

# INNOVATING FOR SOCIAL DEMANDS – A DOUBLE CASE STUDY IN EFFECTIVE SOCIAL ENTERPRISES FROM THE BRAZILIAN SEMIARID

INOVANDO PARA DEMANDAS SOCIAIS: UM  
ESTUDO DE CASO DUPLO SOBRE A EFETIVIDADE DE  
EMPRESAS SOCIAIS DO SEMIÁRIDO BRASILEIRO

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Recebido em: 13 de janeiro de 2017  
Aprovado em: 28 de abril de 2017  
Sistema de Avaliação: Double Blind Review  
RGD | v. 14 | n. 2 | p. 4-18 | jul./dez. 2017

## ABSTRACT

This study aimed to answer what is the role of innovation for effectiveness in two social enterprises (SEs) based in the Brazilian semi-arid. The operational definitions used in this research considered as main constructs SEs and effectiveness. Social enterprises were defined as for-profit initiatives started by non-profit organizations, as proposed Lasprogatta and Cotten (2003). Effectiveness, in its turn, was regarded as financial independence and fulfilment of a social mission as accorded by Dichon and Anderson (2009). Utilizing a qualitative approach, data collection was based on semistructured interviews and aggregated other materials such as videos, magazines and newspapers articles that were analysed with the assistance of the Nvivo® 10 software. The results demonstrated that innovation emerged from the need to respond to pressures coming from the environment and external stakeholders as well as the necessity to react to internal organizational demands. Rising challenges were framed as opportunities and innovative practices, services and products were created to tackle constraints of financial and human resources. In this regard, the established solutions were later formalized and became integral parts of the organizations although these solutions were not galvanized, leaving space for flexibility and rapid adaption. Moreover, these SEs have fostered intersectoral networks with both the government and private companies to scale up their innovations and enhance the social work that has been carried out.

**Keywords:** Social Entrepreneurship. Social Enterprises. Innovation. NGOs. Ceará. Brazil.

## RESUMO

Este estudo tem como objetivo responder qual é o papel da inovação para a efetividade de duas empresas sociais (ESs) situadas no semiárido brasileiro. As definições operacionais usadas nesta pesquisa consideraram efetividade e empresas sociais como construtos principais. Empresas sociais foram definidas como iniciativas orientadas ao lucro iniciadas por organizações não orientadas ao lucro, como proposto por Lasprogatta e Cotten (2003). Efetividade, por sua vez, foi considerada como a independência financeira concomitante ao cumprimento de uma missão social, de acordo com Dichon e Anderson (2009). Utilizando uma abordagem qualitativa, a coleta de dados foi fundada em entrevistas semiestruturadas e agregou outros materiais como vídeos, revistas e artigos de jornais, que foram analisados com ajuda do software Nvivo®10. Os resultados demonstraram que a inovação emergiu da necessidade de responder a pressões vindas do ambiente e de stakeholders externos assim como da necessidade de contemplar demandas internas. Os desafios emergentes foram percebidos como oportunidades e serviços, práticas e produtos foram criados para burlar restrições de recursos financeiros e humanos. Nesse sentido, as soluções estabelecidas foram formalizadas e se tornaram partes integrantes

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posteriormente, embora essas soluções não estivessem galvanizadas, o que abre espaço para flexibilidade e adaptação rápida. Ademais, as ESs têm fomentado redes intersetoriais tanto com o governo quanto com empresas privadas para dar escala a sua inovação e aprimorar o trabalho social que tem sido feito.

**Palavras-chave:** Empreendedorismo Social. Empresas Sociais. Inovação. ONGs. Ceará. Brazil.

## 1 INTRODUCTION

Social Entrepreneurship (SEship) has been, through the past years, a prolific area for scholars and practitioners. The efforts of social entrepreneurs is documented as ones of important influence on positive social, economic and environmental transformations. Social Enterprises (SEs) consider business models associating economic, social and environmental objectives with an orientation towards a different future (THOMPSON, 2008; HUYBRECHTS; NICHOLLS, 2012; BORZAGA DEPEDRI; GALERA, 2012).

Globally, the number of social enterprises has started to rise in the 1980s, as a response to social crises and the gradual State withdrawal from social welfare. Moreover, many social enterprises emerged from structures previously provided by traditional non-governmental (and not-for-profit) organizations (hereby, named NGOs). By using creativity and efficiency principles from private sector, social enterprises began to provide a creative and sustainable model to organizations from the voluntary sector, which have faced increasing competition for grants and private donations (ALTER, 2007; LYNE, 2012).

Huybrechts and Nicholls (2012) outline three leading reasons for the emergence of social entrepreneurship. First, the growing demand for social actions to mitigate the impacts of crises. Second, innovative and modern technical devices and programs enabling actors from civil society and social entrepreneurs to interact. Finally, the change in the role of the State, which has been gradually decreasing expenses with social welfare to reduce costs in order to manage public accounts more efficiently.

SEship has the prime goal to create social value, and it carries limited or no further intention of generating profits for accumulation. Supporting this concept, Dees (1998) asserts that the social entrepreneurial individual, for instance, blends the emotional drive of a social mission with the image of discipline, innovation and perseverance in a business-like approach.

Considering the aforementioned aspects, this study aimed to highlight what the role of innovation for social enterprises in Ceará is. This question lingered as the state of Ceará is located in the northeastern region of Brazil, in the heart of extreme weather conditions, with constant droughts as well as historical inequalities and poverty. Social entrepreneurial organizations have been trying to tackle different social demands, immanent to a territory with such important issues to solve. Social demands in a territory like Ceará are multiplex, thus, summed to its poverty, are found difficult to be fully contemplated by either the government or the private sector; therefore, there has been plenty of room for social enterprises to operate (VIDAL; FARIAS; FARIAS, 2005; OLIVEIRA; ROCHA; PINTO, 2009; LEAL; FREITAS; COELHO, 2013).

To answer this research question, a qualitative research was conducted in two social enterprises located in the municipalities of Aquiraz and Pentecoste. Twenty-three interviews with the managing team of these organizations were performed. Besides the primary data generated with the interviews, secondary sources were utilized to complement information about these organizations, namely the *Instituto Tecnológico e Vocacional Avançado* (ITEVA – Advanced Technological and Vocational Institute) located in Aquiraz and the *Agência de Desenvolvimento Local* (Agency of Local Development

– ADEL in Portuguese) in Pentecoste. Data analysis employed the Nvivo® 10 software for qualitative research, which facilitated and helped validating the sources.

This paper is divided as follows, after this introduction, the theoretical backgrounds on social entrepreneurship and innovation are introduced. The third section presents the methodological aspects that underpinned this research. The results from both cases are conveyed and discussed in the fourth section. Finally, the final remarks display the conclusions as well as suggestions for future studies.

## **2 SOCIAL ENTERPRISES (SES) AND SOCIAL ENTREPRENEURSHIP (SESHIP) – KEY ASPECTS**

*Social enterprises (SEs)* might be understood as the utilization of non-governmental, market-based approaches to face social problems. In this sense, a social enterprise normally supplies a “business” source of revenue for different kinds of socially oriented organizations and initiatives. In several occasions, this revenue supports self-sufficiency and long-term financial autonomy of organizations involved in charitable activities (Mair and Marti, 2006). Nonetheless, it is possible to identify in distinct world regions different concepts and contexts related to social enterprises (KERLIN, 2010).

Social enterprise was coined as a term in Italy during the 1980s as a way to describe innovative private activities established voluntarily. These initiatives were started citizens to deliver social services or to administrate economic activities designed to assist disadvantaged people. Concurrently, organizations with comparable objectives were created in other European countries (BORZAGA; DEPEDRI; GALERA, 2012).

In North America, conversely, the term social enterprise refers to profit generation initiatives performed by non-profit organizations to fund the pursuit of social missions. This approach stresses the search for commercial ways to raise funding, which was driven by a number of issues confronted by non-profit organizations. These problems consisted in increased costs, more rivalry for a smaller number of grants and donations, and the rising competition from for-profit companies taking part in the social service sector (BORZAGA; DEPEDRI; GALERA, 2012).

On the other hand, in Latin America, the array of NGOs and social enterprises has also been increasing since the 1980s. This happened as a civil society reaction to issues such as unemployment, inequality and social marginalization. In Latin America, the solidarity economy movement comprises distinct segments, actors and organizations. It is coordinated with a worldwide movement that criticizes capitalism, even though its objectives are normally linked with starting enterprises to achieve individual, social and ecological development. SEs can be considered a part of this locally oriented reaction (BORZAGA; DEPEDRI; GALERA, 2012).

If SEship would be depicted as a spectre, at one end it is possible to find scholars such as Dees (1998), who supports that social enterprises should have an unconditional social orientation. Such orientation is an essential criterion, and financial wealth is supposed to be only a strategy to achieve the social mission. Social goals, however, may also come along earned incomes. When an NGO is combined with activities aiming at generating profits, they are often named *hybrids*. In this sense, Peredo and McLean (2006) give this status to the *Grameen Bank* and other microcredit ventures. These authors convey two types of organizations that have social goals and generate income. The first one, like the *Grameen Bank*, has the objective to supply a good or service beneficial to disadvantaged individuals. The second type does not have a direct involvement in social goals, although provides assistance for other organizations, foundations, for example, would belong to this second kind.

Souza and Silva-Filho (2014) mentioned two important examples of this second type of social enterprises. The Brazil Foundation from the USA and the Konrad Adenauer Foundation from Germany, which have been providing support to initiatives in the Brazilian state of Ceará such as the *Agência de Desenvolvimento Local* (Adel – Agency of Local Development in Portuguese) and the *Programa de Educação em Células Cooperativas* (PRECE – Program of Education in Cooperative Cells in Portuguese).

Nonetheless, the boundaries between not-for-profit and for-profit organization engaging in social missions are not precise (Mair, Battilana and Cardenas, 2012; Choi and Majumdar, 2014). The bottom line would be that initiatives with social goals can distribute profits to their owners and still be understood as social enterprises. One prominent example given of such endeavour is the social enterprise *Ciudad Salud* in the city of Lima, which became a profitable undertaking with an innovative approach of waste collection (PEREDO; MCLEAN, 2006).

Private companies with a social ethos are also typified as being creators of financial capital, although a certain proportion is distributed to social and community activities. *The Body Shop* and the ice cream company *Ben and Jerry's*, in this sense, are examples of this kind of organization with a social objective (Thompson, 2008). These companies participate in the stock market, displaying profits to its shareholders, but have in their ethoses practices related to helping the underdeveloped world and the environment.

This social orientation would be reflected in the companies' behaviours towards different stakeholders. Nevertheless, there has been some academic disagreement on how social goals would be relevant from one initiative to another (PEREDO; MCLEAN, 2006).

Attempting to provide a clear definition to SESHip, Zahra *et al.* (2009) foregrounded previous research wherein the place of social goals is equal to economic goals, and thus, referring to what is named the double bottom line. However, the prominence of social goals among others appear to have become broadly accepted by the literature regarding social enterprises and social entrepreneurship (MAIR; MARTI, 2006; ZAHRA *et al.*, 2009; TRIVEDI; STOKOLS, 2011; CHOI; MAJUMDAR, 2014).

For operational purposes, this study considered social enterprises for-profit initiatives started by not-for-profit organizations in order to attain an alternative source of revenues (LASPROGATTA; COTTEN, 2003). The purpose would be to become as least as possible dependent on sources of income such as governmental grants, subsidies or private donations.

Since this research aimed to scrutinize the role of innovation in SEs, the following section details how this element is outlined within the scope of social entrepreneurial organizations.

## 2.1 INNOVATION IN SOCIAL ENTERPRISES

This subsection encompasses the role of innovation and innovative practices within the social entrepreneurial organization. The academic research has been emphasizing the importance of innovation in social entrepreneurship, with authors such as Dees (1998), Mair and Marti (2006) and Zahra *et al.* (2009) foregrounding it as a key characteristic to determine whether an organization would be considered a social enterprise or not.

Innovation would be quintessential for SEs as these organizations pursue changing society by providing new services or goods, processes or models and by novel ways of empowering individuals in vulnerable conditions. Huybrechts and Nicholls (2012) not only sustained the aforementioned, but also affirmed that social entrepreneurial organizations can combine different forms of innovation. Social

entrepreneurs engaging in market-oriented activities, trading goods or services publicly competing with other organizations would have the power to scale up their innovative models. Given that market orientation is performance driven, these exemplars become able to settle alliances and partnerships in other contexts; thus, broadening their reach and achieving more sustainable outcomes over the long run.

Regarding innovation, Huybrechts and Nicholls (2012) agreed that social enterprises might be instruments for Schumpeter's "creative destruction" in society. This would take place by markets being aligned around new economic equilibria inasmuch as social enterprises can have the power to increment changes at micro-level or, like in the *Grameen Bank* case, through interventions at the systems level.

Nevertheless, although the two concepts would easily overlap, SEs cannot be understood as the only model of social innovation or its synonym. Social enterprises are, according to Huybrechts and Nicholls (2012), clearly market oriented whereas social innovations do not necessarily follow the same trend. Therefore, in agreement with authors such as Bignetti (2011) and Cajaiba-Santana (2014), social innovation would be an umbrella term, under which social enterprises could be placed as well as other initiatives without any market orientation.

The transformative and innovative potential of social enterprises also relates to how Moulaert *et al.* (2005) interpreted the relevance of ethical entrepreneurial models allowing the rise of local innovations. In this regard, both social entrepreneurship and social innovation would grant means for more sustainable organizations. Insofar as the establishment of self-managed, ecological, cooperative and innovative business models has been influencing companies on international trading policies as well as their relationship with other organizations.

Diochon and Anderson (2009) affirmed that the innovative nature and structure of the actions undertaken to achieve a social mission has a fundamental impact on the extent of the SEs' effectiveness. The frame of an action would be defined by the degree of uncertainty, novelty, interdependence, interaction, control, variety, skill and knowledge required to achieve the task's completion. In addition, these authors concurred that innovation is a key characteristic of effective SEs, as an effective social enterprise would innovate in managing the challenges of social exclusion and marginalization, increasing self-reliance and sustainability, reshaping and giving a different meaning to how social structures might be comprehended (DIOCHON; ANDERSON, 2009).

This research took into consideration this background on innovation to investigate the importance of this feature in the cases sampled. The methodological procedures through which it was operationalized are explained in the next section.

### **3 METHODOLOGY**

This study is exploratory and descriptive. The former draws on a research question with few previous studies from which information can be collected; this kind of research intends to attain familiarity with the field studied so investigation that is more rigorous can be carried out later. Considering its descriptive nature, the intention was to outline a phenomenon's behaviour and to identify characteristics of a determined problem (COLLIS; HUSSEY, 2005).

The current study was qualitative and adopted the multiple case study as investigation strategy. In accordance with Collis and Hussey (2005), qualitative approaches serve to characterize or refine research problems, helping to formulate or test conceptual structures normally involving the use of smaller samples or case studies.

According to the replication process proposed by Yin (2010), the multiple case study intended to identify cases that might predict similar results (literal replication) and a theoretical sampling process

followed this step, once cases were selected based on theoretical reasons. In addition, cases were chosen intentionally, focusing on the ones that maximize both quality and value of information considering the objectives conveyed.

The unit of analysis was the social enterprise. In the social enterprises' microcosmos, the scope chosen involved the ones engaging in commercial activities, in the sense that they sell goods or services to customers, competing with other enterprises (Lasprogata and Cotten, 2003). Furthermore, the importance of innovation to foment effective SEs regarded the definition of effectiveness suggested by Diochon and Anderson (2009). These authors outlined that effective social enterprises would be the ones capable of tackling social demands, but relying as least as possible on other kinds of funding besides the revenues attained through their commercial activities.

This research was carried out in two stages that happened from January to July in 2015. The first stage comprised an exploratory study on the available bibliography about social entrepreneurship and social enterprises, which also took into account existing material on the organizations' websites. This stage permitted the definition of profiles to be encompassed in the sample and the dimensions to be analysed. In the second stage, semistructured interviews were held with 7 (seven) professionals involved in managing these social enterprises. Aligned with this research's objectives, the questions aimed to bring forth the relevance of innovation and innovative practices for social entrepreneurial effectiveness.

To form the sample, *two social enterprises* were selected because they fitted the aforementioned operational definitions. Furthermore, these organizations showed openness and collaboration to the study, besides fitting the operational definition from Lasprogata and Cotten (2003). We had found two other SEs, which were excluded, despite aligning to the definition; one had already been exhaustively studied, leaving little space for novel researches, and the other did not return any contact.

The first organization selected was the *Instituto Tecnológico e Vocacional Avançado* (ITEVA – Advanced Technological and Vocational Institute) located in Aquiraz and the social enterprise *MidiaCom.net*, which was started in 2004, ten years after the foundation of the parent NGO.

The second organization was the *Agência de Desenvolvimento Local* (Agency of Local Development – ADEL in Portuguese) began working with fomenting entrepreneurship among young people in the poor countryside in Ceará and its social enterprise *Fundo Veredas* started in 2012 as an effort to increase the NGO's financial autonomy and enable their graduates to open their businesses.

In ITEVA, 3 (three) people occupying important managerial functions were interviewed: the general coordinator, the technical coordinator and the administrative-financial coordinator. These interviews were also semistructured, taking advantage of a script to foreground the importance of innovation for the effectiveness of operations in this social enterprise. Regarding ADEL and *Fundo Veredas*, four interviews were performed with key managerial staff members in order to gather information related to the role of innovation within these SEs. This set of interviews encompassed the managing directors of the NGO and the Social enterprise.

The motivation to hear only the managerial team in both organizations came from the fact that these individuals were directly responsible for planning and implementing innovative practices. Thus, in alignment with the objectives of this research, the focus chosen was on how innovations were devised and performed rather than analysing their impacts on beneficiaries, which would justify listening these actors, a path different from the one selected here.

The analysis of primary sources was performed through the software *Nvivo*® version 10.0 for analysing qualitative data. In this regard, Gray (2004) stated that a software could provide greater convenience to treat data and, when utilized suitably, could be very effective.

Mozzato and Grzybovski (2011) agreed with Gray, asserting that the appropriate usage of softwares is a good way to seek validity in a study. *Nvivo*® was mentioned as one that has been increasingly employed in Management studies. The software facilitates and qualifies the analytical process. Nevertheless, according to the same authors, although computer programs could make analysis and interpretation easier, they do not replace the scholar’s active role in managing these processes.

Research sources were analysed in parts and related information was distributed. Aiming to improve such distribution, the Bardin’s (1977) content analysis technique was also employed; its three chronological steps pre-analysis, material exploration and result treatment, inference and interpretation entail a set of methodological instruments that can be applied to different kinds of discourses.

The codification process started with a “parent-node” created for the construct “innovation”, following a procedure similar to the one used by Souza (2014). Questions on the role of innovation in the sampled SEs were codified into “subnodes” and later a connection was established between sources and subnodes. In other words, the parent-node Innovation comprised questions connected with innovative practices and their importance for social entrepreneurial effectiveness.

In order to present how findings aligned with the operationalization mentioned above and with the objectives from which this research emanated, the next section brings forward the research findings and the results of the analytical process proposed.

#### 4 ANALYSIS AND DISCUSSION OF RESULTS

This section introduces, analyses and discusses the role of innovation in the social enterprises selected for this study. Throughout the following paragraphs, data from different materials such as interviewees’ accounts, websites’ information and institutional material ceded by these organizations are presented to give support to the conclusions reached.

##### 4.1 THE ROLE OF INNOVATION IN ITEVA-MIDIACOM.NET

As previously mentioned in the literature review, the importance of innovative practices is a key feature of SEs. Dees (1998) highlighted this characteristic as quintessential for social entrepreneurs and social enterprises as they aim at tackling social demands normally in an environment of limited resources or, as Galera and Borzaga (2009) asserted, in contexts where legal and economic aspects would constrain their capabilities and potential like in emerging economies.

Bignetti (2011) and Cajaiba-Santana (2014) have also foregrounded the role of innovation, for whom social innovations are taken into account as an “umbrella term”, where social entrepreneurship could be placed under as well as other endeavours not carrying out any market-oriented activities. The data highlighting the importance of innovation for ITEVA-Midiacom.net can be observed in Figure 1.

**Figure 1 – Extracts from data codified (ITEVA-Midiacom.net)**

| The role of innovation                      |  |
|---|--|
| INTERVIEWEES/MATERIAL                       | DATA   |
| ITEVA-Midiacom.net’s<br>General Coordinator | “We innovated in the training, production, in reaching the students and fund-raising. For instance, about the students’ education, the person arrives here and when he comes for the advanced training, receives two counselors, which he chooses; these people will help him daily, telling him how he can improve his performance, his teamwork, and his studies. About this process, a journalist that was with us said: ‘Look, this is very similar to a coaching session, but I have never seen coaching being given in a social project in an NGO’.” (Interview extract) |

|  |   |
|--|---|
| <p>ITEVA-Midiacom.net's<br/>Administrative-Financial Coordinator</p> | <p>"I consider [innovation] extremely important and we had to employ innovative processes in practically all the steps employed. So, we are in a constant innovative process, in everything you look at here we had to innovate. Even the heat problem, it was very hot here and we needed air conditioning and we came up with a model that is efficient, cheap and it serves our needs really well." (Interview extract)</p> <p>"We had to innovate our qualification process. And qualification always need to be innovated. At first, the course took 2 years. Then, it was shortened for just one because it was too much time that people needed to wait to get a job, and they needed jobs. After that, we needed to wait just one year, but many parents from people between 16 or 17 wanted them to work. So, we divided into smaller courses and got younger people to study because people from 14 to 15 don't work, and when they turn 16 or 17 you had time to teach them. The idea was excellent. We then modified, changed and implemented our whole didactic material." (Interview extract)</p> |
| <p>ITEVA-Midiacom.net's<br/>Technical Coordinator</p>                | <p>"Who evaluates who? Everybody evaluated everybody. We have levels of points that someone needs to reach to request a promotion. Then, he or she undergoes another evaluation, one from the next position, to know if he has the conditions to be in charge of such position. If he is a very good level in his present position, he can ask for a promotion and, if he's approved, he is promoted." (Interview extract)</p>  |
| <p><i>Revista Midiacom</i> 2014 – Page 24</p>                        | <p>The Midiacom Project was presented as a case in the panel on Innovation and Sustainability, which was composed by the Marcio Zeppelini Philanthropy Institute, by the professor of the MBA in Management and Social Entrepreneurship from the FIA/USP-Gife Marcelo Estraviz and ITEVA's general coordinator. (Extract from the <i>Revista Midiacom</i> 2014)</p>   |
| <p><i>Revista Midiacom</i> 2010 – Page 26</p>                        | <p>"The input of financial resources to foster innovation is vital because social innovations themselves do not foment progress in social projects. In most cases, social projects fund-raise through governmental grants or with private companies via incentive laws that direct part of the income tax to some specific funds. In this regard, fund-raise in the regions North and Northeast is very difficult. Therefore, we needed to go further South to get the funding necessary." (Extract from <i>Revista Midiacom</i> 2010)</p>  |

**Source: Elaborated by the author using the sources codified in Nvivo® 10 software for qualitative analysis**

The role of innovation within ITEVA is asserted by its first activities in the early 1990s, before Midiacom.net, its social enterprise was created. The not-for-profit has been producing novel technologies such as a special kind of fabric to be used for paragliding, environmentally friendly bricks (that do not require baking), and a different kind of water treatment that was patented, and later sold in local stores. Moreover, an air conditioning system invented there cools the organization's facilities, using a local water supply and homemade structure, characteristics that makes it cheaper and more reliable device than the regular ones.

Innovation to tackle a social demand along with the pursuit of a commercial opportunity, a key aspect in social enterprises for Huybrechts and Nicholls (2012), emerged again as a part of the organization trajectory ten years after its foundation. In 2004, after a presentation in SEBRAE (*Serviço Brasileiro de Apoio a Micro e Pequenas Empresas* – Brazilian Support Service for Micro and Small Enterprises in Portuguese), the social entrepreneur Fábio Beneduce was suggested to make commercial use of his PowerPoint® presentations, which were visually attractive and drew the crowd's attention.

Along with his wife, he decided to give more scope to the idea and start a social project wherein young people from public schools would be taught how to make such presentations. As a result, the Midiacom project emerged as an initiative with the objective to capacitate poor young people in computer science and digital communication. In this sense, the later founded social enterprise Midiacom.net was the first in Brazil to manufacture PowerPoint® presentations to be commercialized in the market.



In addition, the managing team in ITEVA-Midiacom.net has attempted to adapt and comply with legal standards through innovative ideas as well as have used ingenious techniques to increment many of its processes; ranging from the selection of staff, who would take part in their training program, to new techniques on how to deliver their services. For these managers, innovation was constantly asserted as part of their adaptive process to respond the challenges the business environment brought forward. Furthermore, like other social enterprises, its hybrid nature requires from Midiacom.net a different approach to its partners, employees and collaborators. This hybridism means they intend to make a profit and address to a social demand simultaneously.

According to the data, the very nature of the computer science business makes necessary to use innovative practices for training staff in the latest software available. Besides the training, in as much as most of the staff comprises youngsters, it has also been demanded from the organization to devise teaching methods similar to a coaching program, when more experienced members stay closer to novices so they can be taught about their duties. Moreover, following the examples of bigger private companies, staff have the chance to go circulate through all the areas in order to both facilitate possible replacements and motivate their personnel.

In addition, to do its internal personnel evaluative process and financial reports, the SE created genuine softwares to organize and keep track of such records. These programs have been used for its internal operations, but have also enabled further cooperation with other NGOs, as the software for financial reports has been ceded to organizations in need to formulate and comply theirs with official standards. In this regard, these innovative and cooperative practices help these organizations to address to common problems such as the legal issues pointed out by Alves and Koga (2006). The initiative's activities concerning recruitment and development of staff have also been innovated. The course students performed in the social project Midiacom was shortened as managers realized that students lost momentum once the course lasted two years. Because of the course's length, students started to quit or feel demotivated, thus, the managing team reduced the course time for one year. This adaptation enabled twofolded results: to send more youngsters to the job market sooner and to incorporate students with the best performance to the social enterprise.

In this regard, interviewees stressed the fact that young people do not have as much patience as adults for long courses, thus, despite having more time, training programs for this audience need to contemplate dynamism, meaningful contents and be motivating. Innovation and prompt response to problems figured as vital for this social enterprise to retain its beneficiaries and staff, achieving its social mission.

The SE learnt how to diversify and innovate in its services and goods to address to new demands from its beneficiaries and customers. This is represented by the diversification in its portfolio. At first, the organization focused on PowerPoint® presentations and the training was driven to visual communication using this tool, although other softwares like CorelDraw® and Photoshop® were taught. Later, demands from students and the market led the social enterprise to invest in other segments such as programming and web designing. The production of authentic software as well as the creation of webpages became another capability and business opportunity pursued by the social enterprise that worked together with its clients to manufacture new products and courses.

Innovation of processes has also been integrating the core of SE's capabilities over time. The SE's productive process was gradually transformed into a different kind of "cooperative assembling line", where workers do each part the task supposed to be accomplished in as much as they interact and show one another how the work is being done, allowing the team to learn with the process. In addition, personal and group performance is assessed in an adaption of what is known as "360° evaluation", in

which everybody in the team has the chance to evaluate both its superiors and subordinates. This democratic choice was reported to lead to conflicts, but this strategy has also led to more effective conflict solving practices, which have given more maturity and cohesion to the group, resulting in better performance.

The data point out that partners from the government and private companies took into account these innovative practices, maturity, and performance as a characteristics drawing their attention to the SE, encouraging willingness to collaborate. Interviewees reported that looked for ITEVA-Midiacom.net because they considered it a unique experience in Ceará as it gathered these qualities. Concurring with Borzaga and Solari (2001), the multiplicity of challenges social enterprises face due to their distinct business models is crucial to make them innovative.

For comparative purposes, the next section brings forward the innovative elements present in the second case studied. The role of innovation in ADEL-Fundo Veredas is analysed and discussed in the paragraphs below.

#### 4.2 THE ROLE OF INNOVATION IN ADEL-FUNDO VEREDAS

Innovation has also been essential for ADEL and Fundo Veredas to be effective. Comparable to what was witnessed in the previous case as well as it is observed in the literature, innovative practices are not only a key characteristic of SESHIP, but also a strategy for those organizations to challenge societal issues and tackle the mission they put forward. Moreover, resourcefulness and the ability to provide services or products despite the usual budget constraints this kind of business faces (Mair and Marti, 2006). Corroborating with Bignetti (2011) and Cajaiba-Santana (2014), social entrepreneurship might be understood as an instrument to promote and foster social innovation.

In addition, Dees (1998) emphasized innovation as fundamental feature of entrepreneurs in general, which would be concurrent for social entrepreneurs as well. This author, likewise Galera and Borzaga (2009), evidence the role of innovation in addressing to social problems in context where legal and economic issues are likely limitations such as the ones in emerging countries. Figure 2 introduces data elements giving support to the analysis on the role of innovation.

**Figure 2 – Extracts from data codified (ADEL-Fundo Veredas)**

| <b>The role of innovation</b>                               |  |
|---|--|
| <b>INTERVIEWEES</b>   | <b>DATA</b>  |
| Fundo Veredas's Bill of Procedures (Institutional Material) | <p>“Improve employment opportunities through the creation, amplification, modernization, transference and reactivation of enterprises, whether formal or informal, by lending financial resources to young entrepreneurs”. (Fundo Veredas' bill of policies extract)</p> <p>“The specific criteria to the concession of credit are:</p> <ol style="list-style-type: none"> <li>I. Be willing to implement or potentialize a collective or individual enterprise;</li> <li>II. To participate or have participated in ADEL's Young Rural Entrepreneur Program;</li> <li>III. To present a business plan related to the enterprise;</li> <li>IV. The approbation, by ADEL, of the business plan on the enterprise.” (Fundo Veredas' bill of policies extract)</li> </ol> |
| ADEL's Chief Executive Officer                              | <p>“Innovation is in the heart of the process, it's in our DNA to think constantly on how to innovate. When we created ADEL, the purpose was to strengthen family agriculture in the region taking professionals graduated from the region and call them to work in collaboration with farmers, who were our relatives and friends. From then on, in 2010, especially, we started an entrepreneurship approach; we went from a technical assistance organization, which executed projects in the productive chain, to a proposal connected with rural entrepreneurship. We were very agrarian, but we realized we could endeavor too and created projects like Fundo Veredas, Centers of Integrated</p>  |

| <b>The role of innovation</b>                           |   |
|---|---|
| <b>INTERVIEWEES</b>                                     | <b>DATA</b>   |
|   | Technologies and the Network of Rural Entrepreneurs. Innovation became a constant process in our management. So, since 2009, we have been innovating year by year.” (Interview extract)   |
| ADEL’s Chief Financial Officer                          | “We started with a managerial structure for products to be sold to the city schools, in the regular commerce and in spaces like restaurants, aggregating value with things as packaging. Today, we’ve got honey in sachets, giving more quality to products that were very artisanal at first.” (Interview extract)   |
| ADEL’s Chief of Operations                              | “In this regard, we’ve studying a way to release a fourth credit line for young people who did not undergo the program. We want to open to other people because there are more than sixty thousand youngsters who could access this credit. So, we can open a line to the community, to other young people.” (Interview extract)<br><br>“We changed gradually to a leaner methodology. For instance, we’ve changed the business plan for a simpler, though still effective, formation. It can be made here in the office more quickly, but with the credit concession it can’t be made like that, it’s necessary to ponder because there’s always risk involved when you lend someone money.” (Interview extract) |
| ADEL’s on-field articulator and operational coordinator | “We thought the following thing, we’ve got the program and, now, the credit. So, what were we missing? Networking strategies! Then we went on to work creating networks between productive groups such as bee farmers, chicken or goat farmers and that would enable us to think commercialization in a bigger volume. We are thinking about it now and started an association in this direction.” (Interview extract)  |
| ADEL’s promotional vídeo made by Globo TV Company       | “The program [Young Rural Entrepreneur] was started in one community, but today it takes place in more than seventy districts in six municipalities. It benefits 217 young entrepreneurs and more than 600 small farmers, comprehending more than 300 families in this regard.” (Extract of a promotional YouTube video)  |
| Local Newspaper Article                                 | “ADEL’s mission is to fight rural exodus through community sustainable development. Its actions comprise municipalities like Apuiarés, Itarema, General Sampaio, Paramoti and Tejuçuoca. The agency’s work has been acknowledged nationally and contributed to foster knowledge and opportunities in the northern region of the state.” (Local Newspaper)   |

**Source:** Elaborated by the author using the sources codified in Nvivo® 10 software for qualitative analysis

ADEL-Fundo Veredas innovated first by changing the ideal started at PRECE (the social movement where its founders came from). These social entrepreneurs modified the focus from students with little formal education to family farmers in need of technical assistance, a demand they had realized while still studying at the social movement. In this concern, the team could also couple the skills they had learnt at university with the desire to help their communities. Comparable to what is stated by Huybrechts and Nicholls (2012), innovation intertwines pursuing a commercial opportunity, a characteristic from Fundo Veredas that resembles Midiacom.net insofar as it can be observed systematically throughout their histories.

The data conveys that most of the work was done differently of what governmental agencies used to do in the region in as much as small farmers were heard and their aspirations were taken into consideration to devise which actions ADEL would build. Although not new in overall terms, to listen and elaborate actions based on what these social clients wanted was fundamental for the social enterprise success.

Later, considering its social mission of mitigating as much as possible rural exodus, the organization transformed itself again to contemplate rural youth through entrepreneurship. The social entrepreneurial team perceived the hurdle to prevent rural exodus insofar as most people leaving the countryside were under 30 years-old and sought better job opportunities. The plan elaborated was to foster opportunities in the semiarid using the youth protagonism people from ADEL-Fundo Veredas knew well. In this regard, Borzaga and Solari (2001) stressed the need for SEs to bring forward different

business models, fomenting innovation, to address to the multiplex of social demands they face gradually over time.

Considering these demands and collaborating with private companies, the SE offered a course comprising essential elements to open successful rural businesses. Subjects as basic mathematics, strategic planning, business model creation and human development skills were integrated in a workload of more than 700 hours, which occur in ADEL's learning center in São Gonçalo and at the students' communities. ADEL's technicians accompany these learners to ensure the implementation of the business plans created during the course, to foment effectiveness and to secure the correct employment of the credit accessed through the *Fundo Veredas*.

Concerning the *Fundo Veredas*, the creation of the microcredit initiative was part of the innovative practices the organization has been conceiving to enable its work. After finishing the course, graduates faced bureaucratic obstacles to obtain the necessary funding to start their businesses. These difficulties are clear in the data as accounts report that out of the 30 students graduated in the first class of the course only 2 could get credit from regular governmental programs, feature that made almost compulsory for the NGO to innovate once again and devise a strategy to contemplate this demand.

Similar to other social enterprises, a social problem was turned into a business opportunity as the obstacle to obtain credit encouraged the creation of the *Fundo*, which is capable of sustaining itself and fulfill the SE's primary social objective through its own profits, striking both social and economic bottom lines. In addition, three different profiles of credit lines were created aiming to serve ADEL's graduates the most appropriate way possible.

Furthermore, a fourth credit line is being planned focusing on other businesses not born from ADEL's course. Interestingly, thus, another business opportunity is being materialized into a real effort due to perceptive capabilities of the social entrepreneurial team. In this concern, collaborating with clients to create new social products and services is an effective manner to overcome possible problems caused by discrepancies in the legal framework, as pointed out by Alves and Koga (2006).

Since 2009, when its focus started to change, the SE has been working with proposals to integrate individuals and communities where it operates by provoking interaction between individuals, whether they are entrepreneurs or not, using communication technology. The creation of Centers of Integrated Technologies and Networks of Rural Entrepreneurs were responses to a typical problem of poor areas, whether urban or rural, such as individuals that have different kinds of initiatives and enterprises, but are unable to communicate and exchange experiences or knowledge. This insulation makes more difficult for enterprises in general to be successful, as the interplay of resources and proficiencies can be considered key for effectiveness.

After this analysis and discussion about the importance of innovation in these two SEs, the final section introduces the concluding remarks about this study.

## **5 CONCLUDING REMARKS**

This research aimed on the role of innovation in two social enterprises operating in the Brazilian northeastern semi-arid region, more precisely, in two municipalities in the state of Ceará. The question to be answered regarded the importance of innovative practices for these organizations to be effective in fulfilling their social missions, tackling community demands for skills and local development.

The objective was to highlight how social enterprises have taking advantage of innovation to address to the issues for which they were started. In order to contemplate this objective, operational definitions for what kind of organizations would be characterized as SEs as well as how they would be

identified as effective and innovative were drawn on Lasprogatta and Cotten (2003) as well as Diochon and Anderson (2009).

Furthermore, by employing a qualitative approach through utilizing of Nvivo® 10 software of qualitative analysis and a double case study as investigation strategy, it was possible to outline that for both cases innovation has been key for success since their inception. Despite the fact that the path taken had been different, the ability to realize and seize opportunities and turn them into services or products that could, throughout their processes, empower and help vulnerable youngsters was a driver for innovation, which was also used as tool to make these SEs effective.

In both cases, innovation was utilized to change processes, products and services when demands changed. For instance, the courses these SEs offered to their beneficiaries were transformed in order to make them more attractive, inserting these people in the job market based on the speed they needed, thus, preventing evasion. Moreover, internal training and evaluative procedures were created (or modified) to increase dynamism to the undertakings.

Future research can take opportunity to employ different operational definitions to increase sample size, allowing the addition of a larger quantity of enterprises in the scope for analysis. Other theoretical paradigms could also be used. Granting a feminist or critical realistic approach to the usual grand narrative of social entrepreneurial discourse, which is usually underpinned on a male-centred and ethnocentric perspective. Including considerations on gender and race would enable a different view about SEship, especially in such a peculiar socio-economic scenario as the one observed in the state of Ceará.

In conclusion, this study contributes with the academia as it confirms the relevance of innovation for social enterprises in a scenario of extreme weather conditions and historical poverty as well as social inequalities such as the state of Ceará. The role of innovation has been essential in other contexts and this research proved it as important for social entrepreneurial organization addressing to social demands in the semiarid region.

There are also implications for practitioners inasmuch as the examples of the processes in the SEs would help other organizations of the same kind to establish theirs and obtain a similar degree of effectiveness. The tactics utilized to foster innovative practices can enable other social enterprises to be successful and help other vulnerable communities.

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