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Cities in Movement: The Emergence of Social Incubators in Metropolitan Areas

by Niccolò Pieri



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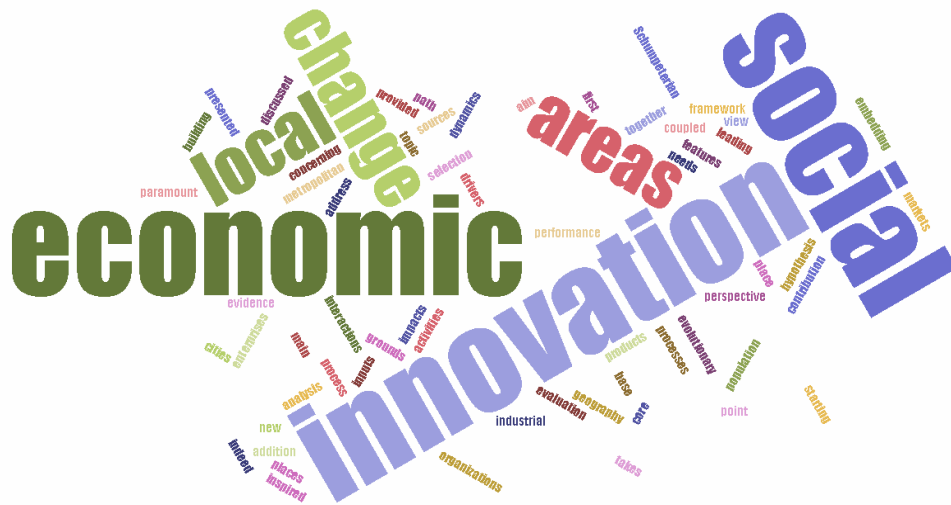
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by Niccolò Pieri

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ABSTRACT

The aim of this contribution is to address the topic concerning social incubators through the building of an economic geography framework in metropolitan areas. The main drivers of social innovation are discussed and the first grounds of evidence for local impacts are presented together with the interactions and needs of the population in cities. In addition, base hypothesis for analysis and performance evaluation of social enterprises and incubators are provided.

Innovation process is paramount and features the starting point of this path, as social incubators are places where innovation takes place. It is indeed at the core of the Schumpeterian view of economic change embedding new products, processes, organizations, markets, and sources of inputs leading to innovation in economic activities. The above are coupled with the evolutionary perspective of economic change, inspired by selection in industrial dynamics in local areas.

Keywords CITIES, SOCIAL INNOVATION HUBS AND INCUBATORS, EVOLUTIONARY PERSPECTIVE.

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1. Introduction

Findings from the study of [Pinch and Sunley \(2016\)](#) on agglomeration of social enterprises in UK cities suggest that relations between diversity of markets and the instability of context for their development and action exist. Furthermore, social enterprises have the paramount need of specific knowledge and knowledge exchanges at local level. Social enterprises predominantly clusters, and they showed a predominant local market orientation, making the utilization of this knowledge particularly dependent upon a localized business ecology of suppliers and infrastructural support.

The creation and support of an ecosystem of social incubators recently started to be analyzed through firm research with regards to business models, services provided and financial performances evaluation. The entire ecosystem of social enterprises in Europe engaged in 2010 over 14,5 million paid employees (6,5% of EU-27 working population), increasing from 6% of 2002-03 period. About 2.8 million organizations, as of 2010, are engaged in social issues in Europe ([Social Europe Guide, 2014](#)). Accurate data on the social economy are however very difficult to obtain, even if very recently a less scant attention have been put on the issue by statistical offices. However, the territorial impacts of these new typology of firms have not yet been investigated, while they have been analyzed as business hubs in the US with regards to patenting and job markets. Significant less attention, however, have been dedicated to build an economic geography perspective for identifying local impacts of social incubators, incubators of social enterprises, as they do not patent or produce hard products but services, presiding those areas not suitable for standard economic analysis.

The aim of this contribution is to introduce a different approach to the analysis of social incubators performing innovation in metropolitan areas, considering the economic geography evolution of the needs and firms at local – metropolitan – level. This contribution is intended to lay the first theoretical ground for a more extensive research, connecting the issue debated in research field of territorial evolution and specialization, and the creation and development of the so-called *third sector*. The latter confirming the existence of new typologies of needs in the developed countries where the welfare state is facing pivotal challenges.

Therefore, three main research questions have been raised:

- What are the main drivers for the creation of social incubators?
- Do they impact cities?
- How can we measure the performances of such incubators in cities?

Herewith I propose a logic path according to the necessary specifications of social incubators, clearly stating the founding “bricks” of both real facts and theory.

Innovation process is paramount and features the starting point – the first brick in the wall – of this path, as social incubators are places where innovation takes place. It is indeed at the core of the Schumpeterian view of economic change embedding new products, processes, organizations, markets, and sources of inputs leading to innovation in economic activities. The above is coupled with the evolutionary perspective of economic change, inspired by selection in industrial dynamics in local areas.

However, social innovation definition features itself relevant specifications differentiating it from the pure technological one envisaged in business oriented firms, where corporations and multinationals act as main actors. Indeed, social innovation is usually pursued by the State with the creation and support of micro enterprises, or the creation of no profit enterprises by single or organized stakeholders. It is the case of cooperatives, associations and single entrepreneurs.

The notion of *social innovation*, the second brick in the wall of this path, is particularly appealing in light of the difficulties facing traditional welfare systems and, more broadly, a development model essentially based on only two actors: the market and the state. It is not new to research the increasingly difficulties to meet the growing and diversified needs of society. The barriers and inequalities stimulated by globalization and urbanization trends are threats to social cohesion, thus social innovation works as a driver for the latter and a complement of the firsts.

The third fundamental brick in the wall is the *geographical approach*. Social incubators are located in cities, close or incorporated into knowledge hubs such as universities or in zones with relevant level of inequalities. Innovation mostly takes place in cities for the relevance of interactions and networks developed among citizens, public and private organizations to generate and increase social capital (Putnam, 1993; Fukuyama, 1995).

The contribution therefore proceeds according to the trail highlighted above: a second section (§ 2) deals with the research framework, identifying the factors at the base of the dynamics of innovation as well as the global urbanization processes; the third section (§ 3) is dedicated to present social incubators, connecting them with the

existing theory and cases; the fourth (§ 4) section is dedicated to introduce the social enterprise; the fifth (§ 5) section deals with the issue of agglomeration in urban areas, the essential drivers for social innovation; the last paragraph (§ 6) is dedicated to conclusions and discussion of working models for analysis and performance evaluation.

2. Research setting: innovation and urbanization

Innovation processes have been studied since the early stages of economic science. Adam Smith's division of labour underlines the pivotal aspect of innovation in industrial revolution. That is, the role of technology innovation in economic change is relevant with regards to the diffusion and sources of new products and services, evolution of firms and organization, institutional development and macroeconomic dynamics.

Quoting Schumpeter *"technological progress is increasingly becoming the business of teams of trained specialists who turn out what is required and make it work in predictable way"*, thus the creation of organized innovation such as research and development departments *"has come to be the most powerful engine of that progress and, in particular, of the long run expansion of total output"* (Schumpeter, 1942).

Several studies dedicated to research and development in the innovation literature linked R&D to different measure of productivity (Lucchese and Pianta, 2012), however the scientific community still appears to be divided on how to effectively measure economic innovation impacts on performances and effects.

Investigations of the virtuous circle R&D-innovation-productivity divided in three perspectives (Crépon *et al.*, 1998): *i*) the decision of expenses; *ii*) the relation between a single and undifferentiated innovative input and output; *iii*) the impact of innovation output on productivity. The relevant perspective considered in this contribution is deriving from the neo-Schumpeterian literature on technological trajectories, technology regimes and innovation systems across sectors. It is implicit that a concept of evolution and business cycle is at the base of any reasoning, as well as the importance of the specificity of industries with regards to their innovation patterns. It is also apparent that, following recent speculation in the aftermath of economic crisis of 2008, the concept of equilibrium has been questioned, by Stiglitz (2014) and others, referring to evolutionary approaches based on economic cycles. As innovation is strictly connected to higher productivity, in the spite of globalization, the dimension of companies is affirmed to be a key issue (Accetturo *et al.*, 2011).

Large companies matter as they are those international - and not only for their ability to create jobs and generate higher incomes. They

are also forces for higher productivity, innovation, standard setting, and the dissemination of skills and technology. Their geographic rebalancing will have wide-ranging implications for prosperity and growth in emerging economies, and it will shift more of the world's decision making, capital, standard setting, and innovation to emerging markets.

That is why, with regards to firms and innovation, geography matters. [McKinsey Global Institute Report \(2013\)](#) highlights that just 20 major cities host one-third of all large companies as of 2013 – and the firms clustered in these top business hubs generate more than 40 percent of the combined revenue of all large companies. The emergence of thousands of next-generation companies will allow hundreds of new locations to host large companies for the first time by 2025. This presents an opportunity for cities to strengthen their local economic base and capture part of the next great wave of growth, assuming a role as hubs in technologically advanced global industry networks and innovative supply chains. Developed regions and metropolitan areas are home to two-thirds of the 2,300 large subsidiary head offices. Western Europe is home to 41 percent of the global total subsidiary head offices, 3.4 times the US share, as European firms responded to the enlargement of the continental market and relax on borders, they have expanded across national borders to penetrate more of Europe's single market. As a fundamental result of many researches it is the fact that companies tend to grow organically in the cities where they are founded, developing local ties that become 'sticky', providing ground for resilient economies and local systems; as a result, company headquarter moves are relatively uncommon. The challenges provided by different movements in market dynamics, such as Brexit and re-tightening of borders (Schengen crisis) are yet to produce a new scenario to be investigated.

Cities, in both developed and emerging countries, may find that it pays to focus their efforts on attracting regional head offices as thousands of global companies, both old and new, will expand into new markets in the coming decade. The role of metropolitan areas is relevant for the choice of settling a company always starting from the single human preference. Nowadays, across all geographical regions, large foreign subsidiaries seem to cluster in cities that are not just well connected and good places to do business, but where senior managers would like to live. Cities with reputations for a high quality of life – such as Sydney, Toronto, Prague, and Singapore – have been relatively more successful in attracting the foreign operations of multinationals.

But the more diverse companies from the emerging world may factor in a broader set of criteria when selecting locations for future expansion, including the personal ties of executives who were educated abroad, the need to diversify family holdings, reputation building in

their home markets, and a greater willingness to enter frontier markets. Large metropolitan centres are also more likely to be cosmopolitan than their provincial counterparts due to the presence of economies of knowledge and external economies of different sources and objectives.

The cited [McKinsey Global Institute Report \(2012\)](#), focusing on the first global 600 cities selected on the basis of their GDP growing ratio, pointed the relevance of urban world and power of the cities is very significant. Cities represent the first market by far where to sell products and firms' headquarters are located accordingly to the market needs.

We presented the innovation perspective towards cities and their pivotal role in fostering, supporting and developing fundamental boost in hard technological innovation. Cities are also places where not only large global and multinational companies can find their humus. Due to their diversification and development in the service industry, metropolitan areas attracted always more and more population looking for new perspective and better life expectancy. This urbanization movement created a cradle of diversification at social level, boosting inequality and welfare needs.

3. Social Incubators

Social Incubators are organizations aimed at supporting projects, start-ups and entrepreneurs for social change ([Aernoudt, 2004](#)). Since the end of 80's, many institutions have driven their efforts for helping social ventures increasing their social impacts, when companies, NGOs and governmental organization fail to correct and sustain social dysfunction. Origins can be traced back to co-working and share of place models in urban areas, fostered by the creation of a new creative working class located in cities ([Florida, 2002, 2005, 2008; Fu, 2006](#)).

The evidence of a world city network impinges on social changes, with cities as centres of both wealth and culture and the exploitation or discrimination of immigrants, crime, overcrowding or fast demographic growth, pollution, widening inequality.

However, cultural institutions have been considered to have limited usefulness as vehicles of economic development, as they could function as upper class and elite establishments, bringing prestige to their city and attracting a few well-heeled tourists and an amenity oriented business, seldom drawing large crowds to be considered commercial catalysts. That might be true if only mass market development is considered, that is however a result of culture institutions establishment and development. The modern mass market lies its foundations on middle class, featuring an increasing purchasing power leading to the consumer society ([Coleman, 1983; Blumin, 1989](#)).

The role of middle class in strategic marketing has been studied and profiled. A definition of middle class has been achieved as that segment of population with discretionary income at disposal (Banerjee and Duflo, 2008; Cavusgil and Guercini, 2014), usually identified in the 30% threshold. However other symbols concerning lifestyles, comfort goods as well as western brands consumption are associated to the emergence of middle class in the developing economies. Together with salary disposal and discretionary consumption, other relevant features identified the middle class: different levels of education, jobs, satisfaction of third, fourth and fifth level needs (maslowian belongings classification, esteem and self-realization). Those characteristics are usually coupled with social active participation in political and social life, differentiation in attitudes, individualism and spreading of information and communication technologies, social networks and variation in the definition and perception of personal success.

3.1 Middle class and urbanization

The emergence of middle class is intimately connected with urbanization processes as the change in occupation and scholarization levels, values and expectations presented above are satisfied in local environment where different networks can gather and proliferate. Cities are the nodes where agglomeration economies have developed the most relevant diversification and specialization effects, thus building the most suitable humus for human capital and value added creation and development. Households relocate in cities and urban areas where better jobs and services are available, thus improving their status and allowing the consumption of mass market products, thus making the middle class symbols an achievable target. With regards to international marketing studies, middle class in cities is identified as a hot topic connected with the research on developing markets and economies, paramount for understanding their path in the forthcoming years. The relevance of urban middle class is inherent with the entrepreneurial side of economics, capable of stimulating not only innovative firms but also providing new stimuli, as much as the environment of entrepreneurial development. The geographic environment we want to analyze in this contribution is the city and its double faceted role in stimulating the development of global firms and acting as gateway in the internationalization process. In order to go beyond the simple local development equation, it is necessary to approach the subject through urban planning, economic geography, macroeconomics, transport economics, industrial economics and innovation economics. The previous chapter on urbanization and innovation closed with glances to inequality and welfare needs.

The identification of substantial changes in inequality, employment rate, household income, production density, and land value are undergoing factors to the constitution of edge cities which, linked to the urban centres, are identified as sub-centres. Contemporary metropolitan areas are characterized by ever more complex spatial structures that are increasingly different from the archetype of the city. Metropolitan industrial, business development and employment have been scattered throughout the urban territory, altering significantly the traditional patterns of urban spatial organization towards polycentric structures. The resulting development path spread from these centres through the outer clusters, incorporating towns, which have built relations and strong bonds with the complementary urbanities of the whole metropolitan and regional areas. Where markets fail, social entrepreneurs often conceive of business models that look beyond profit maximization (Casasnovas and Bruno, 2013), intersecting social mission, market orientation and innovation (Nicholls, 2006). The scaling opportunity provide humus in urban local systems for talking national, local and global challenges, thus overtaking the mainstream collection of methods and principles.

Social incubators are agglomerations of social enterprises and social ventures, aiming at providing an advantageous environment of connection, knowledge transfer and experience exchange. They provide space sharing and service sharing, producing a horizontal approach which is supported, in some cases, by the public actor or by private entities with social objectives. Incubators, unlike business hubs, are created with the specific aim of stimulating the production of social innovation. They are placed in specific part of the city for multifold purposes. The individual actors composing these agglomerations, be them individual entrepreneurs or multiple stakeholder firms, are social enterprises.

4. Social enterprises

With regards to social enterprises, three areas of debate are open for the definition:

- Broad *vs.* narrow – relying on the intersection of social impact, market orientation and inclusive challenge (Nicholls, 2006; Light, 2008).
- Individual *vs.* Collective emphasis – relying on the concept of collective social entrepreneurship (Montgomery, *et al.*, 2012).
- Not for Profit *vs.* For-Profit organizations.

Sector-specific definitions are looking only at specific types of organizations operating in the field of social inclusion, mainly by

facilitating the work integration of people excluded from the labour market ('work integration social enterprises', or WISEs).

The social enterprise dynamic is present in all the EU Member States and has its roots in the tradition of associations, mutual aid societies (France, Belgium), non-profits/charities (Ireland, Slovakia), and cooperative and voluntary engagement (Poland and Italy) that preceded the creation of the contemporary state bodies. Social enterprises are still conceived in significantly different manners by national legislatures, policy strategies, academics and social entrepreneurs (EU Commission, 2016), differentiating themselves for organizational and sector specific definitions.

Geographical proximities, specializations, funding and networks percolating the ecosystem necessitates of deeper research for comprehending the phenomena and opening the black box of this new typology of activities agglomerations having their operational bases in urban areas. The determinants of the creation, development, success or failure of social hubs have often been left to oblivion, while the geography of innovation hubs has been widely studied in the US with regards to location settings and job dynamics. Social incubators are primarily located in cities and metropolitan areas where they can benefit from different kind of externalities and spillovers. The role of urban clusters and agglomeration in creating knowledge spillovers from established firms can be traced to Porter and others with regards to for-profit firms while not so much has been said on firms participating in the sharing economy.

Incubators, by virtue, possess very strong bond with the territory in which they are created usually by virtue of local institutions, both private and public. Social incubators are organizations usually developed from co-working spaces and specific location settings. Italy has more than 100,000 social enterprises as of 2014, providing 850,000 jobs and involving 1,7 million voluntaries (Borzaga and Bodini, 2012). A law for social enterprise has been passed in 2016 by the Italian Parliament. In Italy in spite of a poor delivery of welfare services, the domains of engagement of social enterprises have been much more diversified from the outset (social, educational and health services and work integration), with a tendency to enlarge in very diversified fields of general interest.

5. Urban agglomeration

At local level, social ventures, program, accelerators included in the incubators aim at scaling their projects so that social related issues can be tackled at a wider metropolitan and regional level.

1.5 Billion people lived in urban areas in 2011, 22% at global level, with the world's urban population to reach 70% by 2050. According to this scenario, more developed regions will continue to lead urbanization rates, reaching a level of urban population of 85%, followed by less developed regions with 65% and least developed regions with 55%. More than 50% of the global GDP, equal to 30 trillion dollars in 2007, came from cities, with top 100 cities generating alone 38% of global GDP. Forecasts to 2025 indicate 60% of global GDP produced in cities, 735 million urban households with average GDP per capita of 32,000 dollars. Those figures coupled with a heavy nexus of externalities identify a decisive supremacy of cities as manhood's masterpiece (Glaeser, 2012). Cities stand as the prominent locations of productive factor and the places where productivity can be improved through innovative solutions and technologies. The mechanism undergoing the causes of the rising and fall of cities is very complex and not always suitable to generalization. Cities are evolving at a dramatic pace attracting people and capitals and expanding, or contracting, their territories. Based on this data and forthcoming research reports, the urbanization process is driving the most powerful engine of inequality, therefore towards the failure of different markets connected to welfare state provisions.

Urban economic composition is used for identifying cities' structures, connections and daily activities' distribution of people and economic actors (ISTAT, 2015).¹ The importance of the so-called City Regions (Scott, 2002) is not an innovative concept in the study of urban economics and human geography, having been adopted in the 50's for the continuous changing in shapes and adaptations of metropolitan and urban areas for the commuting patterns and areas of influence of the territories pivoting on a Central Business District.

The implications of these continuous changings that cities have had are both economy and policy relevant, however in this essay we are not envisaging those aspects, but their impacts on the dynamics of choice of big cities as a place for starting an international business process. This essay deals with the process of social entrepreneurship in cities, as their unquestionable attractiveness needs suitable policies and planning in order to address the needs of entrepreneurs wishing for improving their businesses at international and global level. *Business Improvement Districts*² in municipal areas can be assumed as an interesting process of

¹ Chapter 2, "Luoghi, città, territori: struttura e dinamiche di sviluppo".

² *Business Improvement Districts* are specific forms of public-private partnership and of 'local governance' structured as a network in which the boundaries between the public and the private framework are seamless. One can say that they can be a sort of quasi-public entities due to their legitimization by public law and the services that they deliver, which are usually of public 'disposition'.

policy in this direction, with key elements of sustainable entrepreneurial urban policy that must include the establishment of innovative configurations of partnerships strengthening the role of the private actors, an increased importance of local and urban dimension, as well as different privatization levels.

Urban systems have played an important role in the industrialization waves both as leading centres of systems of high technology and high culture, as well as organizational centres of regional 'magic circles' of typical leading industries (Dunford and Greek, 2005). It is paramount to assess that the last wave of industrialization, the ongoing "digitalization wave", has the development of human capital at the centre. The development of the human capital necessary for sustaining this process has its core in the urban and metropolitan areas (Moretti, 2012).

The specificity and specialization of parts of urban areas, which can be clearly identified in the territory, led to the creation and implementation of different agglomerates/clusters sharing common values and identity. In order to link the two aspects of urban clusters and urban framework it is necessary to state that urban system feature an essential form of social interaction and organization in the creation and distribution of wealth, one of the main organizational mechanism through which efficiency in production and trade is attained and distribution effected (Senn and Gorla, 1993).

Urban Economic analysis has been used to tackle questions related to the efficient organization of production and trade flows. Von Thünen's (1826) "isolated state" model, was the first to propose a theory of general equilibrium in space (Samuelson, 1983; Fujita, 2010) pointing out that an efficient urban landscape is shaped by economic forces, where transport cost, cost of land and crop productivity interact simultaneously.

Urban structure is shaped by transport costs, economies of scale and institutional elements. The interaction of these three pillars results in a diversified grid characterising the city structure, where the coexistence of diversified districts is feasible. Those are the principle lying the basements of agglomeration economies (Glaeser, 2010; Fujita and Thisse, 2013).

Urban structure has been the core topic of an extensive literature encompassing regional economics, urban development, transportation, urban and spatial planning and industrial economics. Hodge (1968) defines the urban structure as a set of independent social, economic and physical dimensions of a spatial unit. Horton and Reynolds (1971) indicated that the typical conception of urban spatial structure includes linear features such as transportation networks, commercial ribbons, manufacturing nodes, residential populations and densities, as a general description of the distribution of the urban space. Anas *et al.* (1998)

describe urban structure as the degree of spatial concentration of urban population and employment where centralized and decentralized urban landscapes can be distinguished. [Lee and Gordon \(2007\)](#) consider the urban structure in terms of employment shares in three types of metro areas: central business district, sub centres and dispersed locations. [Rossi-Hansberg and Wright \(2007\)](#) consider the urban structure as the number and size of cities in a country.

The influence of geographical distance and costs of transport are amongst the relevant indicators in urban research coupled and strongly linked with the role of trade. Through this perspective, the urban structure is a system or a collection of cities where interactions and interdependence between a certain set of cities which have different functions and specializations are observed.

The relationship between urbanism and economic development is complex. Notwithstanding the pivotal role of urban agglomeration, high urbanization rates are not always related to high income levels and adequate standards of living. A simple observation of urban areas, particularly among developing countries, shows that high levels of urbanism are also related to the referred high economic inequality, precarious housing, violence, pollution and increasing costs of living, all relevant issues which must be dealt with care and focus. Cities are 'production' and productivity engines incorporated in the broader economic system which, by definition, is difficult to be generalized.

The Marshallian concept of industrial agglomeration is linked the learning role of proximity, in its broader sense ([Glaeser, 1999](#)). Urban structure stars as the primary actor in making the whole set of proximities possible. More people are moving to cities, the most they realize the Marshallian context in specific districts, limitation in the extent of proximity provided³. Urban structure will change in other ways as the demand for skills rises. If there is increased demand for learning from others, then industrial diversity will decline as cities become focused centres of intellectual transmission. If one can only learn from people in one's own industry, then areas featuring concentration industries may be, and indeed are, particularly important soon. Face-to-face learning will also implement an increase in the demand for high skill urban districts and cities. Since contact with less skilled individuals eliminates the advantages of urban density, cities may be designed to minimize contacts between the more skilled and those less skilled who are able to pay the housing costs of a high skilled city ([Glaeser, 1999](#)). Finally, those people who are less skilled and are

³ The proximity concept and the extent to which a level of proximity shall be envisaged is discussed mainly in [Boschma \(2005\)](#). However this contribution voluntarily avoids to go in details in order not to deviate from its focus.

less willing or able to pay will learn less just as learning becomes more important. If this is so, then the increasing role of information in the economy will also lead to heightened segregation by skill level at the city and neighbourhood level. The meaning of estrangement, which is “*the fact of no longer being on friendly terms or part of a social group*”⁴, was perfectly addressed to a series of cities and towns where changes effectively happened in the past decades. In Italy, the case of the city of Turin is relevant for understanding the modifications affecting a big industrial city and the whole community when the manufactory leaves a locality. The reshape of the empty places is long and the urbanization shall compensate of empty spaces (‘wounds’) and *non lieux* (Augé, 1992).

The changes affecting the whole set of cities around the world are the results of a continuous evolutionary mechanism, which the industrial district, in its urban form, has adapted as the fundamental unit of analysis.

The concept of industrial district comes from the overlapping of social and economic forces and relations acting at local level, featured by the following characteristics:

- the relevant industry is mainly based on small and medium enterprises which are specialized, without the hierarchical organization present at big firm level;
- the social dimension is represented by a well defined identity shared by the local society and industries.

Building on the meaning of the typical industrial district, the Marshallian district model has been further developed in order to help the reading of localities where the above characteristics are explicit.

However, the concept of Marshallian industrial district might be interpreted as a model of local development featuring a mono-industrial specialization in a delimited space, showing vertically integrated production processes and a population of firms mainly composed by small ones with a high level of social cohesion and trust. This interpretation is old fashioned and restrictive with regards to the evolutionary paths that industrial organizations and local systems are taking, when dealing with the main unit of analysis that are urban areas. The idea of an evolving socio-economics system must incorporate a degree of heterogeneity both on sector and dynamics.

Following recent studies and the revamped interest in regional economics, mainly driven by the New Economic Geography in the 90’s, the observation of industrial districts led to further discussions concerning the potential impacts of regional planning policies in the

⁴ Oxford Dictionary, 2015.

fostering of localized innovation and growth (Gordon and McCann, 2005; McCann, 2008).

6. Conclusions

All over the world, there are many social enterprises that have been providing jobs and working in the market economy for years, facing different challenges and reaching sustainable business models. Social incubators are active in providing the necessary skills and, whenever possible, funding for new social ventures.

We started by providing an evolutionary and dynamic perspective of innovation and its city centred development, followed by the innovation at social level with the support and creation of social incubators. The latter agglomerate social enterprises that, stimulated by the effective needs voiced by metropolitan communities and boosted by urbanization processes, are providing welfare services. Social enterprises are in place where social welfare, provided by private and public, fails to serve the needs expressed by the society. The location where the clash of different class of people happens are cities, metropolitan areas and urban centres, where the decaying strength of middle class society has been usually paramount.

City centres are likely to have better and broader market access, reaching also the rest of the home Country's consumers. This is because of better transport infrastructures, such as highways, railroads, airports, hinterports and terminals as well as platforms and communication links than small provincial towns.

The strengthening of private actors goes along with an increased importance of the local political scale linked to the devolution and downscaling of central government functions (Peyroux *et al.*, 2012). Business Improvement Districts (BIDs from now on) as a sub-municipal form of governance furthermore represent a re-territorialization of existing political and administrative local restructuring and their institutions such as local authorities losing their significance. Although, in general, existing public ownership rights are not transferred to private actors within the BID framework, BIDs nonetheless signify an expansion of a market- and competition-oriented approach to the provision of public services. BIDs may also intervene in strategic planning and land-use planning, that is a prerogative of local government. This is supported by a view that spatially bound “interventions” in societal or economic processes seem more easily achieved if they are not organized according to traditional levels of government and their existing institutional powers, but instead bypass these with new and flexible territorializations. BIDs and their boundaries, which do not consider existing district or municipal boundaries, thus embody this establishment of new territorializations at

the sub-urban and sub metropolitan scale as an ideal type. Again, in order to link the different aspects of cities and urban framework it is necessary to state that the urban system features an essential form of social interaction and organization in the creation and distribution of wealth, one of the main organizational mechanism through which efficiency in production and trade is attained and distribution effected.

The necessary trans-disciplinary approach involving the whole body of economics and political science, architecture, urban and regional studies, anthropology and humanities when dealing with social needs in urban areas.

The Jacobian essential is that *“cities are primary organs of cultural development; that is of the vast and intricate collections of ideas and institutions called civilization”* (Jacobs, 1969). This envisages the multifold aspects entailed in the concept of city. The development of contemporary urbanization is a multifaceted phenomenon where individual cities are systems of internal transactions embedded in a wider network binding all cities together into a grid of complementary and competitive relationships (Scott, 2014). Relationships and networks are the results of a process of merger, expansions and contractions. Agglomeration economies are at the heart of much work in economic geography and the term is often referred to as economic externalities of co-location. They have been at the core of a huge body of research literature which, despite the common framework, analyzes the issue through different perspectives (see Martin and Sunley, 2003; Phelps, 2004 for critical overviews), aside from the widely adopted and classical conceptual trio (Ohlin, 1933; Hoover, 1937; Glaeser *et al.*, 1992) coupled with the Alonso, Mills and Mutt model – economies of scale, localization economies (MAR-externalities) and urbanization economies (Jacob's externalities). However, they do not, and cannot, cover all aspects of the concept. The actors composing the urban areas are subject to framework shifting, expanding, contracting or relaxing, but they are fully participating in many phenomena, while in the most they are the subjects and drivers of changes. Societal and business changes as well as adaptations and technology introductions are the most impacting drivers of changes in cities' frameworks and shapes (Parr, 2002a, 2002b).

Local ecosystems are therefore fundamental in skill building for trade opening and stemming of knowledge externalities leading to innovative capabilities building.

Those capabilities are the result of the availability and effective utilization of geographical ecosystems, which are divided into three types (Tanev, 2012).

1. The first type of ecosystem revolves around universities and firms of the same industry, thus creating a virtuous network. Being part of such ecosystems results in a flow of technological knowledge and

skilled workforce where the expertise developed within the network and ecosystem result in a competitive advantage. The resulting advantage may be relevant for establishing business at global level.

2. The second type of ecosystem facilitate the establishment and strengthening of the relationships between the firms' headquarters, locally based, and their foreign sales subsidiaries. Those networks are pivotal sources of knowledge and therefore spillovers from experts that are spread out internationally, facilitating contacts between the different actors thus providing the awareness needed or answering the specific customer needs relevant for targeting and acquiring positions in new markets.
3. The third and last type of ecosystem identified is anchored around foreign sales subsidiaries and local clients that are important for services requiring high quality standards. Such ecosystems involve customers and provide highly relevant information about client needs in relation to product development. These contacts help firms to obtain technological knowledge from the client or through the client's business partners that they would otherwise have to develop themselves. The success of a firm is conditional on its ability to create an ecosystem of firms beyond its clients. The ecosystem comprises firms in the industry in which it has clients, as well as firms in many other related industries. Such an arrangement helps the firm to secure clients in a more systematic way as part of its ecosystem.

Provided the above characteristics of different ecosystems, it is relevant to address the specificity of the City as the pivotal ecosystem of start up firms. Due to partial similarities between social enterprise and start up, the firm location in the domestic market is a relevant explanatory factor in different model built to explain market opening (Wiedersheim-Paul *et al.*, 1980), applied to transport costs of physical goods and information flows. One of the main reasons provided for explaining the higher efficiency in urban regions, where global firms' birth rate has its maximum, is that a large number of firms and job opportunities are concentrated in relatively small areas. According to this, an improvement in production conditions creates a favourable enterprise environment or, mutating the terminology from above, geographical ecosystem. The evolution of manufacturing, production and services are dependant on the information technology and its supply chain, embedding a relevant proportion of face to face contacts. Implications of physical and geographical proximity are not denied, even today featuring more efficient means of contacts for exchange information involving uncertainty or expecting the creation of new situations demanding further exchanges and cooperation as well as competition. The lack of information flows resulting from the firms'

location far away from information centres such as large metropolitan areas is envisaged as a disadvantage, also known as spatial bias. This spatial bias is the result of a lack of exposition to exogenous export stimuli and, in the specific case of born global firms, the possibility of being in contact with diversified reality and knowledge transfer. The bias usually reaches more relevance if the center, such as the city, features good communications with other Countries. Personal contacts and proximity are relevant aspects of business opportunity, capable of changing attitudes as an environment containing exporting firms will probably create positive behaviours towards exporting and creating international firms in successful cases. In complex structures such as urban areas, the news of successful or unsuccessful ventures spread quicker than outside those information centres, thus capable of 'trending' the successful or unsuccessful business almost immediately.

In the end, we presented the main drivers of social incubators, due to their agglomeration of social enterprises thus the provision of welfare related services. As for the promotion, development and support of start up and born global firms, social enterprises are suitable for pivotal impacts on cities and local development. Their impacts can thus be measured in different ways and using both qualitative and quantitative model analysis for calculating and identifying the social capital and value added production. Amongst them the analysis of variety (related and unrelated) and co-agglomeration economies correlated to the impact on regional growth shall be the most suitable one.

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