

## INNOVATION IN BUSINESS TO FAMILY AGRICULTURAL IN AMAZON: ONE STRATEGY FOR COMPETITIVENESS

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### ABSTRACT

**T**his work aims to study strategies of competitiveness in farming agriculture with sustainability. The research has support on Theory U in order to generate elements to support the results. It has a qualitative nature, prepared through the Content Analysis Method, supported by bibliographical sources, to face empirically the strategy required to the sustainability with focus on competitive advantage. It is based upon three specific objectives, to raise the basic competitive strategies to the familiar farming activities (1), analyze the operability the strategies found in face of the perspectives of sustainability (2), and to structure subsidies to the required innovation in socio-environmental sustainability with focus on family farming (3). Therefore, it is possible to conclude that the adaptation of generators models of competitive advantage according to the theoretical concepts of Triple Bottom Line can direct the consecution of sustainable competitive advantages to the familiar farming activity.

**Keywords:** Amazon. Business. Competitiveness. Family agricultural. Innovation. Sustainability.

## 1. INTRODUCTION

Until the middle of last century it was believed that natural resources were inexhaustible and renewable, requiring no concern related to natural extraction and transformation of the biota for development. With the industrial and technological progress, population growth and the consumer culture, the harmful effects of those practices reveal itself by the impacts on the environment. In this context, the term sustainability arises, and according to the World Commission on Environment and Development (WCED) it is the ability to meet present needs without giving damages to the satisfaction of needs of future generations.

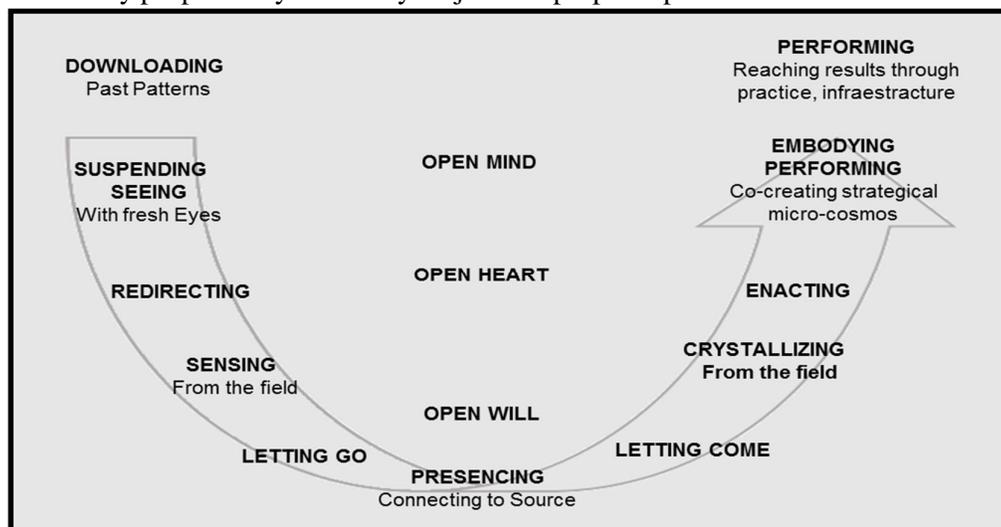
Mankind begins to realize the need to changing of the current patterns of consumption and the consequent amendment of issues relating to care and maintenance of the ecosystem, in that sense all sectors of society have sought a balance between environmental impact and means of production, in order to demonstrate its potential customers, its concern and environmental responsibility as attractive requirement. Due to these questions it is necessary a study that promotes discussion of sustainability strategies as competitive advantage generator element. In this sense, it is questioned the following: what are the epistemological conceptual elements for implementation of the required strategies for sustainability in generating competitive advantage in family farming?

To answer the question, it is proposed as a general objective to study competitiveness strategies in family farming and sustainability. This has support in three specific objectives: to raise the basic competitive strategies for family farming (1), examine the operability of the strategies raised in the face of sustainability prospects (2), and structure subsidies for the required innovation in sustainability socio-environmental focusing on family farming (3).

## 2. THEORETICAL AND CONCEPTUAL REVIEW

The essence of the Theory U is to promote openness of heart and mind, aiming to generate a future marked by present actions in counterpart to the past. Study in Leão (2014) characterizes the Theory U as sequence of actions that will depart from feeling the situation, observing the various aspects that may influence organizational changes, allowing reflection on the inner knowing, acting in order to bring something new to the inserted reality on a concept of organizational learning, where the rational is not the deepest source. It follows the journey proposed by the Theory U.

**Figure 1:** The Journey proposed by U Theory. A jornada proposta pela Teoria U.



**Source:** Extracted from Leão (2014) adapted from Scharmer (2010)

The following table specifies the issues raised by the theory U.

**Table 1:** Characteristics of Theory U.

Instrument	Detailing
1. Open mind	1.1 Ability to suspend judgments and questions, it should see with new eyes the reality free from the chains of mental models. Seek the intellectual intelligence.
2. Open heart	2.1. Ability to redirect the attention to the perception of feeling (seeing with the heart), visualizing the whole through other informational sources in the emotional field.
3. Open will	3.1 Ability to let go, get rid of the mental models that cause delay and tune into the tuning into the future that you wish through spiritual intelligence.

**Source:** Prepared by the author based on Sharmer (2010)

According to Leão (2014), Scharmer conceptualizes the Theory U as a theoretical support that allows you to learn about the future, with thoughts and previous judgements where the future submerges as it occurs by the construction process. It follows the journey proposed by the Theory U. The Theory U will support to lead and generate solutions to the questions raised, and guiding element of the knowledge production process.

### 2.1 Sustainable Competitive Strategy

In accordance with Minotti (2014), the strategy is a set of competitive changes that managers perform to achieve certain performance. For this author the strategy can be defined as one of the long-term business objectives, to be achieved through resources allocation in the scope of four visions of rational planning, learning, logical incrementalism and the very emerging strategy.

As states Orsato (2012) while academics are interested in identifying factors that influence the corporate environmentalism, the administrators seek to transform eco-investments on sources of competitive advantage, looking for ways to manage such matters in order to generate benefits. In the business environment, the term strategy can mean the search and execution of objectives and goals, to promote the mission and values of the organization and directs the allocation of financial resource, human and develops advantages compared to competitors. The development of a strategy must explore opportunities and minimize current and future threats of the organization and explore the potentialities becoming weak points in strong ones.

Orsato (2012) refers to the Porter's statement that there are two types of competitive advantage; low costs and differentiation. Through the efficient use of resources, one organization can gain advantages in costs and sell its products or services at a lower cost.

Thus, it allows competitive advantage by adding value that transfers to customers, exceeding the cost assumed to obtain the results; the author also states that in relation to the strategic conceptions, when developing corporate environmental standards it is possible to innovate and consequently value the product resulting in reduced cost and or implementing differentiation strategies. Porter says that to obtain competitive advantage, the organizations should have a clear strategy that enables to create a unique and valuable position, involving different activities.

## 2.2 Family Farming

The academy questions the applicability of sustainable strategies in family farming as a competitive advantage generator element. In this focus it is highlighted the many reasons why support family farming according to Altieri (2012): small farms are the key to global food security; they are more productive and retain more natural resources than large monocultures; They represent models of sustainability; They represent a sanctuary of agro-biodiversity of genetically modified organisms. The table 1 shows the basic differentiation between employer and family farming.

**Table2:** Models and main characteristics of Family farming.

1. Patronal Agriculture	2. Family Farming
1.1 Total separation of management factors and work.	2.1 Management and work closely linked.
1.2 Centralized organization.	2.2 Production process driven directly by the producer.
1.3 Emphasis on specialization.	2.3 Emphasis on diversification.
1.4 Emphasis on agricultural practices standardizable.	Emphasis on durability of natural resources and quality of life.
1.5 Predominance of wage labor.	2.5 Wage labor is only complementary.
1.6 Technologies directed only to the elimination of "ground" decisions and "moment".	2.6 Immediate decisions, appropriate to the high degree of unpredictability of the production process.
1.7 Technologies mainly seek to reduce the work force needs.	2.7 Decisions "in loco", conditioned by the specificities of the production process.
1.8 Emphasis on the use of purchased inputs.	2.8 Emphasis on the use of internal inputs

**Source:** Adapted from Pessoa (2011) based on Lima and Silva (2012).

Due to the multiplicity of models and concepts there is not, therefore a general concept of framing and differentiation of what is or not family farming, the table guides and differentiates the family farming from patronal, making clear the favorable relationship of family farming in generating wealth in a sustainable way.

Family farming is seen as the main economic activity in many regions of Brazil due to its diversity of opportunities as employment and income. For this, it is necessary to guarantee access to credit and technological resources to the achievement of production and sustainable management of their properties and concomitant commercialization of production. Despite of contributing with more than 70% of the country's food production and be the economic base of about 9 to each 10 municipalities, keeping busy the productive rural landscape, the Brazilian family farming finds difficulty of adapting to the challenges of increased competitiveness of domestic and global agriculture. The family farmer usually produces the need for subsistence and sells the leftovers quickly without economic bargaining, once it does not have storage conditions, this way it undervalues its work.

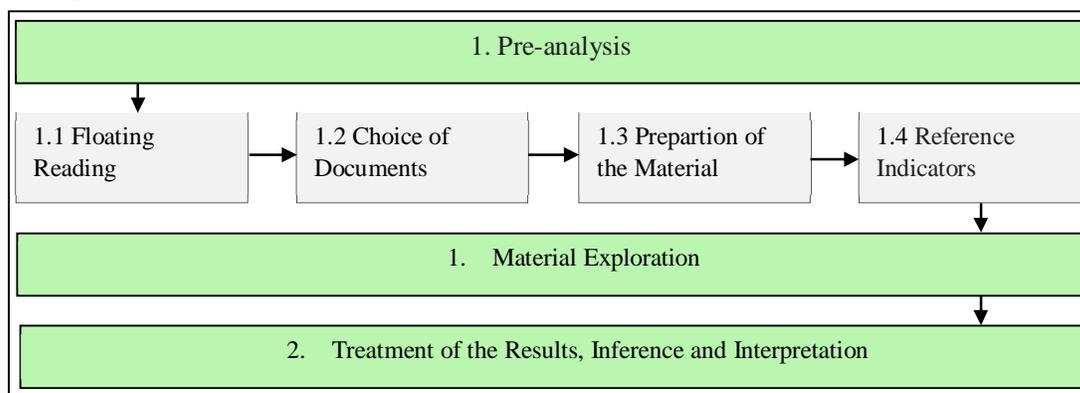
In accordance with Galvão (2005) in Santos and Mitja (2012) in the Amazon region the family farming arises more characteristic shape than in other regions, constituting the basis where it is applied and the extraction of natural resources and food production, it predominates in this region family farmers in border areas and old settlement areas of colonization, producing temporary and permanent crops, beyond of extractivism exploration, denoting a regional production base with traditional and local products.

### 3. METHODOLOGY

The methodology can be described as a set of methods used in conducting a research. According to Siena (2007), by method it is possible to understand the way, the form and the way of thinking. It is the way of approach in level of abstraction of phenomena. The set of mental processes or operations applied in the research.

This research has a qualitative nature, elaborated through the Content Analysis Method, based on bibliographical sources, in order to face empirically the required strategy to focus on sustainability in competitive advantage. In regard to the content analysis Bardin (2006) states, referred in Mozzato and Grzbovski (2011), be a set of communication analysis techniques through systematic means and objectives of description of the messages with the intention of analyzing the content and infer knowledge about the conditions of production and indicators. There is below the schema of procedures for content analysis

**Figure2:** Steps of analysis of contents



**Source:** Prepared by the author based on Bardin (2009) through Mozzato and Grzbovski(2011)

The following table refers to the steps of procedures of content analysis.

**Table 3:** Description of the steps of content analysis procedures.

Step	Detailing
<b>1. Pre-analisy</b>	1.1 Operational phase, documents were selected documents and analysis unit, beyond of formulation of hypotheses.
<b>2. Exploration of the material</b>	2.1 The data were changed into information, within categories to the comprehension and later analysis.
<b>3. Treatment of the results</b>	3.1 In this step the information were analyzed to subsidize technical inferences and conclusions.

**Source:** Prepared by the authors.

Regarding the approach, the research is qualitative because it involves interpretation of the phenomena and the attribution of meanings, part of a process of reflection and analysis of reality. Concerning the technical procedures, the research is supported by bibliographical sources, due to the composition of the theoretical framework developed from published material such as books, graduation theses, master's, doctoral, magazines and articles.

The research included Brazilian articles that discuss the key thematic study such as sustainability, family farming and competitive advantage. The time gap of the work are publications in the relative time interval between 2000 and 2014, the selection was non-randomly through pre-analysis for thematic framework.

#### 4. INNOVATION FOR COMPETITIVE STRATEGY STUDY TO SUSTAINABLE OF FARMING FAMILY

In this area is shown an analysis of the content covered by sampling selected through pre-analysis of publications, according to the methodology. Thus, it is concluded that the textual indicators linked to family farming and sustainability have been used more frequently than those related to competitive advantages, this is due to the difficulty of finding specific contents that approach sustainable competitive advantages for family farming.

For this it is inferred that there is an under-utilization of value-adding techniques to generate competitive advantage through sustainable principles in family farming in academia, in this sense from the topic 4.1 to the topic 4.1 4.3 were answered the objectives of the research through the contents extracted from articles and available literature articles, which served as source for the realization of the content and construction of the technical instrumental analysis. Therefore, the elements of Theory U should guide the sustainable competitive advantage models as follows in Table 4.

**Table 4:** Theory U in Family farming.

Instrument	Detailing
1. Open mind	1. Suspension of judgment and questions to visualize new methods, processes, input supplies, production characteristics, logistics of acquisition and distribution and sales without the mental lenses that tie to the common practices that hind the effectuation of sustainable values with competitive values.
2. Open heart	2.1. In his field it should redirect attention to feel and visualize amongst the novelties interposed by the suspension of judgments of interior way and instinctive for a second way of analysis.
3. Open will	3.1. At this stage one should be able to get rid of the mental models that delay the changes necessary for evolution, by abandoning the traditional practices of family farming that stop the sustainable development in generating competitive advantages.

**Source:** Prepared by the authors.

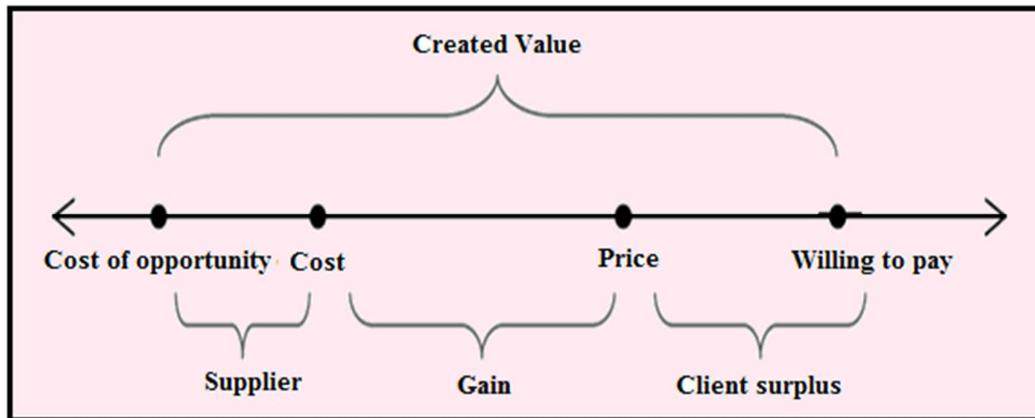
#### 4.1 Survey of basic competitive strategies for family farming.

This topic reports competitiveness strategies raised in the documents content analysis selected to give theoretical support to the research questions.

The value created is not summarily appropriate value, while the opportunity cost and willingness to pay define the value created, prices and costs define the appropriate value of production. The appropriate part of the farmer must be transformed into profit creating production value according to Brito and Brito (2011).

Bowman and Ambrosini (2000) in Brito and Brito (2011) state that the interaction with the customer, the difference between the willingness to pay the price and define the called surplus client, that is, the value captured by the customer. When generating greater surplus to its clients, it can then explore the asymmetry between its productions. The author makes use of Coff (2010) to report that the effects of competitive advantage on the performance will depend on decision-making factors of family farming management in equalize the moment of creation and monetization of the value created exemplified in Figure 3.

**Figure 3:** Strategy to create value.



**Source:** Brito and Brito (2011).

It is possible to evidence on Table 5 the practices of value creation strategy for competitive advantage generator model.

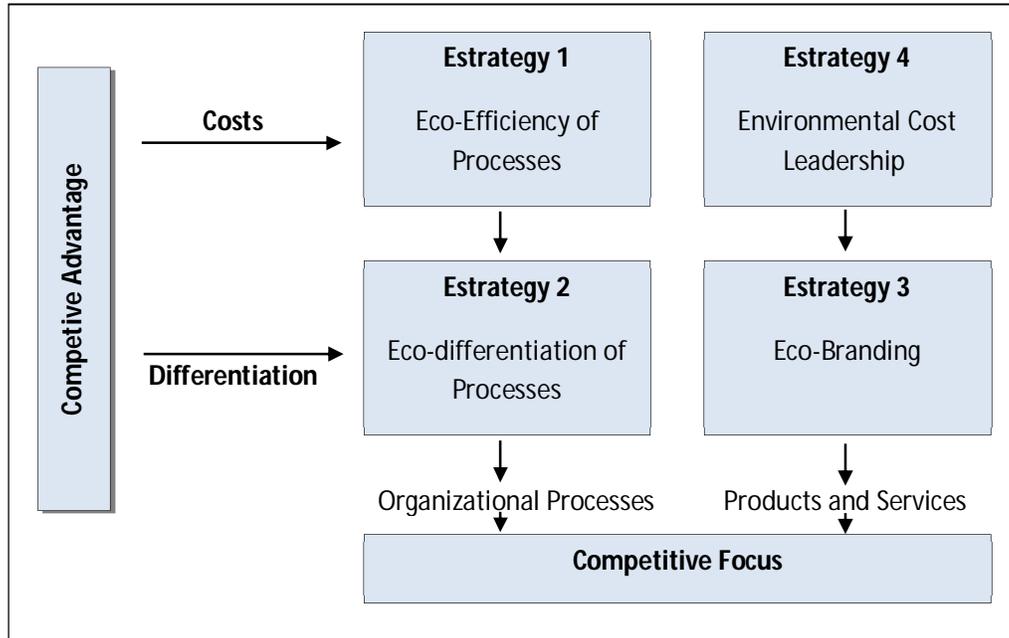
**Table 5:** The strategy practice for value creation.

Elements	Detailing
<b>1. Supplier</b>	1.1 It involve costs opportunities in a position to encourage the acquisition of raw materials at lower costs, such as seeds, fertilizers, machinery and others. 1.2 They include the traditional costs of inputs purchased at an average price.
<b>2. Farmer</b>	2.1 It composes part of costs of productive inputs acquisitions. 2.2 In this part are defined the basis for stipulation of prices and competitive positioning.
<b>3. Client surplus</b>	3.1 At this stage take place prospecting of generated opportunity costs. 3.2 It evaluates the monetary disposal of the customer for the product offered.
<b>3. Created value</b>	4.1 The junction of the above three factors define the value added to the product. 4.2 The final step consists of verifying the acceptance of the product based on the value created, in order to check the consistency of the strategy implemented and its effectiveness as a competitive advantage.

**Source:** Prepared by the authors.

Some consultants and academics have explored examples that suggest the advantages of assuming a socio-environmental behavior, but they do not clarify the situations in which these environmental eco opportunities may or may not generate results in a context. For that, it is displayed the following figure as a model for identification of competitive environmental strategies.

**Figure 4:** Competitive Environmental Strategies



Source: Adapted from Orsato (2012).

**Table 6: Detailing of the competitive environmental strategies.**

1. Advantage by costs	Detailing
1.1 Eco-efficiency of processes	1.1.1 Using production processes, technical and management according to environmental preservation precepts with focus on efficiency by identifying, understanding and management of processes.
1.2 Environmental cost leadership	1.2. Obtaining costs advantage by costs requires effort, even harder in accordance with Orsato (2012) is to reduce costs and environmental impacts associated with the products at the same time. The idea is that with the reduction of costs the farmer can practice lower prices to compete in a niche market by price, or keep the average practiced increasing the profit margin for example.
2. Advantage by differentiation	Detailing
2.1 Eco differentiation of processes	2.1.1 Differentiation occurs when the eco-efficiency of processes reaches levels perceptible to consumers, at this moment the farmer should use these principles to build an image that distinguishes him from others, front of consumers.
2.2 Socio-environmental brands	2.2.1 In this field the using of good ecological practices of structural processes as well as, production and the logistics ones to be used in the creation of a brand that links family farmers to a sustainable production unit and differentiated products and services.

Source: Prepared by the authors.

The structure of Figure 4 generates connections between economic segment that the company operates, its position, the types of market and its ability to acquire resources and launch innovative strategies that allow induce competitive advantage by cost or differentiation as the adaptation of the author.

It was identified in the analyzed content that competitive strategies can be classified into three categories: Operational Excellence, Innovation in Product and Relationship with the client according to Table 7.

**Table 7:** Categories of competitive strategy.

Elements	Detailing
<b>1. Operational Excellence</b>	1.1 It is applied in environments where the relation quality/price are determining factors of competitiveness. Where the superior operational efficiency solidifies the competitive position.
<b>2. Innovation in Product</b>	2.1 Creations of radically new product concepts for customers and specific market segments. This strategy favors the maximization of profits due to entry into niche not exploited by competing markets.
<b>3. Relationship with the client</b>	3.1 Strategies oriented to meet specific customer needs by developing appropriate products and solutions to the current and future demands .

**Source:** Prepared by the authors.

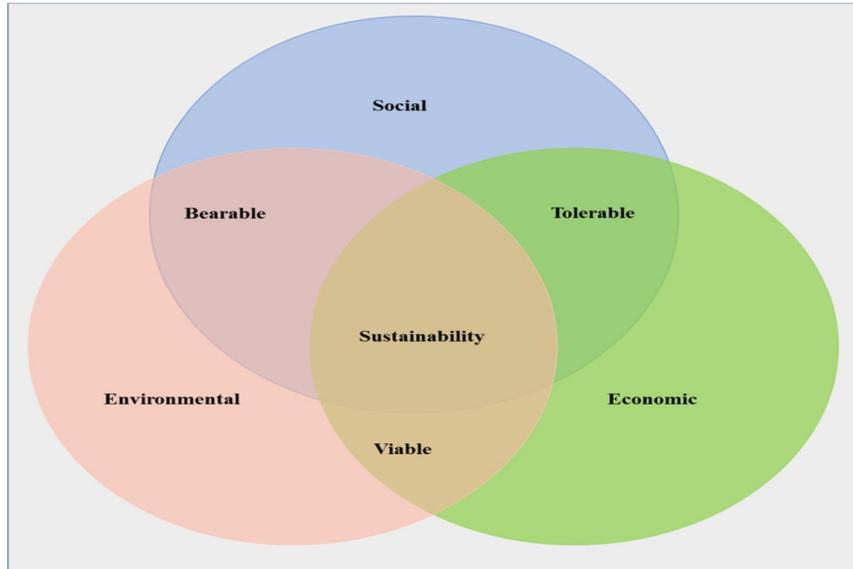
In competitive advantage creation process is necessary that the farmer acquires the essential competences to perform his activity in accordance with the established strategy.

#### 4.2 Analysis of the operational strategies raised in the face of prospects of sustainability.

In this topic are presented the elements for the operation of competitiveness strategies raised in the content analysis of selected documents in the face of a sustainability perspective to give theoretical support to the research questions.

The literature in Porter, Van der Linde, Dier, Singh and Chirsmann discusses the key benefits in incorporating sustainable practices in maximizing profits, decrease costs and generation; it is as indicate Alex and Mascarenhas (2013) in reporting the generation of potential related to the value of credibility and reliability in strengthening the brand that would promote customer loyalty.

Souza and Cordeiro (2010) state that in order to achieve sustainable development in the domestic market, it is needed to build a tripod of sustainability linked to planning. According to Alex and Mascarenhas (2013) citing Barbosa (2007) the fundamental components to the sustainable development consist in obtaining economic growth, environmental protection and social equity, and being tacked these fundamentals to the paradigm change there is the conception of sustainable development from the precepts of the Triple Bottom Line or Triple of Sustainability as in Figure 5.

**Figure 5:** Tripod of sustainability

**Source:** Prepared by the authors based on Alex and Mascarenhas (2013)

The triple bottom line is a guide to the strategic adaptive in the generation of sustainable competitive advantage, where socio-economic and environmental factors are intrinsically linked and its alignment can promote sustainable development in various productive sectors including in family farming as shown in Table 8.

**Table 8:** Aspects and detailing requirements for the triple bottom line.

Aspect	Detailing
<b>1. Social</b>	1.1 Human capital should be respected and have their rights guaranteed, in addition it is necessary that communities around the area of cultivation and trade are not adversely affected in the short, medium and long term.
<b>2. Environmental</b>	2.1 The environmental refers to natural capital in the case of the farmer can cite the soil, it is necessary to think about the impacts of short, medium and long-term and seek practices to reduction and equalization practices to ensure that future generations can enjoy fully of the current resources.
<b>3. Economic</b>	3. It is the financial capital, where production occurs, distribution, purchase and sale of goods and services that move monetary values. In this aspect, it is important that the profit do not pass by the exploitation and irresponsible devastation of the environmental and human resources.
<b>4. Viable</b>	4.1 Parameter of management that encompasses the economic and environmental dimension. The social aspect is ignored in this relationship.
<b>5. Fair</b>	5.1 Harmonious relationship of social and economic nature elements. The environmental aspect is ignored in this relationship.
<b>6. Tolerable</b>	6.1 Elements that promote interaction between the social and economic fields. The environmental aspect is not taken into account in this relation.
<b>7. Sustainable</b>	7.1 When it reaches that level, it means that there will be a harmonious interrelationship between social, environmental and economic factors in which the current development does not compromise the existence of future generations.

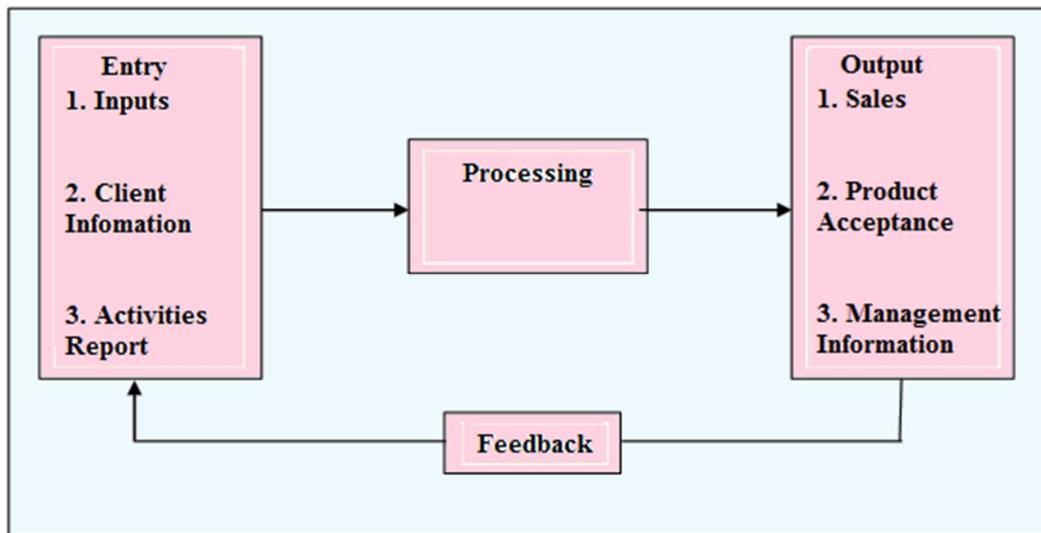
**Source:** Prepared by the authors.

The interconnection of the three factors in a practical way generates a continuous sustainable development environment, where priorities are remodeled to meet the need of use of current resources without harming the existence and quality of life of future generations.

#### 4.3. Structure of subsidies for innovation required for environmental sustainability in family farming.

Based on the study done it is proposed a competitive advantage model for family farming linked to application of the Triple Bottom Line concepts as generator guide of sustainability. In this sense, it was prepared a homeostasis diagram for sustainability in family farming as Diagram 1.

**Diagram 1:** Homeostasis diagram for sustainability in family farming.



Source: Prepared by the authors.

The diagram should be used to establish criteria on the inputs and outputs according to the precepts of the Triple Bottom Line in a movement of constant strategic realignment through the post processing feedback, for this it was created questions about the discussed elements to guide the implementation of sustainability in family farming in the competitive advantages as shown in Table 9.

**Table 9: Detailed homeostasis diagram for sustainability in family farming.**

Entry	Social	Enviornmental	Economic
<b>1. Inputs</b>	Are the suppliers of input in accordance with the work law and value their employers?	Are the inputs produced to not degrade the environment impairing future generations?	It is economically viable acquire input of that supplier?
<b>2. Client Information</b>	Do customers understand the social concern of the farmer?	Customers understand and buy the idea of environmental protection presented in the products offered?	Are the customers willing to pay for the peculiarities embedded in sustainable production process?
<b>3. Activities Report</b>	Do the activities performed meet the legal requirements and provide a healthy environment for employees?	Do the activities harm the environment and if so, what measures will be taken to restore?	Is the implementation of these activities economically viable?
Entry	Social	Environmental	Economic
<b>1. Sales</b>	Is the sale process appropriate to the current laws and satisfy the purposes for which they propose?	Will the sale process happen in a way to not degrade the environment harming future generations?	Is the value suitable for consumer willingness to pay for products?
<b>2. Product Acceptance</b>	Will the community benefit itself of the offer of agricultural products with the concept of sustainability?	Will the sustainability concept linked to the products generate competitive advantage for commercial acceptance?	Is the value created by the customer surplus within parameters for market penetration?
<b>3. Management Information</b>	Are the collected information in the community used to meet the needs of customers?	Are the information on sustainable performance of suppliers checked continuously?	Are the information on the acceptance of products in view of the value created modifiable?

**Source:** Prepared by the authors.

From these guiding elements, the family farmer must analyze the internal and external environment of his property to find strengths and weaknesses and define his strategy, a working model for the contextualization of the strengths and weakness is the SWOT matrix (Strengths, Weaknesses, Opportunities and Threats) that according to Romani (2013) allows to analyze a situation, market, policy, business, company among others, by identifying and organizing information characterizing the forces, opportunities, weaknesses and threats. It is a flexible instrument in terms of application that helps to organize functionally the diagnosis for decision making as exemplified in figure 6.

**Figure 6:** Suggestive model SWOT analysis matrix

		External Environment	
		Opportunities	Threats
Internal Environment	Strengths	<b>Development</b> - What are the positive attributes of the internal culture of agriculture? - What is the level of knowledge of the Family in relation to the productive relation? - What is the advantage of the offered products by this property? - Are the prices competitive?	<b>Maintenance</b> - Is the family qualified and have knowledge to work in this niche market? - Are resources scarce? - Are the access to potential customers difficult? - Did input suppliers not meet the desired sustainability principles?
	Weaknesses	<b>Growth</b> - Does the niche have potential? - Is the brand differentiation appropriate to sustainability? - Is the proposal innovative to market acceptance? - Are there needs of customers that can be exploited?	<b>Survival</b> - Are there competitors in this market niche? - Are the government and industry regulations subject to change to prevent the continuing activities? - Is the local culture resistant to innovation? - Are Suppliers reluctant to fit the necessary standards?

**Source:** Image free domain extracted via the web.

Romani (2013) uses Ferrel *et al* (2000) cited by Vilela (2007) to report that the strengths and weaknesses are internal and exclusives problems in conducting the analysis. The forces correspond to items that enable a competitive advantage. The weaknesses are related to organizational deficiencies that may have in the development or implementation of the strategy.

The author also states that the opportunities and threats are external issues that can affect. The opportunities are related to favorable conditions in the environment that can produce rewards, while the threats are related to conditions that may hinder the achievement of goals. With these modeling the family farmer must keep your mind open to new conceptions of work, have an open heart to redirect their attention to emotional perceptions seeking seeing all to feel the environment in which it is inserted, in addition to open will to rid of the mental shackles that impede the advancement of their practices and processes for value creation.

## 5. CONCLUSION

In the recent past, there was no question in a relevant way the finiteness of natural resources that supported and subsidized the economic and social development of society sustained by the stimulation of consumerism attitudes. Over the time, these practices were being questioned by scholars who promoted studies and interviews to the new forms of development with environmental sustainability-oriented features.

The epistemological conceptual elements for implementation of strategies required for sustainability in generating competitive advantage in family farming activity can be done through competitive advantages models adaptations extracted from classical literature with the Triple Bottom Line Sustainability precepts, which models the sustainable development throughout the relationship of social, environmental and economic aspects.

The content analysis denotes that the indicators linked to family farming and sustainability have been used more frequently than those related to competitive advantages, this is due to the difficulty of finding specific content addressing sustainable competitive advantages for family farming.

In this sense it was raised the basic competitive strategies for family agricultural activities as the Strategy for Value Creation which works the interaction between suppliers, farmer, customer and the transformation of potential value; in other way it was identified the Environmental Competitive Strategy formulated by Orsato (2012) that generates connections between the economic sector where the farmer operates, his position, the types of market and his abilities to acquire resources and implement innovative strategies, that allow induce competitive advantage either by costs or through environmental cost leadership or eco-efficiency of processes is by differentiation through eco-differentiation processes or by the environmental brand consolidation. These factors raised should guide the farmer's market positioning that can be in operational excellence, innovation in product or customer relationship.

In regard to the analysis of operational strategies raised in the face of sustainability perspective, it is suggested that the operative models of competitive advantage must be suitable for the Triple Bottom Line precepts in the achievement of the advantages, where economic and environmental factors are only part of the sieve of sustainability, in this social model it also gains importance and creates a tripod to effectuation of sustainability.

The structuring of subsidies for the required innovation in socio-environmental sustainability it had been drawn up a homeostasis diagram for sustainability in family farming, which provides the questions for the implementation of sustainable competitive advantage. Taking into considering the entry of inputs, information of clients and implemented activities and outputs related to the sale of production, the consumer market acceptance, and the management information of the results within a social inquiry system, environmental and economic. For structuring these subsidies, it was generated an adaptive for family farming based on SWOT matrix, for the family farmer understand the internal and external environment in the execution of continuous improvement in order to achieve and maintain competitive advantages in the face the principles of sustainability.

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