



How to Strengthen Democracy and Empowerment through Economic Activity

AUTHORS: Clara Emefa Asempapa Venice School of Management, Ca' Foscari University; Ignas Bruder Hertie School and TU Dresden; Thalita Kalix Garcia Hertie School; Johanna Mair Hertie School; Sébastien Mena Hertie School and University of Fribourg; Andjela Pavlovic Venice School of Management, Ca' Foscari University; Francesco Rullani Venice School of Management, Ca' Foscari University. With the support of Francesco Rosati, Technical University of Denmark

Summary

In the face of the growing challenges facing liberal democracies worldwide, effective policy responses must combine economic activity with democratic principles. Our research demonstrates the potential for a potent yet underutilised means of bolstering democracy: the support of democratic organising within the economy. This includes alternative business models (such as cooperatives, social enterprises, and employee-owned firms) and multi-stakeholder coalitions with vulnerable communities. Our findings emphasise the importance of EU and national policies that support these approaches as they are a crucial means through which to strengthen democratic resilience, promote inclusive participation, and address power imbalances. We recommend policies that foster economic practices rooted in democratic principles, thereby contributing to a more equitable and engaged society. This includes adapting industrial policy—especially in sectors such as agriculture

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and food production—to promote and protect organisations that uphold democratic principles, integrating social economy solutions into corporate sustainability, promoting trusted intermediaries, supporting social economy initiatives, and incentivizing companies to include ethical intermediaries in their supply chains. By recognising and supporting these forms of organising, policymakers can unlock a powerful, often overlooked pathway to democratic resilience and renewal. Specifically policy makers should:

1. **Explicitly Recognize and Incentivize Democratic Organizing in Economic Policy.**
2. **Leverage Sectoral and Industrial Policy to Promote Democratic Principles.**
3. **Enhance Democracy and Empowerment Through Multi-Stakeholder Partnerships.**
4. **Promote Progressive Intermediation as a Structural Incentive for Diverse Partnerships.**
5. **Integrate Social Economy Solutions into Corporate Sustainability and Supply Chain Governance.**
6. **Guard Against “Democracy-Washing” and Ensure Authentic Governance.**

Context

Liberal democracies face mounting challenges that threaten their foundational values. Traditional business practices often prioritize profit over civic engagement, eroding public trust and democratic institutions. In contrast, organisations in the social and solidarity economy—such as cooperatives, social enterprises, and employee-owned firms—embody a different ethos by integrating economic goals with democratic governance. Similarly, cross-sector partnerships aimed at empowering suppliers, particularly in the Global South, need flexible models to navigate diverse stakeholder interests effectively. Recognizing these economic forms as critical to democracy, our research identifies specific policies that can foster their growth.

Box A: What are democratically organized companies?

Our findings highlight that democratic organizing is anchored in five key democratic principles, such as transparency, participation, deliberation, inclusion and solidarity. Democratically organized companies are organizations governed by their members adhering to those principles. These principles are grounded in established definitions of democratic principles and democratic organization as follows:

Democratic Principles: General principles that underpin democratic social systems¹.

Democratic Organization: Organization governed by those that are organized².

¹ Dahl, R. A. (1998). On democracy. Yale University Press, New Haven.

² Adler, P.S: et al. (2023). Authoritarianism, populism, and the global retreat of democracy: A curated discussion. Journal of Management Inquiry, 32(1), 3-20.

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Despite variations in situated practices, these principles are upheld across various organizational contexts:

- **Participation:** The active involvement of members in the decision-making processes that affect the organization, encapsulated in the principle of one person, one vote. This principle relates with inclusion and deliberation, allowing for diverse engagement in decision-making roles.
- **Transparency:** Ensuring the openness and accessibility of the actions, decisions, and information within the organization. Transparency is essential for meaningful participation and ensures that information is available, accurate, and comprehensible.
- **Deliberation:** The process of reasoned discussion and debate among organizational members aimed at reaching informed collective decisions, emphasizing dialogue and critical thinking as crucial components of democratic practices.
- **Solidarity:** The principle of mutual support among members of the organization and their collaborations, prioritizing collective action and shared responsibility in achieving democratically decided common goals.
- **Inclusion:** Ensures that all individuals, regardless of their diverse backgrounds and needs, have the opportunity to participate in democratic processes and benefit from the outcomes of democratic organizing. Inclusion addresses systemic inequalities and promotes diversity through the active involvement of marginalized individuals in decision-making.

Overall, democratically organized companies strive to embody these principles, creating environments where each member's voice is valued and where collaborative and informed decision-making prevails in alignment with the collective interests of the organization.

Overview of the Research

There were two parts to our research:

1. Democratic Organising in the Social and Solidarity Economy

Our first study focused on four democratically organised social and solidarity economy organisations in the German food system, relying on a comparative case study approach based on interviews and participant observation. Whereas all our case organizations organised democratically, they differed regarding their position in the food system (upstream & downstream), the centrality of democracy for their organisational purpose (central & peripheral) and their organisational model (cooperatives & dual legal forms of for-profit and non-profit entities).

Research Findings

Our findings illustrate that democratic organising is based on democratic principles: transparency, participation, deliberation, inclusion, and solidarity. These principles are present across various organisational contexts, despite differences in the specific practices that instantiate them.

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We also identified three areas of democratic *spillover*³:

- **Communities:** Democratic organising increased civic engagement of members, strengthened social ties between members, and built local social capital in surrounding communities.
- **Inter-organizational relations:** Internal democratic organising influences inter-organisational processes, making it more transparent and participatory, especially if both collaborating organisations are democratically organized.
- **Influence on other organisations:** Democratically organised businesses influenced conventional firms, including mainstream retailers, by introducing democratic norms as viable and competitive alternatives to the existing economic model.

2. Progressive Intermediation in Multi-Stakeholder Partnerships

The second study focused on how cross-sector partnerships can foster empowerment among marginalized communities, with a focus on the cocoa supply chain between West African growers and European fair trade organizations and companies. It investigated how different stakeholders—non-profit organizations, companies, and producers—framed their collaboration. The study emphasizes tensions arising from diverse perspectives and examined how framing processes influenced cooperation and partnership success.

Research Findings

Our findings show the essential role of intermediaries in fostering collaboration among diverse stakeholders, a process we term “progressive intermediation.” Progressive intermediation is a strategic communication process where key actors within a supply chain dynamically adjust how they frame a project to suit the specific context and understanding of their interlocutors. In the case of cross-sector partnerships in fair trade cocoa supply chains, this involved actors reframing and mediating information incrementally along the supply chain. This facilitated cooperation among distinct stakeholders, such as European retailers and West African farmers, who operated in different contexts and held varied worldviews. Intermediaries like the European fair-trade organizations

³ Democratic spillover refers to the impact of democratic practices and values beyond its primary target or intended effect. In this case, the transmission of democratic principles and practices from one context to another, influencing broader social, economic, or organizational environments.

and local subsidiaries helped translate information at each level, enabling cohesive partnership dynamics without necessitating complete alignment of perspectives. Our findings indicate:

- **Empowerment through inclusivity:** Multi-stakeholder partnerships can significantly enhance democratic engagement, allowing beneficiaries (e.g., cocoa growers) to assert greater influence within their cooperatives and social structures.
- **Functionality of intermediation:** Progressive intermediation provides essential support for navigating the complexities of diverse stakeholder interactions, allowing for cohesive collaboration even amid differing perspectives.
- **Corporate sustainability compliance:** Intermediaries can streamline governance and ensure adherence to sustainability standards without requiring firms to exert direct control over supply chains, thus creating more effective compliance mechanisms.

Policy Recommendations

1. Explicitly Recognize and Incentivize Democratic Organizing in Economic Policy:

EU and national policymakers should explicitly include democratically organised companies—cooperatives, social enterprises, employee-owned businesses—in democracy-strengthening strategies. This includes:

- **Dedicated Funding and Preferential Access:**
 - Direct funding programs (e.g., under the European Social Fund) towards democratically organised companies.
 - Grant preferential access to public procurement schemes for organizations demonstrating democratic organisation.
 - Legal and Tax Frameworks: Create supportive legal and tax recognition for hybrid legal models that combine profit and non-profit goals within democratically organised entities. This can include incentives for businesses transitioning to more democratic ownership or governance structures, for example those looking to obtain B-Corp certification or becoming employee-owned through various employee buy-out models.

2. Leverage Sectoral and Industrial Policy to Promote Democratic Principles:

Sector-specific policies, particularly in areas like food and agriculture, can be powerful levers for democratic empowerment. Policymakers should:

- **Support Community-Led Models:** Expand support for models like Community Supported Agriculture (CSA) and other localized, democratically governed production and distribution systems.
- **Incentivize Democratic Governance:** Link subsidies, grants, and other forms of public support to governance criteria that reflect democratic principles (e.g., participation, transparency, deliberation, inclusion, solidarity).
- **Facilitate Knowledge Sharing:** Create platforms for knowledge sharing, networking, and coalition-building among democratically organized actors within specific sectors.

3. Enhance Democracy and Empowerment Through Multi-Stakeholder Partnerships:

To enhance democratic participation; inclusion and empowerment, especially among marginalized communities, EU and national programmes should actively support multi-stakeholder partnerships; particularly cross-sector ones. These should:

- **Prioritize Empowerment Mechanisms:** Investment in such partnerships should prioritize mechanisms that explicitly aim to amplify the voices of marginalized actors, ensuring their greater capacity to influence decision-making within their communities and the partnership itself.
- **Capacity Building for Participation:** Include training programs and workshops that equip participants with decision-making and leadership skills, solidifying their role in democratic processes within partnerships.

4. Promote Progressive Intermediation as a Structural Incentive for Diverse Partnerships:

- **Incentivize Mediated Collaboration:** Encourage and incentivize supply-chain-like structures that rely on progressive intermediation, particularly when dealing with highly heterogeneous stakeholders. EU funding programs (e.g., Interreg) could award additional points to proposals demonstrating clear linear mediation mechanisms, rather than requiring fully integrated assembly structures.
- **Facilitate Intermediary Best Practices:** Create platforms for intermediary organizations to share best practices, fostering replication and scalability of successful mediated collaboration models across various sectors.

5. Integrate Social Economy Solutions into Corporate Sustainability and Supply Chain Governance:

- **Promote Trusted Intermediaries for Compliance:** Encourage the role of trusted intermediaries (e.g., Fair-Trade organizations, cooperatives) within supply chains as a cost-effective and ethically sound governance mechanism for achieving compliance with directives like the European Corporate Sustainability Due Diligence Directive (CSDDD).

- **Invest in Social Economy Infrastructure:** Prioritize funding and support for social economy initiatives, especially those geared towards constructing ethical supply chains. This includes establishing public-private partnerships aimed at co-financing social economy actors operating in supply chains and supporting infrastructure and capacity-building projects in underserved regions.
- **Incentivize Intermediary Incorporation:** Offer incentives such as tax breaks or grants for companies that actively incorporate trusted intermediaries into their supply chain governance models.

6. Guard Against “Democracy-Washing” and Ensure Authentic Governance:

- **Develop Robust Evaluation Tools:** Establish robust evaluation tools and indicators for authentic democratic governance that go beyond procedural checkboxes. These should assess meaningful participation, deliberation, transparency, inclusion, and solidarity.
- **Set Minimum Thresholds:** Define minimum criteria for authentic democratic practices within organizations and partnerships. For example, companies seeking B-Corp certification must adhere to rigorous social and environmental standards, while employee-owned ventures or co-operatives should create governance structures fostering meaningful employee participation. These thresholds should align with the robust evaluation tools that assess meaningful participation, deliberation, transparency, inclusion, and solidarity.

By adopting these combined policy recommendations, policymakers can create a more robust framework for strengthening democratic values and achieving sustainable, equitable development through both internal economic organization and effective multi-stakeholder collaboration.



CONTACT US:

Johanna Mair
Friedrichstraße 180, 10117 Berlin,
Germany
mair@hertie-school.org

Francesco Rullani
Venice School of Management, Ca'
Foscari University, Yunus Social Business
Centre Venice, Fondamenta S. Giobbe,
873, 30121 Cannaregio, Venice, Italy.
francesco.rullani@unive.it

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