

**Innovation and social entrepreneurship in tourism -
A potential for local business development?**

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Abstract

Over the past few years, the tourist industry has come to be recognised as a way of providing strategic support for sustainable local business development. In this article we attempt to define an appropriate innovation concept in relation to tourism on the basis of an attractor principle. We then discuss the concept of entrepreneurship in connection with tourism, looking at its significance in its relationship with local business development, thereby positing the premise of social entrepreneurship. This frame of reference is used in five cases in the analysis. The analysis shows that it is possible to innovate and draw up plans for new attractors but that it is considerably more difficult to convert these plans into reality through social entrepreneurship. The conclusion is that we need to focus upon organisation of semi-public tourist organisations, if we want tourism to promote local business development.

Table of contents

1. Introduction	7
2. Research Questions	7
3. The Concept of Innovation	9
4. The Concept of Entrepreneurship	11
5. Social Entrepreneurship	13
6. Five Plans for New Attractors	15
6.1. 'Living Viking' a Viking site	15
6.2. 'To be guided' – a new city guide	16
6.3. Factory Outlet DK	18
6.4. 'Event.dk'	19
6.5. Life style centre for the overweight	20
6.6. Characterisation of the plans for new attractors	22
7. Some Concluding Remarks	22
8. References	25

1. Introduction

Political decision-makers consider entrepreneurship in tourism to be a means of local business development on the fringes, for instance in the European Union (Rita, 2000; Pearce, 1992; Cotrell, 2001; Crouch and Ritchies, 1999; Callahan, 1995). Some case studies appear to substantiate this claim (e.g., Edgell and Steiger, 1992; Feiertag, 1999; Nel and Binns, 2002; Callahan, 1995). However, the empirical basis of this is not convincing, because we do not know what the conditions for success are with political initiatives, and the case studies mentioned appear to be context-dependent.

This article is based upon five cases, in which study-teams, composed of students from Copenhagen Business School, have created innovative plans for new tourist activities in three local communities. The article describes the plans compiled by the study-teams and their outcomes in the three local communities. Nevertheless we will start by presenting the frame of reference for the concepts of innovation and entrepreneurship that formed the basis of the work. The article concludes with an evaluation of actions to be taken in order that tourism may gain a more prominent place in local business development in Denmark.

2. Research Questions

The tourist industry in Denmark is comprised of a lot of small companies (Erhvervsministeriet (i.e. The Ministry of Business and Industry), 2000). One consequence of this is that the tourist industry has a relatively low level of innovation compared to other service providers (Jensen, Mattsson and Sundbo, 2001). Compared to other service providers, one characteristic of the tourist trade is its relatively low usage of professional management, such as patterns of cooperation and systematic organisation of innovation activities (Jensen, Mattsson and Sundbo, 2001). Such systematic organisation of innovation activities could take place through the conceptualisation and setting-up of an attractor. An attractor is a phenomenon that creates attention (Jensen, Mattsson and Sundbo, 2002:5). It can be an event, a cultural institution, a single company or a collec-

tion of companies. An attractor's attention is viable because an attractor has an in-built 'history'. 'The history' is, in other words, the story that describes the phenomenon and background of our perception of the phenomenon in question.

A prerequisite of conceptualisation and the use of such attractors are co-operation between several companies and organisations. However, companies involved with the tourist industry are only geared towards the development of the local area to a limited extent, and lack of participatory co-operation can mean that tourism within the local area does not develop. (Jensen, Mattsson and Sundbo, 2001:51-56). Another characteristic is that companies within the tourist industry and organisations that target tourism (for example, local tourist offices) do not pay much attention to the potential that the area may have for the development of tourism. Instead they often market general attractions that are found in many areas, for example scenic factors, climatic conditions and cultural factors (Jensen, Mattsson and Sundbo, 2002:7).

If we then examine the contribution made by innovation research regarding tourism, the result is equally disheartening:

"This section has provided a brief review of important concepts and results of research over the past couple of decades in the fields of innovation and knowledge transfer. However, there is no particular emphasis on tourism in mainstream innovation research." (Hjalager, 2002:469).

The first research question is whether the study-teams, trained in the application of an internet based innovation management system, were able to conceptualise and set-up a new plan for attractors tailored to a given local community. We had reason to assume that it was possible, because earlier experience proved that when they used the system, study-teams were able to draw up plans or information packs that formed a basis for innovations and entrepreneurship in other sectors (Herlau, 1995; Herlau & Tetzschner, 1998, 1999, 2001).

The second research question is whether participants in the local tourist development system in question are able and willing to take this on and make entrepreneurship achieve its potential. In order to be able to do this, there must be a business plan for the creation of a new attractor in the local community.

Below we will give a brief account of our use of the concepts of innovation and entrepreneurship, because the definitions of these concepts are often quite ambiguous and not well defined in the literature and hardly defined at all in relation to tourism. This section concludes with our definition of the concept of social entrepreneurship, both in connection with conceptualisation of the innovative plans and with regard to the local tourist development system and its chances of putting the plans into action.

3. The Concept of Innovation

When talking about innovation and entrepreneurship, the great economist, Schumpeter (1934, 1981) attached great importance to linking together these concepts, each of which is linked to the market. We use the concept of innovation in Schumpeter's original sense, where innovation denotes the achievement of developing an already discovered element for practical/commercial use.

Sundbo (1995) identifies 3 paradigms in innovation research: 1) the entrepreneur paradigm (the entrepreneur is the innovation determinant as an individual), 2) the technological economic paradigm (the determinant is technological development) and 3) the strategic paradigm (the determinant is the strategy and general management of companies). Sundbo goes on to argue that the strategic paradigm is the most adequate explanation of the innovative behaviour of companies in this particular context, and thereby the most adequate explanation of social growth. He also concludes that his thesis may only be tested to a limited extent and that the contribution to the explanation made by the two other paradigms regarding all innovation within society may be discussed (Sundbo, 1995:26). This points to the contention that several different perspectives or paradigms may be valid and relevant at the same time but in different contexts.

Sundbo's (1998) discussion of innovation is based on the observation that the 3 basic views mentioned above from Sundbo (1995) emanate from the productive business sector, thus paradigms from a world that manufactures 'things'. Sundbo (1998) argues that in modern Denmark there are actually more people whose occupation involves producing services than people whose occupation involves do manufacturing products in the form of physical goods. Therefore according to Sundbo, a broader definition of innovation should be used. There is also innovation in the service sector, though the process is not the same as it is when there is innovation in the manufacturing sector. According to Sundbo (1998), the decisive characteristic of innovation is that it can be generated regardless of whether we are talking about radical or incremental innovations. Sundbo therefore includes individual employee's contributions to the innovation process. In this Sundbo comes close to Drucker's (1986) description of social innovation as being closer to learning than production. Thus focus of the innovative process moves away from 'the product' towards the small 'incidental' events that lead to reproducible changes. Stacey (1996) describes these as events on the verge of chaos.

By innovation in tourism we mean the following:

1. Product innovation (new products and services for tourism)
2. Organisational innovation (new forms of organisation and management)
3. Process innovation (new ways of making tourism known)
4. Logistic innovation (new ways of supplying products or services to customers)
5. Market innovation (new ways of marketing and consumer behaviour)

These forms of innovation are in line with the definitions of service innovation that have been used in earlier research (Gallouj, 1994; Miles et al., 1996; Haukness, 1998; Sundbo, 1998; Gallouj and Sundbo, 1998). However, the definition of innovation does not include that the specific form is implemented in relation to the market. It is sufficient that the concept is conceptualised and described. In relation to tourism, all 5 types of innovation (and all their conceivable com-

binations) will contribute to creating a new attractor or develop existing attractors.

4. The Concept of Entrepreneurship

Key books and articles on entrepreneurship often begin by establishing that there is no common general and universally accepted definition of the concept of entrepreneurship (Gibb, 1986; 1988; Gartner, 1994, Churchill & Muzyka, 1994; Bygrave, 1989; Kjeldsen, 1989). 'To define' means 'to limit' and 'to narrow down'. In this way we attempt to create order out of chaos. Definitions help us to focus on essential qualities and help us to explain to others what it is we are talking about. However, it can turn out that definitions are ambiguous if the phenomenon is ambiguous in itself and this is perhaps the root of the problem regarding the definition of entrepreneurship:

"The phenomenon, itself, is inherently complicated, equivocal, and 'large'. Simplifying, specifying, and making small help us to hold on to parts of the problems. But, it does not solve the problem. Entrepreneurship will not yield to a definition agreed to by all." (Gartner, 1994:30).

Therefore we cannot immediately expect that others understand what we mean by entrepreneurship. This is why it is necessary to define the concept in relation to epistemological interest in the analysis and in relation to the societal context. It is impossible for one definition to be conclusive as a definition.

There is no doubt that a necessary condition for entrepreneurship is that entrepreneurial participants need to identify favourable opportunities, though this on its own is not enough. For entrepreneurship to be successful, participants must have the ability to identify and act on favourable opportunities. In order to produce economic net value for the entrepreneur and for society innovation is essential:

”Whether done by an individual or a team, there is general agreement that entrepreneurship involves an act by a motivated individual who innovates by creating value through recognising (or developing) an opportunity and converting it into a viable product or service. That is, innovating in a way that produces net economic value.” (Churchill & Muzyka, 1994:13).

By definition entrepreneurship is thus associated with significant societal innovations and its process is characterised by uncertainty. This is why entrepreneurs attempt to reduce this uncertainty:

”Although uncertainty is unavoidable, successful entrepreneurs go to great lengths both to reduce uncertainty through research, and to reduce risk by passing it on to others whenever they can. Thus, rather than saying entrepreneurship involves risk, we should say that, ‘...entrepreneurship involves uncertainty, and almost always, the management of risk’.” (Churchill & Muzyka, 1994:15).

This provided the groundwork for Churchill & Muzyka’s conceptualisation of the concept of entrepreneurship as a process:

”A process that takes place in different environments and settings that causes changes in the economic system through innovations brought about by individuals who generate or respond to economic opportunities that create value for both these individuals and society.” (Churchill & Muzyka, 1994:16).

This attempt to establish a relevant and valid definition of entrepreneurship on the level of business economics analysis is founded on research traditions that all point towards five elements: 1) individuals, who 2) carry out actions, which 3) imply innovation in relation to favourable opportunities and who 4) build an organisation, which 5) involves risk, c.f. Churchill & Muzyka (1994:11). These five elements may be perceived as a common denominator for many of the sci-

entific definitions of entrepreneurship on the level of analysis for business economics when entrepreneurship is seen as a process. However, this is not a universal definition.

5. Social Entrepreneurship

As mentioned above, we are not talking about a general definition, and certainly not one that is conclusive. Thus our argument is that these elements must be interpreted a little differently today, see table 1 below. The significance of the changed interpretation in table 1 is both the revision of earlier understanding and the addition of new perspectives. The essential point is that in the right-hand column of table 1 a far more dynamic, process-oriented and holistic perspective is involved.

Table 1. From individual entrepreneurship to social entrepreneurship

From: Individual entrepreneurship	To: social entrepreneurship
Individuals	A participant or an agent such as a network or a team
An action	A holistic process
Innovation and favourable opportunity	Societal innovations create favourable opportunities
Risks may be taken	Minimising uncertainty and risk

Source: Herlau & Tetzschner (1999:38).

The left-hand column of table 1 represents, to some degree, an older dominant myth about social originators of entrepreneurship:

“The older and still dominant American myth involves two kinds of actors: entrepreneurial heroes and industrial drones - the inspired and the perspired.” (Reich, 1987:78).

But an old myth is not necessarily totally wrong. A myth contains a grain of truth for the person who tells you about it, and also for listeners who may or may not be sceptical. Reich (1987) does not doubt that the dominant myth regarding the individual as the decisive factor in entrepreneurship could have been valid earlier; but he does not believe it is valid today:

”If we are to compete effectively in today’s world, we must begin to celebrate collective entrepreneurship, endeavours in which the whole of the efforts is greater than the sum of individual contributions. We need to honour our teams more, our aggressive leaders and maverick geniuses less.” (Reich, 1987:78).

The above arguments thus imply that neither column in table 1 gives either a true or a false picture. Both can be true or false at the same time – though in different contexts.

Just as there is no unambiguous definition of the concept of social entrepreneurship (Johnson, 2000), equally there is little agreement on the concept of social entrepreneurs. However, there is a starting point in Johannisson (1986) that distinguishes between independent entrepreneurs and social entrepreneurs just by looking at their role within the networks of their local communities.

Thus, following Johannisson (1986), when we were designing the project, we distinguished between conceptualisation of a potential innovation in the form of a new attractor in the given local community and the attempt to convert potential innovation to entrepreneurship. There were, therefore, two phases that were unequivocally based on a social understanding, namely the right-hand column of table 1, where success in innovative plans requires co-operation within a network.

6. Five Plans for New Attractors

6.1. *'Living Viking' a Viking site*

This project is described in Foster et al. (2001), which consist of a process analysis of the group's work and a number of appendices. The project is based on an authentic Viking site located in a conservation area in Frederiksborg County an area with a Viking history. The site would consist of an earthen area where historically accurate buildings have been erected. It has a longhouse and two dwelling houses with enough space for a total of 50 residents. The site would function as a resort hotel. Customers can check in and there is something for everyone. People can stay there from one day to 2 weeks or more. The site may be adapted to the client's individual needs and can offer a variety of activities to suit many different target groups. The primary target groups are identified as business tourists (team building/coaching/company events), education trips (school camps) and traditional tourists.

The Viking site is based on a range of authentic Viking activities (Viking camps, cooking, weaving, and forging) for role-play and other activities. The site is not particularly dependent upon weather and people can visit it all the year round, as authenticity is a central element rather than comfort. The location in Frederiksborg County means that, unlike the more remote attractions, Trelleborg near Slagelse and Foteviken in Skåne, there is a population of 1.8 million people within a travelling distance of 1½ hours. This is important since 80% of an attraction's visitors are resident within a radius of this travelling time (Foster et al. 2001).

Another crucial point is that the outline of Living Viking is different from neighbouring Viking centres because its activities cater for visitors staying there for longer periods of time. On the basis of network contacts linked with the project, the site will be able to work closely with Trelleborg and various Viking associations.

As regards finance, the figures in the business plan suggest that Living Viking can become a sustainable business. In order to initiate this plan, start-up capital of 6-7 million DKK is needed. Even after only one year's operation, the preliminary figures suggest that the results could be quite promising. Such calculations will naturally be subject to uncertainty and to a certain extent this may epitomise the phrase 'think of a number'. The group proposes that some of the more substantial uncertainties should be researched further.

Basically, Living Viking is a preliminary business plan. There are grounds for more detailed investigations and attempts to obtain 'seed capital' for starting up. If such a draft business plan still indicates that this is viable, we should proceed by looking for actual investors, for example in the form of a pension fund.

The study-team suggested that the business and tourist director in Helsingør in Frederiksborg County was the obvious person to proceed with the first phase of this project. During the project period, the work of the promotion of trade and industry was being reorganised in Helsingør. In itself this caused uncertainty about the performance of the semi-public organisations. However, in principle it should be possible to implement a plan such as 'Living Viking' with a semi-public organisation in the driving seat.

6.2. 'To be guided' – a new city guide

This project is described in Christensen et al. (2001), which contains a draft business plan. This idea is a new type of paper based city guide of Helsingør in English, which gives the user a quick and concise synopsis of what is on offer in Helsingør in the form of attractions, shops, eating places and art.

This proposed guide addresses both tourists and residents in the whole of the Helsingør catchment area. The basis for the student's plan is that the present tourist brochures for Helsingør are very fragmented because they target specific types of attractions or individual attractions. With these brochures it is not possible to see at a glance what attractions are on offer in Helsingør. It is neither

possible to see where attractions are located in relation to one another, nor is there a review of shopping places and eating-places. The guide will complement existing brochures.

The proposed guide would contain a classified list of attractions, shopping areas and eating places in Helsingør, which could be indicated by numbers and colours on the map of the city. The categories are:

- 'to be inspired' - design
- 'to be dressed' - fashion
- 'to be enlightened' - art
- 'to be served' - eating places , cafes and bars
- 'to be heard' - music and electronics
- 'to be treated' - overnight accommodation
- 'to be informed' - information centre

The guide would come out at least twice a year, but only income from advertisements, and thereby financing in principle puts limits on the frequency of publication.

This guide would be financed by the attractions, shops, eating places etc that are included in the guide. All of them would have the opportunity to be identified on the map by a dot. If they want greater exposure, they can have their picture and a very short description in the margin on the appropriate map page. Companies may buy more advertising space by having their details displayed on the back cover.

The business plan also considers target groups and it puts these into categories in relation to: the brochure, distribution, business system, organisation, business partners, network opportunities, action plan, discussion of possibilities, and risks and finally a financial section. Part of the information in the financial section is based upon an estimate. However, in the final analysis there is not a

great deal of cash flow and so there is a need to be financed. With this project, advertising space could be sold on the basis of a prototype before actual production and distribution.

To summarise, this plan is quite clear. It will be relatively simple to investigate further and then to implement it without making large investments and hence with a relatively low risk of incurring losses. The plan concerns the provision of information and not really an independent business area for a private company. It seems that the cash flow will be too small.

The group thought the borough's information director and project manager should produce the new city guide for Helsingør, because she had shown an interest in the plan.

6.3. Factory Outlet DK

The project's process and result is described in Gethmann et al. (2001). The idea of the project is based upon the unexpected success of equivalent factory outlets abroad, for example in the USA, the United Kingdom and Sweden. The idea is based upon the fact that clothes manufacturers and wholesalers of designer clothes only have limited opportunities to market their surplus goods. Therefore, Factory Outlet DK would offer national and international manufacturers and wholesalers within this exclusive area of the clothing industry an organised marketing channel for surplus output and products with unintended low rate turnover.

We will not discuss the project further, because 'Factory Outlet' is a plan that can only be implemented by a large company. It is a commercial innovation, whose implementation makes heavy demands both on raising capital and in concluding the necessary agreements with manufacturers of international brand names.

6.4. 'Event.dk'

The project is described and the process behind the innovation is analysed in Knack et al. (2001). The purpose of this business plan is to create a template for a scalable concept that can be integrated into all the regions of Denmark while using the Køge Bugt area as the actual object of analysis.

The background is that the market for co-ordination of company events and activities is extremely fragmented both on the supply and the demand side. Event.dk's angle of approach is that a good many participants and associations in the local regions can offer a number of attractive services that people can profitably sell to Danish companies. The problem is that there is no internal co-ordination between the local participants. This is why no synergy effects come about that make it possible to market services to companies. Event.dk would therefore generate a qualitative knowledge bank that covers the supply of company events and activities in the local area.

The idea behind Event.dk is to use local resources to create a network for the sale of functions, events and social activities to Danish companies. The vision is to develop Denmark's leading event-portal to sell and market unique company events. Via this portal it would be possible to create a complete synopsis of all offers from local suppliers. The companies would be able to select suppliers irrespective of need, and as a unique service it would be possible to combine specific event-packages that contain a number of services. The portal would moreover offer event co-ordination, which would mean that companies would not need to worry about the practical side. The companies will just select/combine an event package, after which all co-ordination and practical implementation is taken care of by local people.

The practical organisation of this work appears in Knack et al. (2001). A characteristic is that local suppliers would be involved in generating event-packages and running the portal through a partner programme. Furthermore, local suppliers would not consist exclusively of service companies but also of associations

and clubs that could and would supply activities. A smaller market analysis indicates that there is customer need. There are outlines of sales and marketing strategies and organisation, considerations regarding accounting and financing as well as risk factors.

Knack et al. states that this plan would not require huge investments but it would require a great deal of work and the creation of networks. The great advantage of this plan is that there are no direct competitors as the existing events bureaux concentrate on very big and expensive events, while no events organisers address themselves to the small and medium sized companies or make use of local partners. Another essential advantage of the project is that if the pilot project chosen in the local community is successful, it could be extended quickly and spread to other local areas.

It ought to be possible to implement 'Event.dk' with a semi-public organisation in charge. However the study-team felt that the commercial prospects of this plan were so great that they would proceed with it. Nevertheless this work has come to a standstill, as so often happens when a team has to continue with the work as a leisure activity. However, this project could certainly be realised by a semi-public organisation, because it would be possible to earn money by selling the plan to other areas.

6.5. Life style centre for the overweight

This project is described in Schnack et al. (2001), and contains a proposal for an innovation and a business plan but not an actual outline of a business plan. The proposal is based on setting up a life style centre on Samsø. Its purpose is to assist people who are overweight by giving them holistic treatment. This centre would differ from similar ones because the treatment would focus on the individual's perception of their own body. It would seek to change their outlook towards life before they begin to lose weight.

The success criterion is to create more tourism on Samsø, bringing tourists onto the island who provide an income to its residents. In turn, this would mean more jobs for the local population, not only during the traditional tourist season, but outside it as well. Tourism is not assessed on the basis of a micro-economic rationale alone but also on the basis of a broader macro-economic perspective. This life style centre would work on increasing the quality of life for guests, providing employment and a sense of well being to the inhabitants of the island, while benefiting the island economically.

The rather brief analyses in the outline suggest that the location should be an hotel with most of the necessary facilities. There is every indication that the demand for health resorts for the seriously overweight is constantly rising. Apart from this, the outline does not provide much factual information.

In brief there is a temptation to conclude that there is not much to be gained from this. However, there is no doubt at all that those who are overweight, in particular those who declare that they would like to do something about being overweight, provide huge business opportunities for entrepreneurs in modern Denmark. An added bonus is the involvement of the health services in this area. There is a need for different types of health resorts, including outpatient centres. Qualified staff could easily be provided for health resorts that are out in the countryside and where clients need to travel to get to.

The authors of this paper knew even before the study started that neither the tourist office or any of the semi-public organisations considered that they had enough resources to be able to make sufficient to the entrepreneurial process on Samsø. This was made very clear in the introductory interviews. We also found that there were no local people running small businesses within the tourist trade who had sufficient reserves to tackle new projects. Maintaining and developing their own companies took up too much of their time for this. In the end, the study-team assigned all rights of this draft to one individual. Since then nothing has happened.

6.6. Characterisation of the plans for new attractors

The first thing that springs to mind is that the results from each of the five study-teams are very different. 'Living Viking', 'Factory Outlet' and the life style centre for the overweight are product innovations in relation to tourism and of course concept formulation in relation to a new attractor. Both 'Event.dk' and 'To be guided' are a combination of market innovation with a new form of marketing and a logistic innovation with new forms of supplying the product to consumers. Whether these can function as attractors is more debatable, they function rather as mediators of existing attractions.

However, as it has been suggested previously, each of these projects is different when it comes to the demands made on those who try to implement them. With 'Factory Outlet' it is really only possible for people who have a lot of experience to bring it to fruition, no matter whether it is a company or the type of entrepreneur that Andersen et al. (1992) designate as 'escapologist'. The centre on Samsø is quite demanding but it should be possible to implement this one by using local resources by working jointly with the existing small hospital on the island.

'To be guided' and 'Event.dk' are plans that can be implemented in other communities as well as in Helsingør and Køge. Finally, 'Living Viking' is a project which is more or less tailored to North Zealand but which could be localised in areas with sufficiently large catchment areas.

7. Some Concluding Remarks

In relation to the first research question the conclusion is that it is possible for study-teams to conceptualise and set up plans for attractors tailored to a given community. However, in the cases above social entrepreneurship did not work; probably most of all because the ties between the study-teams and those organisations supposed to implement the plans remained weak.

As mentioned, work on all the five plans petered out after the students had sat their exams. Hence, the answer to the other research questions about whether the local tourist development systems were capable of and willing to take over the plans with a view to implementing them is clearly enough negative. We need to know why the public and semi-public bodies did not take these projects up in spite of having expressed an interest and willingness to do so. In some ways the answers were quite simple since these institutions were not really geared to these types of projects and also that they had nothing much to gain from them. It seemed that there was a certain risk in attempting to take them on.

Jensen, Mattsson & Sundbo (2002) do not believe that the greatest problem resides in drawing up plans for attractors. The most difficult thing is for plans to be organised so they consist of both tangible attraction elements and facilities. This is the function of the organisation in charge (Jensen, Mattsson & Sundbo, 2002:10), where we have referred to it as social entrepreneurship, see table 1.

With industrial policy it is difficult to encourage individuals and companies to involve themselves with social entrepreneurship, also with regard to tourism. However, it is possible to encourage semi-public organisations to become involved in this area. These organisations include tourist offices, local business consultants, and tourism consultants. However, in Denmark these organisations do not have all the eight conditions necessary for success, as Jensen, Mattsson & Sundbo (2002:57-59) mention:

- large and professional organisation
- focused strategy
- business minded
- leadership
- strong marketing function
- networking
- many factors considered
- fostering innovation

- public funding (in the start up phase)

However, though these factors may be sufficient for success, we do not know from empirical evidence if all of these conditions are necessary.

From the above we have seen that it is possible to produce new attractors or give existing attractors new plans. The study-teams that are trained in innovation management can function as producers as a part of their training. We have also seen from the above that it is more difficult to have the plans implemented, Though there is a real possibility that this may be done through semi-public organisations as a type of private-public partnership. If this version of social entrepreneurship, in which the agent is a network of study-teams and semi-public organisations, shall work strong ties have to be developed. Also the semi-public organisations have to meet fulfil at least most of the conditions mentioned above.

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