

# INSTITUTIONAL ENTREPRENEURSHIP AND GHETTOS OF INNOVATION: CAXIAS DO SUL'S INDUSTRIALISTS ACTION SHAPING THE STATE OF RIO GRANDE DO SUL REGIONAL DEVELOPMENT (1980-2010)

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## ABSTRACT

*The emergence of the industry of the city of Caxias do Sul, Brazil, is linked to the Italian immigration phenomenon of the late nineteenth century country. However, the modernization of its industrial park, more especially from the 1980s, is due to the combination of an entrepreneurial associative culture. In such context, this article analyzes the implications of the industrial entrepreneurs' actions that impacted on the State of Rio Grande do Sul economy and social development between 1980 and 2010. The study identifies and recognizes the determinant actions in which the local industrialists achieved through the discourses and their significance as entrepreneurs. It validates a relation between those actions and the region's socio-economic development conditions. The qualitative research implemented an exploratory study, where data collection was done through guided and recorded interviews with industrialist entrepreneurs and local community leaders of Caxias do Sul, to highlight the entrepreneurial action that marked the history of the region. Data analysis is based on a qualitative concept that deals with the narratives of the entrepreneurs about the conditions of regional socioeconomic development. The results confirm that the individual and collective actions of the entrepreneurs show institutional entrepreneurship combined to closed innovation.*

**Key-words:** Institutional Entrepreneurship; Entrepreneurial Action; Ghettos of Innovation; Caxias do Sul Industrialists; Regional Economic Development; Social Development.

## INTRODUCTION

The concepts of entrepreneurship and innovation have played a formative role in the business history of the contemporary society. Their research paths in the areas of economics, management and sociology have grown over the past 30 years, so the importance of Schumpeter's contribution. Schumpeter conceived the idea of the revolutionary role of the entrepreneur, in the creation and progress of production that transformed the industry and society.

The researcher saw the entrepreneur as an economic development agent that contributes to new business combinations for constructive destruction in terms of competitive development. This formulation considers that the entrepreneur sees change as a sound norm. Ongoing

innovation implies permanent change and permanent imbalance. This innovative creation of the entrepreneur is the primary endogenous cause of change and development in the economic system. The entrepreneur does not bring change on its own, but always seeks to exploit it as an opportunity (Schumpeter, 1934).

Indeed, many economists have ignored what some authors think is a fundamental aspect of entrepreneurship, namely, the influence of social forces as the norms and values that constitute a framework within which individuals can achieve opportunities to undertake (Berger, 1991). In this sense, a perspective that can be considered primordial in the field of entrepreneurship research is the result of entrepreneurship studies through social network analysis. According to Granovetter (1985), the entrepreneur's economic behaviour is rooted both in the social structure and network perspective, from the individual actions' conditions to a socially structured context, as the starting point of the business foundation (Aldrich, 1979). Thus, entrepreneurship is a culturally rooted participant who understands the meaning of a specific discourse.

Both the economic and social areas of entrepreneurship can be defined by the paradigms of entrepreneurial economy and society. The entrepreneurial economy paradigm demonstrates that the economic forces regulate the demand for goods. The forces generated from the entrepreneur's psychological traits increase and shape the organizational forces to quickly adapt itself to market pressures (Béchar, 1997). Consequently, the entrepreneurial society paradigm is characterized by economic forces that expand the supply of goods and psychological forces, to encourage innovative behaviours and services, and to enable people to perceive the opportunities for change in a society and to structure new organisations (Béchar, 1997; Casson, 2013).

Kirzner (1973) and Shane and Venkataraman (2001) authenticate Gartner (1988) behavioral notion in entrepreneurship studies. Kirzner (1973) claims that it is the entrepreneur's act of seeking opportunities that distinguishes him. The proper attention to opportunity is what defines entrepreneurial behaviour. In turn, Shane and Venkataraman (2001) consider that entrepreneurial conduct involves both sources and processes of discovery, evaluation, and exploitation of opportunities.

Based on Schumpeter (1934), Kirzner (1973) and Gartner (1988) research works, and considering Granovetter (1985), Béchar (1997) and Shane and Venkataraman (2001) concepts that most economic actions are rooted in social relationship structures, such conceptions contribute to the field of entrepreneurship as a central role in the development of a society, its economy and its organisations. Thus, considering these key theoretical pillars, this paper analyzes the implications of the industrial entrepreneurs' actions of Caxias do Sul, a leading industrialized city of Brazil, to the economic and social development of the State of Rio Grande do Sul.

The industrial park of Caxias do Sul took its first expansion path in the 1930s, when the current president of the Republic, Dr. Getúlio Vargas, assumed the presidency and adopted an "import substitution" model, modifying the agro-export model that had lasted in Brazil for almost 430 years. The introduction of this model was also implemented by the Kubitschek government, which encouraged companies in the region to seek business alternatives to grow in the new market segments. The 1960's and 1970's brought up a more sophisticated scheme, the Dependent Associated model, whose entry of foreign capital began to interfere in economic development (Mello et al., 2018).

The metropolitan region of Caxias do Sul has an estimated population of 500.000. It constitutes a reference in Brazil for its metal-mechanic industry, but also it offers municipal, health and higher education services for over 1.000.000 people. Its regional economy has more

than 27,000 industrial, commercial, and service establishments, with more than 25% of industrial activities. It generates close to 200.000 jobs (IBGE, 2017), from which the industrial sector cope for 35% of the regional economy and generates more than US\$ 5,000,000,000 in revenues. It constitutes the second largest industrial hub in Brazil (SIMECS, 2019).

This research work is a continuation of a study published by the Academy of Entrepreneurship Journal in March 2018, which investigated the strength of Caxias do Sul's industrials entrepreneurial action in the period of 1950-1970.

Since the entrepreneurial action led to new markets development and opportunities creation, social relationships, and had positive repercussions in regional economic development, this paper explains how those actions impacted on the economic and social development of one of the most prosperous industrial regions of Brazil, Caxias do Sul, during another key development period (1980-2010). Those industry entrepreneurs were already associated to an institutional entrepreneurship pattern since the organisations had their business activities linked to the Caxias do Sul Metal-Mechanic, Electrical and Plastic Industries Unions (Mello et al., 2018).

## THEORY

### **Entrepreneurship, Innovation and, Economic and Social Development**

There is an extensive theoretical basis on the economic approach to entrepreneurship and these theoretical foundations are related to the various schools of economic thought, such as Schumpeter's, Kirzner's, and Knight's. However, for Landström (2008), even with such a foundation, it is difficult to find a consensus that allows us to affirm that there is a consolidated economic entrepreneurship theory.

According to Landström et al. (2012), Joseph Schumpeter is the best-known economist who studied entrepreneurship. The author sees the entrepreneur as an economic system engine, which understands the essence of entrepreneurship by seizing new business opportunities and associating this concept with innovation (Dorion et al., 2012; Reynolds, 2017). Schumpeter (1934) stipulates that innovation is directly linked to the innovative entrepreneurship, where entrepreneurs and their organisation direct their efforts to either obtain new products, new production methods, new markets and new sources of innovation.

Gartner (1988) questions the existence of a dominant concentration in entrepreneurship research, based on entrepreneurial characteristics. The central argument of a personality-oriented approach is that some special types of individuals create entrepreneurship, and that for society to move forward, an adequate supply of these individuals is needed. For the author these characteristics are auxiliary to the entrepreneur's behaviour and, therefore, research on entrepreneurship should focus on what the entrepreneur does and not on what he is.

The importance of innovation has been recognized for business growth and the economic and, social development of the regions is already conceptualized in the literature as a relevant topic for academics, research institutions and governments (Schumpeter, 1934; Tidd et al., 2005). Porter (1990), in *The Competitive Advantage of Nations*, examines the reasons why some nations achieve success by competing internationally while others fail. The author reports that for any business environment, the success of companies is related to its economic environment, the relevance of government policies and the institutions that support its business activities. Thus, the concept of competitive advantage stems from the size and the asset ownership of these

organisations and their ability to mobilize technology experience, knowledge and skills (Tidd et al., 2005).

A developed region is a geographical area in which individuals can enjoy individual freedoms to fulfill their desires, coupled with institutional social commitments. The direct actions from its actors contribute to the formation of social capital, resulting in a trustworthy environment supported by the actors of the community (Sen, 1999). Consequently, the social approach on entrepreneurship is directed to levels of analysis that are above the individual entrepreneur. It investigates the interpersonal networks, the organizational structure, the population, the existing processes, as well as the institutional environment (Thornton et al., 2011).

By the end of the twentieth century, researchers incorporated the term “institutional entrepreneurship” in the literature to address a category of entrepreneurs associated with organizational change, which aggregates and generates a development of regional institutional life. Eisenstadt (1980) and DiMaggio (1988) introduce the “institutional entrepreneur” as an agent who mobilizes its resources to transform or create institutions that favor its own regional interests. The concept of institutional entrepreneurship arises the questions related to the emergence of regional institutions, which provokes a change of the current institutional logic and legitimizes new practices and new institutional arrangements. The institutions may themselves by setting up routines, setting up rules, by making up the identity and building the interest of the actors, a process largely based on cultural norms and beliefs. The actors occupy a recognized social position as builders, and they must legitimize themselves in order to spread innovation and change in their community (Levy & Scully, 2007).

### **The Brazilian economy, its industrial development policies, and the entrepreneurial action in Caxias do Sul (1980-2010)**

The industry had a key role in Brazil’s economic development and has widely been discussed by Brazilian academics, which had a direct influence on various governments from the 1950s, came to a consensus on three specific economic periods in the nation’s history. The first one refers to the economists national-developmentalism (developmentalism) (1950-1989). The second one deals with liberal-dependent developmentalism (new-developmentalism) (1990-2002) and, the third one refers to the new economic liberalism (liberal new-developmentalism) (2003-2010). Each period had a specific impact on the economic development of the country, on the industrialization process and, particularly, on the development of Caxias do Sul.

Between the 1930s and the 1950s, Latin American countries have adopted a successful national development strategy, namely national developmentalism, based on development and Latin American structuralist theory. Developmentalism is an ideology based on economic development and it had the objective to incentivise industrialization with the implicit goal to achieve the developed countries levels of income (Bresser-Pereira, 2012).

Such strategy had to be redefined in the late 1980s, when the Brazilian foreign debt crisis exploded with high rates of inflation. During this period, the Fordist work model became obsolete and was replaced by a technology based Taylorist related model, which implied changes in the management and the production patterns of the local industries. It also meant for the Caxias do Sul industrial entrepreneurs a disruptive change in production patterns, where the entrepreneurs experienced a new kind of relationship with the working class (Pozenato, 2016).

Those difficult times did not stop the Caxias do Sul’s industrialists to incorporate the spirit of rapid dynamism and growth. They then adapted and adopted the proposed development model

of the federal government, which had a strong impact on local development, allowing the development of new businesses, the expansion of industrial companies and the opening on new markets in the local industrial sector. The entrepreneurs sought to keep up with the current technological and educational developments, by directing institutional entrepreneurial actions, and by commonly creating opportunities and developing new industrial sectors arising from new industrial markets, such as plastic molded products (Machado & Herédia, 2001).

Recurrent economic difficulties and corruption denunciations at the federal level favored the rise and the election of Fernando Collor de Mello in November 1989. It pointed out the beginning of a new direction in the Brazilian development process. The government opened the Brazilian market to the world, by eliminating imports tariffs and by abolishing the list of prohibited importations, and by establishing customs tariffs, joint with fast-track strategies (Brum, 2003). This period market-oriented reforms, marked by a profound restructuring of the Brazilian industry, was assimilated by the Brazilian businessmen from all sectors, from which a consensus around the neoliberal stance was articulated (Bresser-Pereira & Diniz, 2013).

In December 1992, two years before completing his term as President of the Republic, Collor de Mello suffered an impeachment process and was replaced by the Vice-president, Itamar Franco. The newly appointed President maintained the privatization process and his government implemented the *Plano Real*, which was successful in fighting inflation that led to the electoral success of Fernando Henrique Cardoso in 1994. In his government, The *Plano Real* had a positive impact on the economy as a whole during the period in which the liberal-dependent pact was in force. It “allowed the end of a high inflation pattern through the introduction of a disruptive inflationary inertia neutralization strategy” (Oreiro, 2015, p. 195). The entrepreneurs of the metal-mechanic industry of Caxias do Sul, attentive to such transformations, acted in order to adapt themselves in a “opportunity mode”, which made them take actions that are converging towards the training of human and technological resources.

The Cardoso government was unable to maintain its political capital, which had been prejudicated by low economic growth and high unemployment rates. At the beginning of the 21st century, Luiz Inácio Lula da Silva was elected president with 61% of the national votes, initiating a new economic liberalism period. Through his leadership, the pattern of international trade, driven by China's greater insertion in the world economy, favored and consolidated the Brazilian productive structure, which focused on low technological intensity products exportation (Curado, 2013). As a “*Competitive producer of a wide range of commodities, Brazil became one of the most benefited countries from China's accelerated growth, which would persist for years*” (Fausto, 2012, p. 528). At the beginning of the XXIst century, the metal-mechanic industry from Caxias do Sul had more than 2,500 companies, creating 42,000 jobs in 19 municipalities. The industrialists strengthened their economic position and their market conditions by developing a series of actions related to product quality, staff training and benchmarking missions. Such initiative was coupled with the employer's union's international trade initiatives, aiming at reinforcing European countries relationship industrial strategies (Herédia, 2007).

## METHODOLOGY

The aim of this study is to analyze both the economic and social development implications from the entrepreneurs' action of the industrialists of Caxias do Sul between the 1980s and 2000s. The paper initiates with a discussion on the “institutional entrepreneurship” theoretical construct, which integrates the economic and social approaches. The historical argument

emphasizes on the economic and political bias of the moment, which refers to the Brazilian industrialization process and the implications of the industrialists' action.

The interviews analysis was carried out to identify the actions that industry entrepreneurs have taken, as the “engine” of economic and social development, from their business reality.

The research period corresponds to the individual development and the collective capacity of these entrepreneurs to assimilate and implement their international industrial productive leadership, which modernized the Brazilian industry, especially between the 1980-2010 period, by improving their local individual and collective industrial productivity schemes.

Considering the exploratory nature of the study, data collection through methodological rigor and the research implementation led to a qualitative paradigm to achieve clarity. Qualitative research is an area of inquisition in itself. It cuts across disciplines, fields of study and subjects, and is surrounded by a complex and interconnected family of concepts and assumptions (Denzin & Lincoln, 2008). The option of a guided interview technique for data collection among the subjects was a method that aimed to extract the events and facts, that supported the entrepreneurial action that made Caxias do Sul a national industrial reference. The interviews transcription was established by themes, in which the characteristic of homogeneity was rigorously maintained (Bauer & Gaskell, 2002).

The sample was intentional, but based on their past entrepreneurial development actions, which aimed at the development of the industry of Caxias do Sul. Being community leaders who have contributed to the economic and social development of the region, they were consistently recurrent with their actions. The 51 interviewees were selected according to four types: 1) the Industry Entrepreneurs and Executives, 2) the Presidents and Former Presidents of Class Entities, 3) the Professionals from Educational Institutions, and 4) the Public Sector Representatives.

The transcripts' analysis provided a detailed exploration of the narratives that served to understand the discursive perceptions of the messages and to enrich the meaning of the constructs. The use of such method helped to consolidate the categories of analysis and to understand the dynamics of the existing categories. The analysis explored the convergent contents in the interviewees' narratives about their actions and to achieve the objective proposed by the research.

## DISCUSSION

The interviews' results analysis allowed to merge the theoretical framework with the dynamics of the existing categories. Therefore, the interviews' discourse guided the categories analysis, which were used to identify and to describe the Caxias do Sul industrialists' actions. There are mainly contained in the economic and social dimensions. In each one, the converging ideas that emerged from the analytical categories highlighted a context of closed innovation motivated by economical parameters, that are represented by the concept of “ghettos of innovation”. The social dimension exposes a strong convergence, which accentuates the category of “institutional entrepreneurship”.

### **Guettos of Innovation**

From the industrial entrepreneurs' view, the analytical category “ghettos of innovation” is theoretically grounded in Schumpeter (1934), which exposes the entrepreneur as an economic development agent, characterized by the conduction of new combinations that represent the competitive extinction of the “outdated”. The author attests that, by changing the existing

economic structures through innovative attempts and commitment, the entrepreneurs are incentivised to promote growth and induce change. This category is also based on Dorion et al. (2018), which carried out several studies on the dynamics of innovation and sustainability in organisations from the main sectors of the economy in Brazil. The study concludes that these organisations establish the necessary intensity to generate innovation activities within a specific territory, but in a closed configuration, which is described as the category “ghetto of innovation”.

Such category can be directly observed from the local industrialists’ discourse, exposing their capacity to make innovative decisions during the 1980s, 1990s and 2000s. It then enhanced regional development through continuous improvement through the identification and the implementation of opportunities, which was supported by a planetary industrial productive context.

In the 1980s, the metal-mechanic industry of Caxias do Sul started a disruptive industrial development movement focusing on innovative administrative processes and industrial production systems. Such movement started from the commitment of some leading manufacturers, with the implementation of a new work philosophy, whose focus was through a participatory and solidary administration, based on the Japanese management models, such as Total Quality, Toyota Production System, Kaizen Just in Time and Kanban.

Two industrialists considered themselves as the pioneers in the application of the Japanese management models in Brazil:

1. The company’s founder went to Japan, brought back the Japanese system, and invested in all his managers training in Japan. [...] However, inside the factory we had to change! (Interviewee No. 15, Metal-Mechanic Sector Executive).
2. In the early 80’s we started talking about Total Quality. As a result of this, we went to Japan and began to set up the processes of participatory administration, of integrating the employees with the company, of considering the environment as a key part of business management (Interviewee n° 19, Metal-Mechanic Sector Industrial).

The 1990s started at the same pace than the previous decade, but with a direct input in technological overhaul from the Brazilian government. The development of science parks came under the initiative of the national automotive industry, with the collaboration of its supply chain:

1. In the 1990s, the Government took a very positive step in opening the Brazilian economy. For the industries, it was fantastic because we could buy advanced machinery abroad at prices never seen before. As a result, our regional industry has developed rapidly, finally producing products at world standard (Interviewee n° 16, Plastic Sector Executive).

These companies have decided to be more qualified to compete in world markets, which have emerged as a result of Brazil’s economic opening to world trade. The following statements give an account of this situation:

1. *In the 1990s, as the economy began to restructure, we began to take advantage of the new markets that emerged. [...] From the 90’s onwards, we started to look more closely at the world and to learn about new technologies abroad* (Interviewee n° 06, Metal-Mechanic Sector Industrial).
2. *We have created an export shipping process for our goods. [...] We developed two types of products manufactured in Brazil and shipped them to Europe, partially assembled. [...] The innovation of this assembly system allowed us to export in these countries* (Interviewee n° 21, Metal-Mechanic Sector Executive).

The 2000 decade represented the peak in the expansion of the local industries' operations in international markets. The industrials took advantage of the opportunities that arose on both the national and international automotive markets, strengthening their relationship with foreign companies:

1. *From 2000 onwards, we have structured ourselves with new products and technologies. [...] It was strategic to have a factory in the largest markets of the world. [...] We went to visit them and concluded that we needed to have a factory in South Africa, India, China and Russia* (Interviewee n° 22, Metal-Mechanic Sector Executive).

In the 2000s, the industrials of Caxias do Sul underwent a process of expansion of their operations. They focused to upgrade activities related to investments for the improvement of their industrial park, the implementation of new technologies, the application of quality programs, and the training of their workforce:

1. At the beginning of the year 2000, we had already invested in modern technology for our industrial park. We created a strong knowledge base, with education, and then formed joint ventures and participated in quality process programs. We anticipated a greater investment in people who could do their work differently (Interviewee n° 09, Metal-Mechanic Sector Industrial).
2. We were ready in 2000 and launched new products. We invested in quality products. We went after new technologies abroad. We prepared our employees to explore opportunities that have recently arisen (Interviewee n° 05, Metal-mechanic Sector Industrial).

In the 1980-2010 period, the industrialists of Caxias do Sul decided to invest heavily in training and employed the best management practices. They focused their efforts on activities related to investment, new product development, and continuous production process improvement. They implemented new quality programs, invested in cutting-edge technologies and in innovation. They also deepened their relationships with foreign companies, which led to the consolidation of their international markets.

### **Institutional Entrepreneurship**

The Social Dimension of entrepreneurship, defined as institutional entrepreneurship, focuses on the existing social relations between the public and the private sectors. It expresses the entrepreneurs' capacity to build the necessary relationships to strengthen their industrial productive structure.

In the view of the local entrepreneurs, institutional entrepreneurship stands out as the main driver of development, through institutional change mechanisms. It represents the actors' activities that are focused in setting up specific institutional arrangements (Eisenstadt, 1980; DiMaggio, 1988). Also, it includes the leverage of resources to create new institutions that favor their own industrial interests, with the goal of gaining economic benefits (Levy & Scully, 2007).

The concept of institutional entrepreneurship explains with clarity the industrialist's discourse. For three decades, they were attentive to the national scenarios that configured the country's economic development. They were able to strengthen the regional development entities and sought solutions to crucial issues facing the industry's development. This happened through the consolidation of social relationships, both from the public and private sectors and institutions, as well as through the formation of specialized labor, technological development, and research.

In the 1980s, the industry entrepreneurs made joint efforts to develop relationships with educational institutions such as the National Service for Industrial Learning (SENAI) and the local university:

1. The creation of a mechatronics school supplied the city's organisations with technicians, which assumed a key interface between the operational level and the engineers. This accelerated our competitiveness (Interviewee n° 30, Former Industry Union's President).
2. Throughout these years, the relationship between the industrial sector and the local university was built up [...]. It allowed the industry to grow and a consequent acceleration of the region's development (Interviewee No. 50, Former Governor of the State of Rio Grande do Sul).

The 1990s witnessed a substantial transformation in the national economy. Through the implementation of new government economic plans, the industrialists continued their international markets insertion process through collective strategies. The case of a cooperation agreement with the European Economic Community, the *Compagnia delle Opere*, from Italy, and the local Chamber of Industry and Commerce of Caxias do Sul (CIC) allowed the realization key business missions in European countries:

1. We signed a mutual collaboration agreement, [...]. The agreement offered support and mutual consultations between both entities, providing among other services, the online connection of the local industry with the European Community Database (Interviewee n°36, Former CIC President).
2. In 1994, our union's president began to carry out missions abroad. We took small and medium-sized entrepreneurs to see what the world produced, which made possible for those companies to improve their production quality (Interviewee n°39, Former Industry Union's President).

In that same period, there was an intense movement in function of industrialized products quality. The industrial entrepreneurs adopted the Gaucho Quality and Productivity Program (PGQP) movement, aimed to promote sustainable competitiveness and people's quality of life. In Caxias do Sul, this quality Project was widely disseminated by CIC.

1. A former CIC President implemented the idea of Total Quality at the Chamber. A Total Quality Committee was formed to make companies take the idea of quality seriously. We carried out several campaigns to implement the techniques related to this movement. We wanted to do well, and we wanted to be competitive. Total Quality was the only way! (Interviewee 27, Former CIC President)

In the 2000s, local businessmen continued to act in an organized manner, around the entities that represented their interests, to strengthen their economic position and market conditions. Companies started to develop the Integrated Development Program of the Metal-Mechanic Sector. The program was part of the sector's strategic planning, to identify the demands and minimize the difficulties of these companies:

1. A result of our planning was the Metal-mechanic and Automotive Local Arrangement (APL) project, initiated in 2004, [...] (Interviewee 25, Former Industry Union's President).
2. The metal-mechanic cluster got involved in the development of projects, like the Research Center for the Development of New Materials with Clean Technologies, the Technology Testing Center, the Training and Development Program for Small Businesses, the Reference Center of Natural Gas, and the Technical School of Metallurgy (Interviewee 42, Educational Institution Professional).

The interviews reinforce the presence of institutional entrepreneurship that explains the emergence of institutions in a determined organizational field, changing the current logic and legitimizing new practices and new arrangements. Thus, the local industrialists assumed the role of institutional entrepreneurs, demonstrated as a distinct social type, with the capacity to act reflexively in relation to institutionalized practices and to visualize alternative ways of making their enterprises grow.

## CONCLUSION

The arguments developed above confirm that the entrepreneurial action of the industrialists of Caxias do Sul have adapted innovative decision-making as institutional entrepreneurs, in a collective way, but individually in the design, the promotion and the implementation of their organizational transformation. It included the improvement of their products and their production processes through the internationalization of their business, products and operations knowledge. The convergence between both the public and the private sectors was crucial to the success of this industrial endeavour. It is plausible to ensure that the actions of these industrial entrepreneurs are a demonstration of their strength and attributes, as individuals, in the sense of effectively enhancing the presence of different opportunities, resulting from the industry transformation that took place in Brazil between the 1980s and 1990s, and the creation of new markets in the sector, from the 1990s onwards.

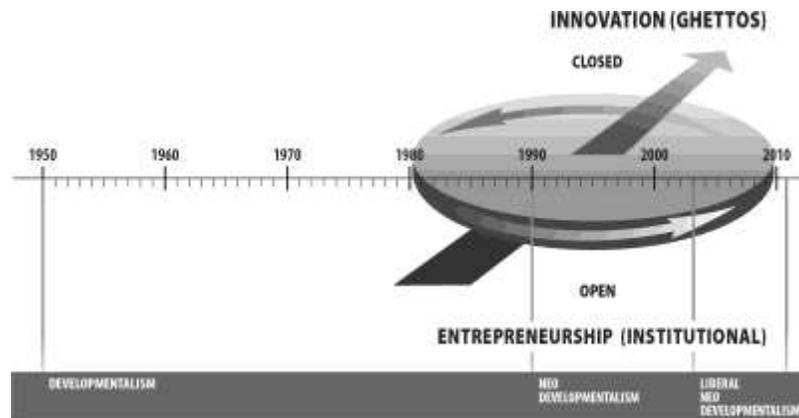
In this sense, the actions of the local industrialists, in a context of regional economic history, are the consequence of the social ties that were instituted between the public and the private sector. It then had an impact on the local industrial capacity to build the necessary network to strengthen the local industrial arrangement and to generate a specific local economic and social development platform.

It is possible to infer that the entrepreneurial action happened in Caxias do Sul through specific institutional arrangements. The industrialists' entrepreneurial way of acting also generated some form of innovation. This relation between entrepreneurship and innovation presents a dialectical and circular pattern, from where it origins and build-ups occurred incrementally.

The entrepreneurial industrialists' actions were collective, but the innovation was done individually behind "closed doors". This endogenous particularity was present in the study. In seeking to exploit new opportunities, as a requirement for expansion, the industrialists had to develop and improve their products and processes. They then became conditioned to implement sophisticated management methods, consistent with such transformation process. That is why the entrepreneur's performance scenario is characterized as "innovation ghettos", where each local organisation established the necessary intensity to generate its own innovation activities.

Thus, the study prolongs Schumpeter's (1934), where an entrepreneur acts as an economic and social development agent to extinguish the outdated products through innovative attempts and commitment. But in the case of the Caxias do Sul industrialists, it occurs in a purposely enclosed manner, a ghetto.

The conceptual model, as presented in Figure 1, summarizes the results analysis.



Source: Elaborated by the authors

### FIGURE 1 CONCEPTUAL MODEL - INSTITUTIONAL ENTREPRENEURSHIP AND GHETTOS OF INNOVATION

This research work is highly relevant since it empirically and theoretically contributes to the understanding of the entrepreneurship and innovation phenomena in the Brazilian industry, through the historical study of the actions that were done by the local industrialists, as well as the dynamics that occurred through them. It is worth mentioning that this research could be carried out in other parts of the world to underpin local development in an endogenous way, by reflecting on dialectic and circular patterns of development.

The theoretical contribution of the research is related to the elaboration of a construct based on the theme of entrepreneurship but focusing on the economic and social approaches. This research punctually associates the concept of entrepreneurship with market creation, innovation, organisational development and social relationships.

This study carries a methodological contribution by using economic history to highlight its theories. The historical approach elevates the social and economic dimensions of the concepts of entrepreneurship and innovation. By linking the perspective of historical research to the study, it is possible to collaborate for the evolution of the investigation of organizational phenomena through the adoption of a renewed epistemological perspective, which is linked to discursive and narrative practices, organizational memory, and to the social and collective imaginary.

Finally, it is relevant to mention that the study has its own limitations, since the theoretical base could have been more extent in entrepreneurship, or more specific in innovation. But as a pioneer in its nature, this research will contribute to the development of future research, in Brazil and abroad, but also in other sectors of the economy.

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