by Cosseta and Palumbo (2014) innovation is considered as the unique antidote to the crisis and the inequality that exists in the society.

Opportunities for social innovation are shaped by historical circumstances (Mulgan, 2012). Social innovation is highly contextual and path dependent, since it is strongly embedded in the social-cultural and social-political context (Moulaert *et al.*, 2013). Also, it is socio-spatially embedded and time bound as it is closely interlinked with the stakeholder ecosystem and embedded in local systems and territorial networks (Cosseta & Plumbo, 2014; Moulaert *et al.*, 2013). Therefore, as stressed by Dyck and Broeck (2013), innovation should be conceived under their spatial-historical context, taking into account the material territoriality, as well as the social dimension of

territories. Furthermore, social innovation can emerge from the actions taken by communities in order to alleviate social, political and/or material issues (Moulaert *et al.*, 2013).

3. TERRITORIAL INNOVATION MODELS

The external environment matters for success in innovative activity and is at least as important as internal factors (Porter, 2001). An attractive environment for innovation, such as university-industry linkages or a large pool of highly qualified workers, depends markedly from the characteristics of a territory. A wide variety of territorial innovation models have emphasized the characteristics of the territory as a place for innovation. The basic idea is that the geographical space links the “software” of the entrepreneur to their “hardware” – made up of the social community, the formal and informal institutions, and the tangible and intangible infrastructures that exists on its territory (Leoncini & Montresor, 2008).

The theory of the **innovative milieu** argued that firms have a support space constituted around three types of relations: i) qualified or privileged relations with regard to the organization of productive factors; ii) strategic relations between the firm, its partners, suppliers and clients; iii) strategic relations with agents belonging to the territorial environment (Aydalot, 1986; Moulaert & Sekia, 2003; Camagni & Maillat, 2006; Santos & Simões, 2014). The GREMI (Groupe de Recherche sur les Milieux Innovateurs) studies have empirically demonstrated the existence of a dynamic and located productive system in different regions and countries (Camagni, 1991; Maillat & Perrin, 1992).

Building on a new interpretation on Marshall’s work, Becattini (1990; 2015) develops the Marshallian **industrial district** concept as a socio-territorial entity which is characterized by the active presence of both a community of people and a population of firms in one naturally and historically bounded area (Becattini, 1990; Sforzi, 2015). The concept postulates that economic change forms concretely within and between places, and so is a socio-economic place-based process (Santos & Simões, 2014; Sforzi & Boix, 2015). The concept of industrial district has been supported empirically indicating the importance of the place within various types of localities, like countries, regions, big cities and rural areas (Pike, Becattini & Sengenberger, 1990; Sengenberger, Loveman & Piore, 1990; Pike & Sengenberger, 1992; Benko & Lipietz, 1992; Bellandi & Propis, 2015).

The **local innovation system** is a generalization of the Industrial District view of local economic development (Moulaert & Sekia, 2003). It is characterized by the territorial proximity of productive units (firms, plants, services suppliers, R&D centers, training institutions) interlinked in different forms (formal and informal, material and immaterial, market and non-market). The industrialization is perceived as a process occurring in urban or rural areas with an explicit artisan tradition (Courlet, 2008). The results of the empirical evidence has emphasized the factors on which local productive systems based its reproduction and renovation, such as external economies, non transferable knowledge, specific forms of regulation, and strong local identity (Courlet & Pecquer, 1992; Moulaert & Sekia, 2003; European Union, 2014; Ferreti & Parmentola, 2015).

Using the industrial district perspective, the **new industrial spaces** paradigm goes beyond the agglomerated production systems, by encompassing: i) the coordination of inter-firm transactions and the dynamics of entrepreneurial activity; ii) the organization of local labor markets and social reproduction of workers; and iii) the dynamics of community formation and social reproduction (Moulaert & Sekia, 2003; Gathfield & Yang, 2006). The research of Scott (1988, 2014) leads to the identification of new industrial spaces in North America, Western Europe and Norway (Isaksen, 1994).

According to Porter (1988) a cluster is a geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (for example, universities, standards agencies, and trade associations) in particular fields that compete but also cooperate. Following the new industrial spaces literature, the **cluster of innovation approach** reinforces the role of local institutions and culture as well as industrial structure and corporate organization for economic performance (Moulaert & Sekia, 2003). A large number of studies identify clusters all over the world in different industries (Enright & Roberts, 2001; Feser, 2002; European Communities, 2008, Potter & Miranda, 2009; Chatterji, Glaeser & Kerr, 2013).

The concept of **regional innovation systems** has no commonly accepted definitions, but usually is understood as a set of interacting private and public interests, formal institutions and other organizations that function according to organizational and institutional arrangements and relationships conducive to the generation, use and dissemination of knowledge (Doloreux, 2003). The theory stresses the role of collective learning based on deep cooperative relationships between members of the system (Moulaert & Sekia, 2003). This learning process combined with firm-specific competences can lead to regional competitive advantages if they are based on localized capabilities such as specialized resources, skills, institutions and shared common social and cultural values (Braczyk, Cooke & Heidenreich, 1998; Doloreux, 2002; Santos & Simões, 2014). Cooke and Morgan (1994) identify a regional

innovation system in Baden-Württemberg; Diez (2002) in the metropolitan areas of Barcelona, Stockholm, and Vienna; and Doloreux (2003) in Beauce in Québec (Canada).

Drawing on the work of evolutionary political economy, **learning regions** provide the crucial inputs required for knowledge-intensive economic organization to flourish: a manufacturing infrastructure of interconnected vendors and suppliers; a human infrastructure that can produce knowledge workers, facilitates the development of a team orientation, and which is organized around life-long learning; a physical and communication infrastructure which facilitates and supports constant sharing of information, electronic exchange of data and information, just-in-time delivery of goods and services, and integration into the global economy; and capital allocation and industrial governance systems attuned to the needs of knowledge-intensive organizations (Florida, 1995; Morgan, 1997; Santos & Simões, 2014). Some empirical evidence of learning regions could be found in the technology districts of France, Italy and United States (Storper, 2007).

In brief, the aforementioned theoretical approaches considered different types of territory. For the innovative milieu and the local production systems approaches, the territory is a support space where agents modify their behavior according to the changes in the environment. On the contrary, the industrial district paradigm had a limited space view of the environment that it is seen as a source of constraints and opportunities to whom agents must react. For the regional innovation systems and the learning region theories, the inside specific relations with the environment constraints are emphasized. Finally, the new industrial spaces model underlined the dynamics of community formation and social reproduction. In this sense the dynamic capabilities of the territory are what make entrepreneurs capable to interact with their hosting environments, and running a process which depends, not only on their learning capacity, but also on their hosting environment – especially the territorial one – and their constituting resources – especially the human ones (Leoncini & Montresor, 2008).

4. SOCIAL ENTREPRENEURS AND OPPORTUNITY RECOGNITION

Opportunities are seen as a core element of the entrepreneurial behaviour as entrepreneurs do not have to trigger changes in the external context, but rather to be able to identify and exploit the existing environmental changes (Drucker, 1985). According to Austin, Stevenson and Wei-Skillern (2006, p. 6) opportunity relates to “the desired future state that is different from the present and the belief that the achievement of that state is possible”. Also, opportunities can be seen as a result from a set of circumstances that make possible a specific course of action (Cajaiba-Santana, 2010).

In addition, opportunities could be formed or found. The first one relates to opportunities in which the entrepreneur plays an active role in creating and developing a market disequilibrium. Found opportunities, on the other hand, relates to pre-existing opportunities which the entrepreneur discovers and decides to exploit it (Hechavarría & Welter, 2015). The same authors argue that both types of opportunities (formed or found) are not mutually exclusive but rather complementary, since they address different aspects of the opportunity formation–recognition–exploitation process. Notwithstanding, Hechavarría and Welter’s (2015) empirical research shows that social entrepreneurs pursuing formed opportunities are less likely to be innovative (comparing with opportunities that are not formed).

The recognition of existing opportunities is fostered by the individuals’ entrepreneurial alertness, expertise, experience and absorptive capacity (Kirzner, 1979; Hechavarría & Welter, 2015). Further, opportunities recognition and creation also emerge from the entrepreneur’s knowledge, cognitions and behaviours and from his/her interaction with the environment (Hechavarría & Welter, 2015).

According to Austin *et al.* (2006), opportunities could emerge from the recognition of an existing social need (that is not being effectively faced) or from the identification of a new social issue. As mentioned by Schumpeter (1934), the economies run in a continuous disequilibrium, in which external variables are able to rise new opportunities. The entrepreneurs’ alertness (Kirzner, 1979) makes possible he/she cope effectively with the external changes. Several authors (Alvarez & Busenitz, 2001; Guclu, Dees & Anderson, 2002; Popoviciu & Popoviciu, 2011) conclude that this spirit of alertness allow the social entrepreneur to: i) be aware of new opportunities likely to produce a positive social impact; ii) judge and recognize an opportunity as it arises; and (iii) recognize and formulate the most suitable strategy to handle the opportunity.

Shane and Venkataraman (2000) indicate that even though opportunities, by itself, are an objective issue, the opportunity recognition process is diffuse and subjective since it is built upon different beliefs that individuals have about the outcome that the resources applied in a strategy are be able to produce. Then, the opportunity recognition could arise from *inter alia*:

- Something that disturbs the social entrepreneur or that he/she would like to change (Guclu *et al.*, 2002; Yunus, 2008);

- Social entrepreneur's personal values (Guclu *et al.*, 2002);
- Personal and professional experiences, such as education, hobbies or professional background (Corner & Ho, 2010; Guclu *et al.*, 2002; Light, 2006);
- Social entrepreneurs' social network (Ármannsdóttir, 2011; Dorado, 2006);
- The specific features of a given community and its social and institutional support (Light, 2006, 2008; Mulgan, Tucker, Ali & Sanders, 2007);
- The external environment, that shapes opportunities' nature and outcome (Austin *et al.*, 2006; Popoviciu & Popoviciu, 2011).

As we can observe, opportunities are a construction that result from the interaction of an individual, the way he/she perceive the opportunity and the surrounding community (Cajaiba-Santana, 2010; Trivedi & Stokols, 2011).

The characteristics of a particular territory can affect the person's creative capacity and the likelihood for social innovation. The place where a person lives affects the degree to which the person will accept novel ideas and resources will be available to support creative solutions. It affects the person's access to particular kinds of information, learning opportunities, or problems that need solution. The recognition of opportunities in the territory for social innovation derives from the prior knowledge of the social needs of a specific community and the prior knowledge accumulated by the entrepreneur (Patzelt & Sheperd, 2011).

Prior knowledge of potential sources of poverty in the community can led individuals to recognize opportunities for social innovation. Knowledge about what constitutes the culture and history of specific communities can led to the discovery of new products or services, and knowledge of certain places could led to the recognition of opportunities to develop new social ventures. Differences in knowledge may explain differences in individuals' attention toward aspects of the community, and thus their recognition of social innovation opportunities. Individuals will attend to those opportunities related to their own knowledge for a given aspect of their community. For example, based on prior knowledge, social entrepreneurs will more likely focus attention on opportunities for social innovation in the environment, than commercial entrepreneurs. As Patzelt and Sheperd (2011) state the greater prior entrepreneurs' knowledge of the community they live, the more likely they will recognize an opportunity for social innovation.

The prior entrepreneurial knowledge is also important for the recognition of social innovation opportunities. Indeed, prior knowledge about social problems can trigger the recognition of social innovation opportunities. The more knowledge of these problems individuals has, the more likely they will recognize an opportunity for social innovation that addresses the community problems (von Hippel, 1988; 2005). Recognizing an entrepreneurial opportunity to sustain the community requires that individuals connect their prior knowledge of the community with their prior knowledge of social problems. For example, consider a social entrepreneur who has discovered a new service to the older people. This individual will only recognize a social innovation if he/she also knows about a potential group of older people where the new service can be used. Knowledge about the community and ways to serve it is a prerequisite for him/her to develop a belief that the newly discovered service can contribute to the community because it will be accepted by older people. If the social entrepreneur has little knowledge about the community he/she will be ignorant about specific opportunities to deliver the service to potential groups of people and is unlikely to recognize this innovation as an opportunity to improve the quality of life of the older people that lives in a certain community. According to Patzelt and Sheperd (2011), the positive relationship between entrepreneurs' knowledge of the community and the likelihood of recognizing an opportunity for social innovation is stronger when their entrepreneurial knowledge is high than when their entrepreneurial knowledge is low.

In brief, social entrepreneurs can create new social ventures and then promote local economic development when they are capable of recognizing opportunities in the community where they live and have previous entrepreneurial knowledge.

The discovery of entrepreneurial opportunities yields economic and social gains for people and the society in which they live. For example, an individual may recognize an opportunity for a new service that can be introduced to the community by starting a new social organization. If this new social organization succeeds, it develops social gains for the society (e.g., creates new social services), regardless of the individual's role in that social organization and his/her personal economic gain (Patzelt & Sheperd, 2011).

Another important determinant of opportunity recognition is motivation. Motivation to direct attention toward the social needs of the society likely arises when individuals perceive that the quality of life of a certain group or a community is threatened. For example, members of disadvantaged social groups are typically subject to higher unemployment rates than the rest of society. Most of the social support is oriented to attenuate poverty-related social needs, social exclusion and long-term unemployment (Patzelt & Sheperd, 2011).

New venture creation entails two fundamental processes: (i) opportunity perception (or recognition); ii) resource attraction and coordination, normally through new rather than already existing patterns. These two processes are

associated with the role of the entrepreneur, requiring a high degree of pro-activity rather than adaptation or reaction to environmental changes (Iacobucci, 2008). The social entrepreneur's dynamics is a process which involves the local system, the relative socio-economic context and the institutional set-up (Leoncini & Montresor, 2008).

5. METHODOLOGY

The objective of the present study is to examine innovation in a selected successful Portuguese social venture. The aim is to produce knowledge that could be transfer (by emulation or adaptation) to other ventures, social contexts and territories. To achieve this goal, we adopted a case study methodology to obtain valuable insights about the different characteristics and strategies pursue by the managers of the social venture. Specifically, we intend to highlight the activities developed by the social organization in response to the needs of particular (micro) segments of the society. The selected case is expected to illustrate which key factors triggered the success of the examined social initiative.

Case study research in some areas, such as social innovation, is a very useful method of gaining insight about well-managed initiatives known for their abilities to innovate and execute and where there is little theory available to serve as a guide (Eisenhardt, 1989; Ghauri, Gronhaugh & Kristianslund, 1995; Yin, 2013). Further, innovation is a social fact driven (Cosseta & Palumbo, 2014) and therefore it should be considered as a process embedded in a given context and society.

One single case design is considered appropriate when we can observe the unique characteristics of the case and gain useful insights about the phenomenon (Ghauri *et al.*, 1995). However, one single case designs are often regarded as somewhat suspect, as heavy sample bias implies problems of external validity (Bryman, 2001). Nonetheless, a basic lack of knowledge about the phenomenon often warrants explorative research based on one single case (Jonsson & Foss, 2011). Also, the use of qualitative methods offers the opportunity to help move the field forward and assist in providing its own theoretical grounding (Doz, 2011). And as Dyer and Wilkins (1991) noted, if executed well, case studies can be extremely powerful (when) authors have described general phenomenon so well that others have little difficulty seeing the same phenomenon in their own experience and research. Dyer and Wilkins (1991) also argue that the ultimate goal of a case study research is to provide a rich description of the social scene, to describe the context in which events occur, and to reveal the deep structure of social behaviour. The qualitative methodology also gives the researcher great freedom, both in case selection and in the choice of information sources and analytical techniques. Such freedom makes it imperative for the researcher to clarify, from the beginning of the investigation, the main goals and structure of the research in order to avoid including unsuitable information.

The structure for the in-depth case study analysis is as follows. First, we provide information about the social venture; then, we examine the dynamic capabilities of the specific territory; finally, we focuses on the main features of the social innovation process and the opportunities generated by the territory. This approach helps to organize data collection and interpretation, and metaphorically serve as a dialogue partner for the data (Jonsson & Foss, 2011). We contribute to the growing need for qualitative research within the social innovation field, and especially on the role of the dynamic capabilities of the territory in the generation of opportunities for social innovation.

The data for this study were collected from two different sources: desk research; and in-depth, semi-structured interviews. These sources were triangulated to improve the accuracy of judgments and strengthen the validity of the results (Ghauri *et al.*, 1995).

Previously, desk research was conducted based on secondary data previously obtained by the authors about Cooperative Terra Chã, as well as information displayed in the site and covered by the statutes of the selected institution. Then, to clarify some aspects of the analysis and enhance the content of the case study, two interviews were conducted with the members responsible for the management of the Cooperative.

The reasons for focusing on this case were: first, it represents a successful social venture developed in one less developed rural area with problems ranging from employment to lack of industries; second, it may serve to explore ideas about the role of small scale social initiatives on the regional development literature. Thus, this case may elucidate the main features of the activities undertaken by the Cooperative that can be used as benchmarks for other social initiatives located in less developed regions.

The two interviews started with open questions about Cooperative and other aspects related with past, present and future projects. As the interviews progressed, the questions gradually became more structured, delving into more precise questions about how the activities were processed. The first interviews take place in July 2013 and the second occurs in March 2016. Both interviews lasted between 30 and 45 min. The data obtained in the interviews was triangulated with the data collected by desk research, which allowed us to control for memory bias.

To analyze the data we followed the structure aforementioned for the case study. In this approach the empirical patterns of the case was detached in order to address the main features related with the territory dynamic capabilities, the generation of opportunities for social innovation and its appropriation by the social entrepreneur.

6. SOCIAL INNOVATION: THE COOPERATIVE TERRA CHÃ – A CASE STUDY ANALYSIS

The case attempts to analyze the dynamics of the territory and simultaneously establish the links between the opportunities for social innovation and the response of the social organization. This is done by evoking the primary data collected in the interviews with privileged observers and the examination of secondary data from several sources.

Aims and social purposes of the social venture

The Cooperative Terra Chã is a multi-sector cooperative, whose main aim is to promote the local development of the village of “Chãos”. It was founded in 2001 and started its economic activity by providing services and supporting local production. Currently, the cooperative’s mission is to create opportunities for wealth generation by innovatively combining agriculture, environment, economy, tourism and culture. Its strategy is to stimulate the economic activity of the village to retain and create jobs for young people. Specifically, the main aims are to create conditions for: i) maintaining the sustainable development of the region, through the conservation of nature, the management of complementarities in the use of the territory and the reduction of internal disparities; ii) enhancing its endogenous potential through meaningful actions conceived to improve the quality of life of the residents and to ensure the correction of severe environmental dysfunctions; and iii) generating multiplier effects and synergies to encourage the diversification of the region’s socio-economic ecosystem.

According to its Statute, the cooperative has the following social purposes (Alves, 2012):

- To perform operations related to the products generated on its farms and to provide various services;
- To develop economic, social and cultural activities;
- To provide advice to local development projects;
- To support the production and marketing of handicrafts;
- To promote projects for environmental improvement and education;
- To promote gender equality;
- To promote and develop individuals’ skills and competences;
- To enhance natural heritage;
- To contribute to the development of a new form of mountain farming, which combines landscape and production quality;
- To promote tourism based on nature as a way to enhance the characteristics of the protected area in which the cooperative operates.

Capabilities of the territory

Chãos is a small village with about 160 inhabitants, surrounded by mountains and inserted in the protected area of the National Park of “Serras de Aire e Candeeiros”, in the municipality of Rio Maior (in the central west coast of Portugal). The majority of the population is working age. Until the early 1990s the population was characterized by a low educational level and a deep knowledge of traditional farming techniques, due to intergenerational transmission of knowledge and to the knowledge built upon their own experience. Thereafter, the level of schooling increased, even in older inhabitants which attended some training programs. Currently most of the young villagers are graduated.

The topography of the region is characterized by a hilly terrain, covered by scarps and outcrops, which confers a vigorous and wild landscape to the territory. The (privileged) location of the village offers a landscape and country view that is particularly adequate to attract domestic and foreign tourists.

Until the 70s, the major economic activity of the village was based on the agriculture and pastoralism that permits the subsistence of the resident families. This was due to the main characteristics of the territory with mountains, fertile lands, forests and the local river (Ribeira de Alcobertas). Since then, other activities have increased its relevance in the surrounding villages, such as the pig and the poultry industry, as well as other activities of the secondary sector like the transformation of natural stone, the civil construction or footwear industry. As a result, most of the families currently have one person that works outside the village, while the rest of the family is self-sufficient in small-scale agriculture.

Over time, and as result of the abandonment of subsistence economy, the original forest coverage was being replaced by other kind of vegetation. Currently, the village is covered in its great extent by crawling vegetation.

The village is located in the largest calcareous area of the country. This feature favors the occurrence of geomorphological processes that led to the appearance of caves and ravines of various dimensions, as well as underground water courses.

Due to the calcareous nature of the soil, rainwater does not remain on the surface and has to be stored in reservoirs (water cisterns). Moreover, water resources are hardly visible on the terrain surface, even though they are abundant on the underground. In fact, the region comprises one of the largest underground reservoir of freshwater in the country. This geological feature resulted in the appearance of a karstic spring, called 'Olho'd'água', which is an important water source typical of calcareous mountains areas.

The caves (Grutas de Alcobertas) have a length of 210 meters and in some places a height of nine meters. The cave's natural features have contributed for the local fauna and have shaped the high diversity of species that inhabit the region.

The cave has been classified as a national monument. In the Upper Palaeolithic they were inhabited by man and some osteological elements and objects of this period of time (with about 15,000 years) have been found there.

Opportunities generated by the territory

The continuous abandonment of subsistence economy and sheep-farming has led to the disappearance of one of the main economic activities of the village and to the modification of its environmental ecosystem.

Through its activity, the cooperative aims to conceive a strategy to answer two main questions (It's our community, 2014): (i) What should be done to keep the village socially, economically and culturally viable, since agriculture is no longer the central activity of the people? (ii) What interventions can be made in a territory whose main competitiveness driver is its location in a Natural Park?

In order to address these social issues, the cooperative has developed several activities, which was grouped into five major sections: (i) accommodation and food services; tourism and nature; (iii) silvo-pastoral activities and environment; (iv) beekeeping; and (v) handicraft.

The Cooperative intended to build an enduring and sustainable advantage that consents to respond to the two main concerns above mentioned in a simultaneous and reinforcing manner. This implies that the Cooperative needs to rebalance the local flora and fauna and, at the same time, make it possible the development of traditional activities with higher quality standards.

One of the species that suffered greatly from the environmental changes observed was the red beaked magpie. This is an endangered bird with crucial role on biodiversity. The presence of the red beaked magpie favors the reappearance of some kind of flowers and plants which were originally embedded in the territory. The increased biodiversity led to the appearance of important plants for the honey production, by means of its pollination and the reappearance of some kind of bees. Likewise, the renewed of the flora enable the production of a better quality cheese, since goats have also a better nutritional feed.

It should be highlighted that the village of Chãos has important geographic conditions to accommodate this endangered species, namely the caves and ravines where they nest.

Apiculture is an activity with a strong tradition in the Village of Chãos, and also in all the surrounding mountainous area (Serra dos Candeeiros). In fact, in the past, the majority of the families had beehives, used to produce honey for their own consumption or even to be sold to the market. Further, the honey produced in the area was highly valued, especially due to the very impressive floral wealth offered by the calcareous nature of the mountain, important for the beekeeping activity. Finally, the weather conditions (such as, air temperature, humidity, precipitation, and wind strength) have influence on the "productivity" of honey bees.

However, over recent years the region has been affected by some diseases which harm the honey production. Further, the insulation caused by the mountainous characteristics makes it difficult to introduce new equipment and working methods in the region.

In addition to the economic value of beekeeping, this activity is particularly important for the preservation of protected species due to the biological services provided by bees, such as pollination, which favors the preservation of local spontaneous flora. Thereby, the Cooperative recognized the importance of (re)valorize the beekeeping activity, through the design of a strategy which linked training and the creation of infrastructures (facilities and equipment) that enabled the production of high quality hive products.

With this purpose in mind, the Cooperative firstly decided to implement a network of beekeepers and, then, the construction of a collective honey centre.

The main aims were to develop a set of actions that could improve the production and marketing of apiculture products; provide technical assistance to beekeepers through the monitoring and qualification of their production; and promote consumers' awareness about honey. In the community centre, its associates (the villagers) may extract

honey in the facilities of the center that provides storage conditions and packaging in accordance with all the current legal standards. Furthermore, the project promotes the capacity for innovation, marketing and commercialization of honey and other apiculture products. Through this association, beekeepers do not need to invest in the creation of various infrastructures and their activities become (more) economically sustainable.

Furthermore, the Cooperative also intend to build an interpretive space (which includes an experimental apiary), where bees and their role in terms of biodiversity are presented to the public. The creation of this space aims to develop the knowledge and qualification of beekeepers, to provide technical support, as well as to raise awareness about the beekeeping as possible economic activity (especially among the younger population). In fact, it is expected that this project will generate new motivations for beekeeping activity, making it a more attractive activity for young people. The collective centre will be financed by the revenue from its members' contributions, the price resulting from the sale of honey, the admission of new members and tourist activities related to the interpretation center (Fagundes, 2014).

Cooperative Terra Chã also has sought to enhance the economic attractiveness of the village by means of the regeneration of grazing activities, as a potential economic activity. The grazing activities still performed were realized on the basis of some kind of goats unfitted to the local features. Thus, based on a partnership established with private entities, the cooperative decided to create a collective herd composed of autochthone goats, appropriate to the characteristics of the local territory. Furthermore, the goats also play an important role on vegetation control and forest fires prevention.

Either, the Cooperative have sought to explore nature tourism. For that purpose, it created activities, such as tours in nature, observation of plant species and architectonic and speleological heritage that promote tourism. An example of this was the creation of the so called "Pastors Route". This activity has a recreational component and consists of a walking on selected routes. The aim is (i) to attract tourists to the region, (ii) to show the natural beauty of the village; and (iii) to raise awareness of environmental issues and pastoral activities.

The ride also enable its participants to acknowledge cultural issues related to pastoralism, such as the existing water points, the building used by shepherds as shelter places, or the games played in its spare time. During each walk, individuals are accompanied by two specialized monitors, which explain the route and give support to individuals if it is necessary. The Cooperative had designed different walking tours, characterized by several extent and difficulty levels (ranging from 3 kms to 16 kms), as well as involving particular village's points of interest.

By means of the participation on the route, the Cooperative seeks to promote, in an integrated manner, other local activities. For instance, to each individual it is offered a bag (produced in the weaving center of the Cooperative), which contains the traditional lunch of Chãos, composed of local products such as goat cheese, olives, traditional homemade sausage or corn bread, among others. The participants in the walk could either look for accommodation offered by the Cooperative or for other gastronomy services available at the restaurant.

Taking advantage of the village mountainous characteristics, the Cooperative decided to develop recreational activities, such as mountain biking, or radical sports like climbing, rappel or slide. The aim was to provide to the participants contact with nature and with local culture. At the same time, these activities enable the creation of new income sources (such as the participation price or the bicycle rental), and the diversification of the portfolio of activities held by the cooperative (making the offering as a whole more attractive). Traditional games are also offered in order to provide recreational programs based on the village cultural heritage. Given the variety of leisure activities provided, the Cooperative had decided to launch a holiday camp, in which individuals could customize their own activities.

The accommodation activities play also an important role. Terra Chã currently has two accommodation centres, able to house around 36 individuals. The buildings benefit from its natural location, since they have a balcony with panoramic sights of the mountains. Its conception also makes use of other activities provided by the cooperative, since the curtains and carpets were produced by the weavers of the weaving shop. The accommodation is conceived in order to support (and to take advantage of) individuals who goes to the Chãos village, and stay there for a given period of time. Specifically, it can be used by individuals who intend to enjoy the environmental and leisure activities offered by the cooperative, as well as training programs (related, for instance, to speleology and archaeology).

In the proximity of the accommodation centres there is a restaurant, where traditional cuisine is offered, made with local products, such as kid or goat's cheese.

The Cooperative Terra Chã's strategy also comprises activities related to handicraft. The aim was to preserve and develop craftwork in the region, by introducing innovation in the field and allowing the creation of handmade products that meets the needs of the domestic and foreign consumers. The underlying purpose was to favor the creation of employment (and to support local populations to remain in the village) at the same time that local

cultural traditions are preserved. In addition, a shop was created by the Cooperative in order to sell the local products.

The activities developed have produced considerable outcomes. Firstly, the project have attained important results related to job creation, since about 11 individuals (in a village of 150 inhabitants) were employed directly in the cooperative. The cooperative have had an important role on raising employment for female who had never participated in the formal labor market. Through flexible work practices these women could combine their job on the cooperative with domestic and farming activities. Further, around 50 individuals benefit from the activity developed by Terra Chã. Thus, the main beneficiaries of the Cooperative are the population of the village and either, directly or indirectly, the population of the nearby villages.

The activities developed has produced a significant touristic impact, since the small village has received around 7,000 tourists every year, which offers a very important economic impact to the region.

7. DISCUSSION

Local economic development focuses on endogenous resources. It provides a means of identifying new opportunities by creating viable economic activities in a given location that could generate jobs and income for the local community. The distinctive feature of local economic development is that it involves participatory processes, in which both public and private actors are invited to take part. The effects of this social dialogue are measured not only in terms of new economic partnerships but also in terms of social cohesion and institutional transparency. The project of Cooperative Terra Chã is a benchmark for local economic development. The cooperative's aims are to contribute to social cohesion by attaching young people to economic activities developed in the village and to create jobs and decent sources of income that could deter emigration to the coastal cities of the country.

The case study describes how a significant number of inhabitants of a mountain village located in a national park founded a cooperative involving the local parish, public authorities and other supporting actors. The strategy pursued by the Cooperative is based on the stimulus to economic activities that enable local development dynamics related to traditional products and tourism. The economic activity developed by the cooperative is related to the production of honey, grazing, handcrafting, accommodation, food services and leisure activities based on nature, bringing together different experiences, knowledge, skills and natural resources. Based on the principles of environmentally sustainable development, the cooperative re-invented economic activities on the basis of the village traditions, natural endowments and its geological and geomorphological characteristics. The innovation ensured the feasibility of traditional techniques, added value to local products and attracted tourists to the village. All the activities are supported by local endowments and intertwined in order to generate synergies. Innovation was at the heart of the integrated approach conceived to stimulate the community's economic, social and environmental sustainability.

The Terra Chã Cooperative case reveals how employment can be promoted and created in almost deserted rural areas that have failed to attract the interest of traditional firms and have greatly suffered from the disintegration of the Portuguese economic sector. Our investigation reveals that the critical factor is to find a solution that will preserve and exploit the know-how of its population and its local resources. Older (and ancestral) activities have to be redesigned in order to attract new generations and deter migration to other central or coastal locations with better employment conditions.

The development of activities by villagers of Chãos would not be possible without the support and training provided by the Cooperative Terra Chã. The beneficiaries of social programs are active players in the social response model. The social and economic value that is produced by the cooperative is to a large extent the result of the effort and value of their work on grazing activities, commercialization of honey products and tourism, among others. Capacity building and empowerment of members of the cooperative is quite evident in the support given for carrying out agricultural or beekeeping activities and training. The technical knowledge and know-how promoted through these training programs are offered on the basis of local development initiatives, the preservation of local traditions and the protection of environment. The evidence gathered supports the theories of regional innovation systems, since collective learning based on active cooperative relationships is crucial to the development of new response models to cope with social problems embedded in a given territory. Further, the interaction of a set of local entities led to the generation of a more precise knowledge of the specificities of the territory and the way they shape the constraints and opportunities that could be seized as opportunities for social value creation.

The analysis of the case also shows the relevance of considering the constituting resources of a rural territory, specifically the human and natural resources, and its contribution to sustain competitive advantages. Either the case shows how territory offers a space where local agents modify their behavior in accordance with the changes

of the environment. In fact, individuals' alertness, experience and prior knowledge makes it possible to take advantage of a set of circumstances provided by external environment.

Social organizations aim to be economically and financially sustainable in the long term, which enables them to perpetuate the implementation of social activities and to continue fulfilling their mission. This mission is viable if an economic dimension is integrated in the social organization and if the cooperative adopts a proactive culture to search for new and innovative sources of revenue generation that depend on their own activities and public or private support. Terra Chã created a broad portfolio of products, services and activities related to its regional specificities.

8. CONCLUSION

The main goal of this paper was to contribute to the identification of some of the innovative responses that has been developed in the social economy in Portugal.

New social ventures arise in response to severe social issues that remain unanswered in local communities. The intention to act arises from the awareness that those complex and multidisciplinary social issues will not be eliminated through social institutionalized national responses, either because they do not exist or because they do not address the specific characteristics of local communities and territories.

We observe that individuals who are exposed to a social problem are usually drivers in the creation of new social ventures. The contribution of the Cooperative Terra Chã to attenuate the local unemployment problem was to develop new businesses based on ethnic products sold outside the village, helping to create employment in small rural villages of the country, preventing the exit of the young people and keeping people in the community.

Although each social venture focuses on a range of social issues its social consequences are actually broader and have an impact in other social areas not explicitly recognized in its mission statement, such as social exclusion, civic cohesion, civil rights, promotion of human dignity and poverty. In the case of the cooperative Terra Chã, the innovative response emerges from different activities: the combination of existing local resources (natural resources) in an innovative way to protect the environment and increase tourism; the identification of new sources of revenue; and the partnerships with other institutions (public or private) that shared common cultural and social values. As Okpara and Halkias (2011) suggest, the desire to innovate is not the result of one instance of creativity but is the *modus operandi* of social entrepreneurs.

A particular characteristic of the Terra Chã case is that managers have a deep knowledge of the existent social problems in the community. This awareness allows the institution to adopt an integrated and holistic approach to the problems faced by the citizens. The actions taken try to maximize the resources available in order to obtain synergies and expand the process of social value creation.

As stated by Witkamp, Royackers and Raven (2011), the inclusion on the community of the social organization, the experience of the social issue and the strong involvement of the main stakeholders lead to the adoption of a response model that accommodates the characteristics of the target population and of the rural territory where they live. Most of the solutions mentioned above are not radical social innovations but rather derive from the knowledge of the reality of the situation and the combination of pre-existing elements (i.e., incremental innovation).

As we can see in the Terra Chã case, understanding social problems allows for the design of holistic responses that explore in an integrated manner the resources and capabilities of the group or the region intended to be served. The creation of the cooperative is in line with the specificities of the region, is based on three cornerstones: (i) the social dimension; (ii) the economic dimension; and (iii) the cultural and/or environmental dimension. A virtuous combination of these three bottom lines, which reinforce each other, is possible due to the deep local knowledge and the powerful motivation of their respective players to find a satisfactory and lasting solution local development. The case study illustrates how social entrepreneur's innovation and creativity capabilities could facilitate the transformation of a social problem (triggered by the characteristics of the territory) into an opportunity to create social and economic value in a sustainable way.

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