

Inclusive Organizations as Agents of Democracy

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The purpose of our paper is to start a reflection on the real and potential contribution of civil society organizations engaged in the production of services of general interest – social enterprises – and their governance models to the quality of democracies.¹ Since the 1980s, almost all countries have witnessed a significant and unexpected growth in the number and visibility of variously defined organizations (non-profit, independent, non-governmental, third sector, social and solidarity economy, etc.) with explicitly social purposes (Salamon 1999; Kerlin 2017; European Commission 2020). A growth that has especially resulted in the emergence and consolidation of organizations engaged in production of a wide range of services of public or general interest with participatory and democratic forms of management. New terms and enterprise models have emerged so that the shift towards the development of these associative forms, with a focus on productive activities with an entrepreneurial stance, could be enabled. The “social enterprise,” among other models, has progressively become prominent in the debate (Borzaga and Defourny 2001; European Commission 2020). These are private organizations not aimed at profit but at the production of goods or services that improve value for the various interested publics and for the community overall.

Scholars, international organizations, and governments have tak-

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en an interest in this evolution, which in many cases has started from local communities. Researchers have focused in particular on identifying the distinctive characteristics of these organizations (the social aim, the types of services provided and the non-profit distribution constraint), reconstructing their diffusion and interpreting their role (Hansmann 1996; Borzaga and Defourny 2001; Santos 2012). Scholars have moreover sought to examine the ability of these new types of organizations to hold together the social purpose and entrepreneurial orientation with inclusive governance modalities (Sacchetti and Borzaga 2021). Various international organizations have contributed to the identification of the role and specificity of the social enterprise (Noya 2009). In particular, the European Commission, with the Social Business Initiative of 2011, has tried to give a definition of social enterprise and to identify the dimensions and forms that have emerged in the Member States (European Commission 2020). Since the end of the last century, several countries have intervened to recognize, regulate, and support both social economy organizations² and new social enterprises.³

As a consequence, attention has been recently paid to their contribution to income, employment and the reorganization and development of welfare services.⁴ Less attention, however, has been paid to social enterprises' potential contribution to the consolidation of democracy, to its functioning, and to the rules that support their very nature and aims. Progressively, however, scholars and policy makers are overcoming the whispered belief that social and political systems are based on the combination of only two actors: the State and the private for-profit companies. While during the 1980s the state and the market were the main alternatives to problems of economic coordination, since the 1990s cooperative solutions for the production of specific welfare services have started to emerge and spread. The introduction, in 1991, of social cooperatives in Italy can be regarded as

² For example, the law on the social and solidarity economy in France and the law on the third sector in Italy.

³ The Italian law which recognizes and regulates the social cooperative (see below) and the English law on Community Interest Companies are of particular interest in this context. For an overall overview of the situation in the EU Member States, the UK and seven neighbouring countries see the Mapping Study.

⁴ This contribution has taken on increasing importance after the Great Recession of 2008.

a turning point in this respect. As a consequence, social enterprises cannot be assumed to be residual, destined to gradually lose importance and to be replaced by public institutions or profit-oriented enterprises as the conditions that generated state or market failure disappear.⁵ The increasing gaps left by the sole combination of State institutions and for-profit companies to address socioeconomic development issues and specifically to satisfy a growing and increasing heterogeneous demand of public interest services, require us to consider the innovations introduced by social enterprises. The consequences of their objective growth, the relevance already achieved, the innovative forms of governance they introduced to acknowledge and respond to emerging needs must be analyzed from multiple perspectives, socioeconomic and political, including their role in influencing the functioning of democracies. This latter aspect deserves a more in-depth reflection beginning with the nature of the crisis of mature representative democracies.

The chapter is structured as follows. Section 1 explains the opportunity of bridging the research experience of scholars on civil society organisations and democracy. Section 2 provides a summary of how social enterprises have transformed in recent decades, especially in European countries, with particular attention to forms of governance. In section 3, we try to understand why social enterprises make a specific and original contribution to associative democracy, starting from their openness to allocating part of the value produced for the benefit of users no longer served by public welfare systems. In the same section, the founding characteristics of democratic systems are identified and compared with those in place, highlighting the deviations and the reasons that determined them, as well as the remedies necessary to make democracies function satisfactorily. Section 4 explores why social enterprises can be considered a well rooted and growing phenomenon, able to make a non-extemporaneous contribution to the solution of the crisis of representative democracies. The section concludes with an analysis of the Italian case to support the validity of the proposed analysis, followed by conclusions to the chapter.

⁵ With the spread of COVID-19 and the following restrictive measures, this trend has undergone a generalized alt.

1. Bridging Civil Society Organizations and Democracy

The literature has identified the growing inability of democratic countries to contrast the growth of inequalities derived from the process of globalization and the consequent concentration of industrial and production strategies in the headquarters of transnational corporations (Cowling and Sugden 1998; Sacchetti *et al.* 2009; Zielonka 2018), and to meet the needs of their citizens especially with regards to the provision of public and general interest services. The widespread decline of the role of the intermediate institutions (political parties, trade unions, etc.) and the increasing power of technocratic agencies have negatively influenced the political participation and reduced the legitimacy of parliaments and governments, creating the perception of the state organization's inability to regulate market and business functions, and specially govern the redistribution of income and wealth as well as the provision of services of general interest.

If these factors have contributed to the crisis of democracies, it also becomes relevant to understand if and how new forms of economic production and participation have emerged and can contribute to countering this crisis. Such a crisis seems to be especially grounded in the mismatch between democracy on the one hand, and prevailing economic aims and modes of organising on the other. To this end, however, it is necessary to go beyond the analysis of the advocacy role traditionally assigned to civil society organizations (e.g., Phillips 2006) and the protest role typical of social movements. Nor does it suffice to identify the benefits for democracy that derive from the involvement of non-profit organizations in the social debate (e.g., Balassiano and Chandler 2010; Clear, Paull and Holloway 2018; Mosley 2011). This is mainly because their ability to influence the decisions of governments has progressively diminished together with the ability of the latter to affect the functioning of economic systems. Rather, we start a specific reflection on the possible new role of social enterprises, which as said are recent forms of civil society organizations producing and exchanging on the market, bearing the risks related to entrepreneurial venture. They stand out both for having improved and innovated the supply of general interest services, as well as for having developed forms of governance that are particularly attentive to the involvement of the various actors with an interest in the organization's activities.

Representative democracies typically attach to civil society organizations and more generally to intermediate bodies the function of signalling needs and formulating proposals. The realization has been up to parliaments, governments and public bureaucratic apparatuses, which could also involve private organizations, but with marginal and executive roles. This arrangement worked as long as public resources were abundant and the complexity of needs limited, but it entered a fiscal and organizational crisis with more complex and growing needs (Weisbrod 1991). As argued above, however, social enterprises emerged as a response to the consequences of this crisis and differ from traditional civil society organizations either for the activity carried out or for the governance models adopted. They moreover participate in an innovative way in the welfare system. Furthermore, this suggests reopening the reflection on the modality in which they can contribute to bridging the democratic gap differently from traditional associative forms.

In other words, it is time to improve our understanding of why the activities that the social enterprises have developed to address welfare needs using inclusive forms of organizing can reinforce Hirst's thesis (Hirst 1994), stating that one of the ways to tackle the democratic gap may come from associative democracy. This view is particularly promising because it does not deny representative democracy or the role of state institutions; rather it offers a perspective on the complementarities between the state and the social enterprises (Sacchetti, Borzaga and Tortia 2021), emphasizing a view on subsidiarity which stems from civil society as much as from the state. This leads to suggest that the design and production of new services, or the experimentation with new solutions to societal challenges is not a prerogative of the state, but a function of both social enterprises and public sector organizations, working together in co-designing and co-producing public value.

A useful theoretical reference is that of associative democracy. The work by Hirst deserves to be reconsidered in light of the causes of the democratic crisis. In fact, this approach argues that not only is it possible, but that it is desirable that "as many social activities as possible [are] devolved to self-governing voluntary associations" (Hirst 2002, p. 409) because this allows to be more effective in acknowledging and addressing societal needs. This is even more for social enterprises that – alone or collaborating with public institutions – have in recent decades contributed to the reconstruction of communities through the expansion of the supply of services of public interest.

Some contributions have recently appeared recognizing this contribution (Smith and Teasdale 2012; Bosi and Zamponi 2019; Laville *et al.* 2015; Eynaud *et al.* 2019; Pestoff and Hulgards 2016). Despite this, Smith and Teasdale (2012, p. 158) are still right when they argue that “it is striking that the academic literature on the social economy fails to make explicit connections to contemporary democratic theory. But the oversight is in both directions: contemporary democratic theory (and political theory more generally) has paid little or no attention to the social economy.” There seem to be two main reasons for this. Firstly, the scarce attention paid by scholars of social economy, non-profit organizations and social enterprises to the innovations introduced in the ownership structure and particularly in the forms of governance aimed at guaranteeing greater participation in decision-making processes. Secondly, the widespread belief that it was solely the processes of privatization of welfare services that gave life to and supported, with public resources, the development of social enterprises, therefore being dependent on public expenditure and therefore having little or no autonomy. In this way, the predominant interpretation sees the development of social enterprises engaged in the provision of welfare services not as an innovation of some interest, but as an alibi for the contraction of public welfare systems. However, this interpretation is not applicable to several countries, including Italy, where these organizations were born and developed from civil society initiatives in sectors and territories where public offer of public interest services was absent or inadequate.

The thesis that we intend to support is that social enterprises and their governance models have contributed to the quality of democracies in at least three ways: (i) by enhancing and bringing the offer of services of public interest closer to citizens, (ii) by assuming themselves inclusive and participatory governance models, thus creating contexts of collective action, and (iii) by promoting a more general change in people’s preferences in favour of direct participation. Particular attention will be given to the changes in the governance models adopted, and their translation into new, regulated legal forms. In this way, we will try to give more substance to literature on associative democracy that has dedicated very little attention to the ability of new organizations to be democratically managed themselves.

2. What is Innovative About Social Enterprises? Foundations and Characteristics

It is reasonable to believe that the contribution of civil society organizations to democracy is greater the more they are managed in a democratic way (Smith and Teasdale 2012). This observation is especially true if these organizations are primarily engaged in the direct provision of services, as democratic management can be considered to bring the nature of services closer to the needs of users.⁶ This makes it necessary to verify the ownership forms, as well as the degree of democracy of the governance of the new organizations, and especially of the social enterprises. The work that has carried out this verification to the English context (Smith and Teasdale 2012) does not find, at least in the legislation that regulates these forms, significant innovations that could justify their new role. A different assessment can be inferred from the social enterprise forms that have emerged in different countries of continental Europe (Laville *et al.* 2015; Eynaud *et al.* 2019; Pestoff and Hulgards 2016; European Commission 2020).

First of all, social enterprises are often organizations that have emerged thanks to bottom-up dynamics, the result of the free initiative of groups of citizens who voluntarily took action to address unmet social needs, as well as the direct and generally unpaid commitment of their promoters. The guiding principle is not philanthropy as in traditional foundations and charities, but cooperation, understood as a self-managed and participatory process, aimed at solving a collective problem identified through deliberation rather than through the intervention of authorities or the exchange between self-interested actors (Ostrom 1990; Ouchi 1980; Grandori, 1997; Sacchetti and Sugden 2009).

In the early stages of development, these new initiatives took on different organizational forms, adapting the legal forms available such as community self-management or co-operatives (Ostrom 1990), associations or voluntary organizations (Hirst 1994); communities of practice and networks (Sacchetti and Sugden 2003; Grandori 2016). Over time, and after having obtained various legal recognitions, they have

⁶ This is actually less necessary for advocacy organizations that merely advance interests and do not directly affect the well-being of their members or those whose interests they promote.

assumed a more precise configuration that has facilitated the adoption of distinctly entrepreneurial traits (Borzaga and Defourny 2001; Sacchetti and Borzaga 2017).

Interestingly, social enterprises have not only adopted the non-profit distribution constraint, nor have they entrusted the management to trustees. Rather, they have taken on explicitly democratic modes of governance in accordance with the cooperative principle of one person-one vote. Besides, these new organizations have not limited themselves to reiterating “how to vote,” a criterion aimed at guaranteeing the interest of the owners rather than the general interest, which is the ultimate goal of democracy. In contrast to the governance models whispered among cooperatives and associations, they have also raised the question of “who should vote,” and have therefore included in their governance multiple relevant stakeholders, in particular volunteers, together with workers or service users, but also public bodies, other non-profit institutions and for-profit enterprises. In other words, these new organizations have paired inclusion in decision-making bodies and deliberative processes with the more traditional rules regarding surplus reinvestment and the management of common assets (Sacchetti and Borzaga 2017; Borzaga and Tortia 2017). This propensity for the inclusion of stakeholders with a real interest in the activities, and on the rules that can support their cooperation is confirmed by a tendency to form networks both between similar and different organizations (Sacchetti and Campbell 2014).

From the more traditional forms of single-stakeholder governance, there has been an evolution towards multi-stakeholder proprietary and governance forms, with different combinations and at multiple levels. This has been achieved by a careful identification of communities of interest, by guaranteeing the participation of the representatives of the various groups in assemblies and boards, but also by assigning them decision-making or consultative power in the ordinary management of activities.

This evolution has affected in particular the cooperative form and accompanied the modification of the aims and composition of the membership. In the European tradition, since the end of the 19th century, cooperatives have taken on a mutualistic character, and therefore pursued the exclusive interest of their members, who are generally people with similar needs and a common objective and that collectively become the owners. The new social enterprises organized as cooperatives, in addition to operating in areas of activity other than those typical of

cooperatives, have modified the social objective, orienting the activity to the advantage (also) of third parties, as well as the governance so as to include new beneficiaries. To grasp this evolution, scholars have spoken of “external or extended mutuality” or “new-cooperativism” (Ridley-Duff and Bull 2019). Similar transformations towards more inclusivity have also affected social enterprises established as associations and foundations that increasingly include representatives of stakeholders in the board.

A first consequence of this new governance model was the weakening of the importance of the non-profit distribution constraint, favouring direct control of the founders on the pursuit of the mission. Inclusive forms of governance, especially of users or their advocates such as volunteers, are in fact able to prevent certain stakeholders, such as capital holders or managers, from being privileged more than an easily circumventable non-profit distribution constraint can do (Sacchetti and Borzaga 2021). At the same time, this new governance model has made it possible to envisage the possibility of a limited return on capital, thus alleviating the difficulties faced by traditional non-profit organizations in attracting risk capital.

A second consequence is the ability of a multi-stakeholder governance to root in its locality, since it strengthens the relations among a variety of community constituencies. This allows, in turn, to attract resources from multiple sources – from philanthropy to the sale of goods and services – both for day-to-day administration and for the formation of assets. This resource mix guarantees greater autonomy and makes the organization more economically sustainable. Differently from traditional non-profits, social enterprises are business-like, selling their products, but not for making or maximizing profits. This explains why these organizations can operate and grow, even without or with limited public support, while producing services of collective interest often aimed at non-paying users, as well as their ability to establish contractual relationships with public and private subjects without depending on grants and donations. Being entrepreneurial, social enterprises cannot disregard economic efficiency. They are therefore in a position to bring out new needs, and to act as producers of services of general interest in addition to those that are deemed necessary and therefore are guaranteed by the public institutions. This is how they have contributed to increasing the level of well-being of the citizens involved. The diffusion and growth of the economic and social relevance of social enterprises have

been partly facilitated and partly opposed by public policies with modalities and levels of intensity that differ across countries.

In several countries, the growth and dissemination of social enterprises have been supported by legal frameworks that recognized the forms of governance spontaneously created by the social entrepreneurs. Some of these measures allow, but do not impose, democratic and multi-stakeholder governance (as for Italian social cooperatives), while others make it mandatory, by specifying the number and type of stakeholders (as in the French “société coopérative d’intérêt collectif” – SCIC) or by letting the founders regulate it in their statutes. Other countries, however, such as the United Kingdom, have rather favoured philanthropic single-stakeholder models. However, even though they did not promote the adoption of participatory organizational models (Smith and Teasdale 2012), forms of inclusive governance are still widespread (Ridley-Duff and Bull 2019).

The importance of the inclusive and participatory nature of social enterprise forms has been reiterated by the European Commission, which, in defining them, establishes that they must be “managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities” (European Commission 2011).

Moreover, an important boost to the growth of these new organizations came from the public recognition of their role and their involvement in the provision of services on behalf or with the financial support of public administrations. However, if on the one hand this involvement has favoured the growth of the sector, on the other hand the contractual relations did not evolve consistently with the innovative nature of social enterprises. They were often managed by the administrations using traditional contracting-out practices that failed to acknowledge the inclusive potential of these new organizations. Social enterprises were often put in competition with each other and with conventional companies, on the basis of protocols that forced them to adopt the management methods that are typical of public administrations. As a result, they were denied the status of fully autonomous actors and treated as organizations that offer cheaper services rather than alternative forms of production. This strategy has often favoured less innovative firms and caused forms of organizational isomorphism, thus jeopardizing inclusiveness and its

broad effects on communities. We now move to reason on how social enterprises contribute to enhancing the quality of our democracies.⁷

3. How Multi-stakeholder Social Enterprises Contribute to Enhance Democracy

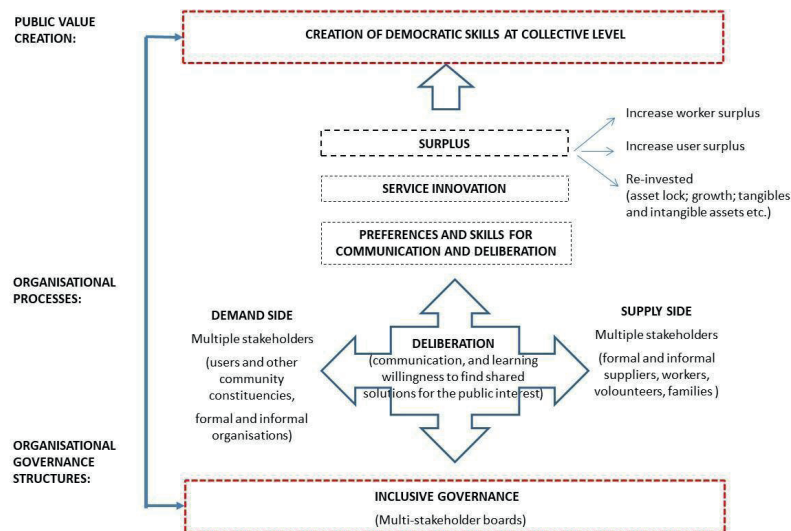
What we need now is to identify and then to demonstrate what is specific about social enterprises that contributes to the improvement of mature democracies. There are three main specific factors. The first factor is the direct and often prevalent commitment to the production and management of services of general interest, and to the overcoming of the pure mutualistic nature. In fact, social enterprises – and many other new voluntary or community-based organizations – have been formed to start and manage services for the benefit of both members and of other citizens in conditions of need. What is even more important, they have done so in areas generally left uncovered or poorly addressed by public welfare supply. Therefore, unlike traditional organizations, social enterprises have not limited themselves to bringing out needs, but have activated the services necessary to satisfy them by finding resources from various sources. Since one of the main reasons for the democratic gap has been the growing inability of welfare systems to identify and respond to old and new needs, it is evident that by partially reducing the gap between supply and demand, social enterprises have also contributed to the stability of democracies. This especially happened when they managed to finance general interest activities autonomously by using unexploited resources, both tangible and intangible (that would otherwise not be addressed to welfare goals).

The second factor is the commitment to the socialization of the surplus. This qualifies social enterprises as private productive organizations that share, on a voluntary basis, a part of the value produced. Sharing occurs with non-paying or partially paying third parties. In other words, social enterprises are organizations that, through cooperation, may transform individual motivation to participate into public value. Their multi-stakeholder governance can balance the allocation of surplus

⁷ Understanding this is also a prerequisite for defining coherent supporting public policies and contractual relations between social enterprises and public authorities.

among different destinations. Therefore, rent can work as a generator of public value when directed to improve worker material welfare, user surplus and accessibility, and service quality. For example, this is what happens when decision-makers opt for income distribution by transferring the surplus to some categories of users, who pay a price lower than the cost. Research on Italian social cooperatives (Borzaga *et al.* 2011) shows evidence of the distributive activity of social cooperatives, which happens mostly by setting prices lower than production costs or by promoting aspects of community development through public benefit policies. A notable aspect of these results is that they show that multi-stakeholder enterprises exhibit a greater tendency to redistribute surplus towards users rather than single-stakeholder enterprises. Otherwise, surplus can be redistributed to workers by increasing salaries, be reinvested, or be placed into an asset lock. Therefore, rent is either distributed to stakeholders or re-allocated in the firm’s activities to respond to new unmet needs arising in society and this way further innovation is generated. The interactions between the inclusion of multiple stakeholders and innovation going through decision-making processes with regards to surplus allocation are illustrated in Figure 1. This diagram also captures aspects of surplus distribution by introducing the idea of “distributive function” (Bacchiega and Borzaga 2001) of social cooperatives.

Figure 1: From inclusive governance to democracy



Source: the authors.

The third factor is the adoption of proprietary and governance models open to the relevant stakeholders. The orientation towards the creation of public value and inclusive governance are in fact closely linked. To explain and summarize a large debate, we can say that people participate in the definition of the aims and objectives of an organization, or any other activity, when they can engage in “communication,” which involves alternatively voicing and listening (Sacchetti and Sugden 2021; Sclavi 2014). This is also the way in which a “community,” even that which revolves around a formal organization, *de facto* exists (Kristeva 1973; Ostrom 1990) and develops shared institutions to govern itself democratically. We know from John Dewey (1927) that democracy is a communication process by which people learn from each other’s experiences and interests by means of interaction, which uses deliberative inquiry to reach decisions. The multi-stakeholder inclusive governance design that the social enterprise has developed therefore provides the contextual conditions for communication to happen, that is, to create a community of actors who can directly contribute to improving democracy.

3.1 The Production of Democratic Value

The added value of the new forms of governance becomes even more evident when compared to the hierarchical approach. On the one hand, administrative solutions to the economic coordination problem have been identified with hierarchies where operations are commanded and controlled using authority. Authority does not require participation around issues of interest. Information flows move mainly from the pinnacle of the hierarchy, down to the agents, who are supposed to operate according to given instructions and in the pursuit of pre-defined objectives. Information, rather than communication, is central for arguing why hierarchies are needed, and most of the literature explains efficiency failures in terms of problems that may emerge around the opportunistic use of information (as noted in Turnbull 1994). Communication – that is the discourse that shapes choices – is determined by a restricted group (Zeitlin 1974).

On the other hand, when concentration of decision-making power is substituted by a form of passive democracy (despite the presence of a voting mechanism for instance), that is: when individuals are disengaged and do not factually participate in the edification of the discourse,

of issues and solutions, the idea of democratic participation does not hold, and neither the idea of deliberative interaction à la Dewey.

The substantive function of communication embedded in multi-stakeholder social enterprises is to give voice to stakeholders by means of deliberative processes, to transform views, and to generate new solutions based on argument rather than on power imbalances (Sacchetti and Sugden 2009). As Elster (1998) notices, collective decision-making is democratic when a) interested actors can participate, and b) when it is deliberative, meaning that decisions are based on rational and impartial arguments.

With this being said, we can affirm that the inclusion and participation of stakeholders, from workers to volunteers, in the strategic orientation of those organizations where the objective is to develop solutions to specific societal challenges, represent a form of civic participation. The aim of social enterprises is exactly to organize resources with the intent of producing public value, in excess of what the organization, or the investors, can appropriate for themselves (Santos 2012; Sacchetti and Borzaga 2021). The inclusive forms of governance that the social enterprise have been encouraged to adopt are functional to the pursuit of public value creation, since multiple publics (the stakeholders) have access to boards and coordinating bodies. It is a case in which the governance (who has access to decisions and under what conditions) impacts the choice of objectives, while executives (managers) can justify the pursuit of multiple interests for different stakeholders, as this is part of their duty towards a multifaceted board (Blair 1996; Sacchetti and Borzaga 2021; Sacconi 2006). This can therefore improve the effectiveness in moving towards the desired objectives of participants (Sacchetti 2015), possibly reducing the actors' feeling of not counting and their disengagement from collective actions of interest (Sacchetti, Sacchetti and Sugden 2009). If we consider participation in social enterprises as a form of public engagement, we can build an encouraging view on collective action. Figures on the number of volunteers and workers occupied with social enterprises, as well as the number of beneficiaries in various countries (European Commission 2020), evidence the magnitude of this phenomenon, especially if we believe that the inclusive and participatory culture learned within the social enterprises can become part of people's behaviour across contexts (we address this aspect in the next section).

To this end, communities need to create the general conditions that

enable communication. Among such conditions, we include the presence of specific organizational forms, where the modalities by which individuals collectively organize and coordinate resources to face their needs and aims are consistent with the wellbeing of each and every constituent of communities. Some ways of organizing include social movements, political parties, advocacy organizations, and representative democracy institutions, but these – as noticed – are not the sole contexts that support the democratic existence of a community. Our point is that a more comprehensive approach considers the multiplicity of societal and organizational contexts, and in particular social enterprises that produce specific public goods or services where coordination modalities can promote communication among workers, users, and other stakeholders. This comprehensive approach possibly favours the emergence of novel approaches, as well as the transmission of pro-social preferences beyond the organization, by virtue of the multiple roles that actors play.

The keyword that explains why inclusive organizing can generate positive value for the community is “multiplicity.” This means multiplicity of stakeholders within the governing bodies of the organization and multiplicity of participants’ roles, contexts, and of situations where communication and mutual learning can occur if discourse is developed by means of genuine inquiry. This form of democratic engagement requires, and is facilitated by, traditional representative democratic institutions. At the same time, this engagement enriches them, as it represents a substantive component of democratic life.

Multiplicity of participants and roles implies that there are multiple, heterogenous centers of governing power, or multiple situations from which people organize economic action, which unfold from civic society (Sacchetti 2018; Ostrom 1990). By governing power, we refer to strategic decision-making power (Cowling and Sugden 1998), meaning that these forms of organizing self-determine the aims and direction of their activities. Crucially, this happens without one organization in particular trying to dominate other contexts, including the public sector. Engagement with other contexts is defined by the same inclusive method that is used inside the organization (Sacchetti and Sugden 2003, 2009). When centres of power interact by building bridges across organizations, they must ensure that the formation of a common discourse and decisions of interest includes the views, knowledge, sense and experience of those who are interested in the decision. This enables par-

ticipants to influence the direction of activities, and – to say it à la Sen – increases their capabilities.

This ultimately affects the substance of a democracy, a reduction of the democratic deficit, which can be described as the measure of the distance that separates democracies from their ideal form. One of the aspects of democracy is enabling people, in their various roles and identities (publics), to let their needs emerge and be satisfied through a process that involves reciprocity in voicing and listening (Sacchetti, 2018). The exclusion from strategic choice, operated by organisations governed through means of exclusive structures and processes, undermines this fundamental function of democracy.

4. Foundations and Conditions for the Sustainability of Multi-stakeholder Organizations

By now, the importance of the economic organizing forms that are being implemented by social enterprises should be clear, not solely for the increase and renewal of the supply of welfare services but also for the improvement of our democracies. They are contexts where economic activities are collectively orchestrated in view of creating public value for participants and for the collectivity, and for that purpose they are governed by means of institutions that apply stakeholder inclusion and open communication as a method of decision-making. This therefore creates spaces where the democratic method and collective action can be practiced, and participants can enter the organization with strong inclusive preferences towards others (Sacchetti 2015). This means that participants have a view on how economic action impacts others and society, and choose a form of organizing that maximizes both inclusion and economic efficiency in order to produce the highest level of public value (Sacchetti 2015; Sacchetti and Borzaga 2021).

Despite this, the sustainability of these new business models and the conditions that favour it need to be investigated further. The main difficulty in understanding these organizations and their capacity to produce public value lies largely in the fact that they continue to be interpreted on the basis of behavioural hypotheses, limited by a certain type of economic analysis centered on self-seeking individuals. A change in the assumptions about individual behaviour, which allows for mul-

multiple sets of motivations and people's good-will, can instead better support an understanding of how social enterprises can in fact function with democratic structures and processes.

An organization that defines itself according to inclusion and participation criteria pushes the premise of opportunism in the background, and replaces it with that of trust and reciprocity. A greater focus on the cooperative rather than on opportunistic attitudes of participants and consequent coordination methods can lead not only to more inclusive organizations that value the contribution of individuals, but also to greater value for the community. This way of organizing involves individuals in structures and processes aimed at developing communication, as well as relational abilities. It legitimizes the individual to feel part of economic choices and actions together with other stakeholders, through rules that promote and support the active participation and influence of those who have a real interest in the activities of the organization. These qualities of participation become rooted in the behavioral repertoire of people, who can use them in other contexts, reinforcing and extending the foundations of participation at a societal level.

These preferences can also be reinforced and transmitted. It can therefore be expected that they pass from the organization to the individual, who will develop his or her relationships outside the organization based on the experience gained within it. The preference transmission mechanism within inclusive organizations implies that actors who enter with low attitudes towards inclusion may tend to conform if the organization has a strong inclusive culture, leading to a reinforcement of inclusive preferences (Sacchetti 2015). A similar mechanism can also be active across organizations. At an organizational level, the transmission of preference can be observed if we look at the competences that spill over between organizations when transacting, or when developing joint programs that require inclusive competences. Transmission can also occur when individual participants are part of communities of practice that cross organizational borders, or when they engage with other contexts and situations in different roles (Diani 2018). In this way, they may contribute to the dissemination of inclusive values and practices across contexts and society, thus creating a basic structural condition for actors to communicate, enabling access decision-making loci.

The consolidation of these business models and their consequences depends on the occurrence of conditions that can reinforce both stakeholder engagement in the autonomous provision of public interest ser-

vices and the inclusivity of these organizations, taking them closer to the idea of “public” suggested in this essay. One of these conditions is that social enterprises are recognized – by scholars, policy makers and the public opinion – as autonomous actors and not as a consequence of the public sector’s outsourcing policy. This implies that room for manoeuvre regarding the choice of activities and the definition of forms of training and participation must be left to the organization, including the management and distribution of costs and benefits among stakeholders. This recognition is consistent with what envisaged by Hirst (1994, p. 131), and more generally by political theory, going back to Tocqueville’s ideas, for whom associationism had to be built by citizens’ initiative and bodies freely formed by committed individuals as opposed to exclusive reliance on the state’s action. Likewise, it is different from neoliberalism since actors are motivated by inclusive preferences for the production of public value. We could talk – to use one of Bobbio’s expressions – of a form of pro-social liberalism, as against forms of anti-social liberalism (Bobbio 2015).

Secondly, at an operational level, management practices which are compatible with the multi-stakeholder nature of social enterprises must be protected and strengthened. Social enterprises should be required to adopt multi-stakeholder governance forms, creating the structural conditions for the inclusion of stakeholders and encouraged to adopt consistent accounting and management tools, e.g., fostering factual participation. In addition, structural conditions require that actors engage in open communication and deliberation, especially within their formally instituted multi-stakeholder boards and across intermediate bodies, such as thematic committees or working groups. Similar to democratic institutions, inclusion within organizations is substantiated by deliberative processes. This takes participation beyond the right to vote in assemblies (as in ownership relations), as well as beyond the exchange of services for a price where at best consumers can “vote with their feet” or “purse” (contractual obligations). In this sense, consumer choices can create collective impacts quickly and at a very large scale, through market exchange. Here we are arguing for a much deeper form of democratic engagement which spans from commitment, to the aims of a pro-social organization, to collectivity. The governance structure must provide access to the control function for all or the larger part of those who have an interest in providing their input in the pursuit of the social aim. The public nature of the process of deliberation works from

the bottom, thus representing a substantive incubator of democratic values. At a structural level, access to the strategic function and the presence of deliberative conditions define participation capabilities, as well as the possibility to exert one's voice through and within the organization (on voice, see Hirschman 1980). In practice, the right to participate must be required and regulated by law and in statutes, while at an operational level, institutional settings must be paired with the capability to exert voice and engage with other stakeholders on an equal and fair basis. This requires that the managerial function recognizes these specificities and consolidate practices that favour factual participation, spanning from human resource management, to social responsibility and stakeholder empowerment strategies.

Finally, the way in which the relationships between social enterprises and public authorities are organized should be reviewed. The public procurement adopted approach thus far has been based on competition, using stringent contractual protocols often aimed at reducing public expenditure. This has reduced the resources needed to support participation and innovation within these organizations and caused processes of organizational isomorphism and passive reliance on state top-down coordination to provide for needs that are predefined by the public sector, thus risking to disregard emerging needs from new categories of users. A possible consequence is privileging less inclusive organizations, all the while discouraging stakeholder participation and the search for service improvement and organizational development. More fundamentally, we know that there is a substantial convergence between the objectives of public welfare policies and the objectives of social enterprises. As such, the relationships between these should be based on cooperation and co-production, not on competition. This is a way to limit organizational isomorphism and encourage both organizational and service innovation.

4.1. Insights from the Italian Experience

The Italian bottom-up emergence, regulation and consolidation of innovative governance forms in social enterprises is not the only interesting one,⁸ but it is well suited to critically investigate the innovative

⁸ The content of this paragraph is better presented and developed in Borzaga and Galera (2016). For a more comprehensive view of the process of emergence of social enterprises see Borzaga, Fazzi and Galera (2016).

characteristics of social enterprises, their evolution, as well as the legal solutions that have been designed to regulate the new governance features associated with the new institutional models.

The experience and concept of “social enterprise” itself were introduced in Italy much before it entered the public and scientific debate (Borzaga and Galera 2016). The first social enterprise experiences emerged during the 1970s, in a context where traditional non-profit organizations were practically absent (Perlmutter 1991) and the public provision of social services was very poor and highly institutionalized. Together with other voluntary organizations, social enterprises emerged as a spontaneous reaction of groups of citizens dissatisfied with the poor provision of public social and community care services, particularly in response to new needs that followed the economic and welfare state fiscal crises. Faced with new challenges, rather than resorting to existing institutions, volunteers, social workers, and sometimes recipients gave ground to two distinct innovative organizational forms: voluntary organizations and “social solidarity” cooperatives. Their peculiarity is the adoption of a management model based on the direct participation of diverse typologies of founders. This model differed thus significantly from both the bureaucratic way of providing public services and the models traditionally adopted by association and cooperatives, which are based on the sole engagement of members sharing the same interests (single-stakeholder). The new forms of governance were more inclusive than all the other public and private forms.

This orientation in favor of the engagement of stakeholders having different relations with the organization was particularly visible in the new “social solidarity cooperatives” that emerged to meet both social and occupational needs of groups of people such as the disabled, the homeless, drug addicts and youth with social problems. They also promoted activities aimed to integrate disadvantaged people into work. Unlike traditional cooperatives, social and solidarity cooperatives included volunteers in their membership and thus moved towards a heterogeneous membership, where individuals or institutions with various interests are enabled to participate as members.

Since the Italian law did not allow cooperatives to serve the interest of non-members and to have a heterogeneous membership, the diffusion of social and solidarity cooperatives was hindered until in 1991 they were recognized and regulated by law n. 381 as “social cooperatives.” The Act on Social Cooperatives recognizes the innovations introduced

by their founders; these include the public aim, establishing that the purpose of social cooperatives is to “pursue the general interest of the community in the human promotion and social integration of citizens.” The law allows for the simultaneous involvement in the membership of different categories of stakeholders, giving to each the same voting power: from workers to users, volunteers to financing members and individuals to legal entities. Social cooperatives must also comply with a non-profit distribution constraint. They are allowed to achieve profits, but a consistent part of such profits must be accumulated by law into locked assets. At the same time, Law 266/1991 recognized another typology of civil society organization, which emerged in the same period: the “voluntary organization.” It relies primarily on volunteers and it is by law obliged to adopt a democratic management.

This orientation in favor of inclusive and participatory modes of governance and democratic management has prevailed in all the key legislative measures that have been implemented after these two laws. The obligation of democratic management was extended to all non-profit organizations - the Social Utility Organizations (Onlus) – in 1997 (Legislative Decree 4 December 1997, n.460) and to all social enterprises (not only social cooperatives) by law 2007. It was then reiterated by the Third Sector reform of 2017 which provides that social enterprises “in accordance with company regulations or in the by-laws must indicate adequate forms of involvement of workers, users and other stakeholder directly interested in their activities” – so that they – “are placed in a position to exert an influence on the decisions regarding the social enterprise, with particular reference to issues that directly affect working conditions and the quality of goods or services.” In addition, the law provides that social enterprises over a certain size are obliged to have at least one representative of the workers in the board.

The approval of Law 381/1991 made the diffusion of social cooperatives easier. The law recognizes that public bodies and social cooperatives pursue similar objectives, and it encourages the definition of collaborative relations between them. These collaborations have been further facilitated when municipalities willing to support existing social services or provide new ones were allowed by the law to entrust the delivery of services to private providers. The poor experience of local authorities in organizing the provision of services, together with limitations in hiring additional staff imposed by the central government to limit public spending, prompted local authorities to stipulate contrac-

tual agreements with the already existing or newly created social cooperatives (Borzaga and Ianes 2006).

Following these institutional improvements, the process of contracting out the production of social and educational services to social cooperatives increased substantially. By contributing to the creation of new markets for social services and recognizing the entrepreneurial character of the new initiatives, public contracting was a key element that stimulated the dramatic growth in the number and size of social cooperatives.⁹ At the same time, the degree of coverage of social needs arising in society also significantly increased.

The contracting modalities have also changed over the years. Up until the end of the 20th century they were based mainly on grants or contractual agreements not associated with competition among aspiring providers. In the new century, though, competitive tenders became the most widespread practice. Combined with the growing constraints on public expenditure, this trend led to the selection of the winner often based on the lowest price criterion. These changes have transformed part of social cooperatives into implementers of government programmes, hampering their degree of autonomy (Borzaga and Galera 2014), lowering their propensity to address new needs and contributing to their active influence on the making of social policies (Laville, Young and Eynaud 2015). Moreover, these changes have influenced the governance model shifting attention towards meeting the interests of worker members (Borzaga and Paini 2011). Several social cooperatives have assimilated their organizational culture and managerial practices into the public model. These isomorphic pressures have inevitably weakened civic activism that marked the first social enterprise initiatives (Borzaga and Galera 2014).

Empirical evidence demonstrates that despite their dependence on public financing, many social cooperatives have maintained the capacity to autonomously define their organizational and management strategies and do not depend only or mainly on public financing. Many social cooperatives continue to operate autonomously especially in domains where public supply is deficient, as in the field of work integration of disadvantaged people; in such areas inclusive forms of governance are

⁹ In three decades social cooperatives grew from less than two thousand to 18.000, with more than 400.000 members and non members employed and more than seven million users.

still widespread. New typologies of cooperatives pursuing explicit social aims are furthermore emerging and social cooperatives are expanding in new fields of activity (Borzaga and Fazzi 2011). These include cultural services, the management of social housing and social tourism, the regeneration of spaces and recovery of unused lands, and production of organic and ethical products. Also emblematic of the new types of social cooperatives are those managing land and facilities confiscated from criminal organizations and the community cooperatives established in villages and neighborhoods to provide any type of community services (Borzaga and Fazzi 2011; Farina and Fazzi 2009; Mosca 2015).

All in all, the Italian example allows us to draw three conclusions. First, organizations relying on associative principles emerging bottom-up with the direct engagement of citizens can really spread, grow and directly contribute to enhancing the wellbeing of citizens and their direct participation in defining the supply of public interest services. Key conditions enabling the unfolding of such processes often include the existence of a critical mass of committed people, such as volunteers or active citizens who have a role in activating cooperative behaviors, including users, workers and other institutions (Grillo 2015). Inclusive, multi-stakeholder governance and democratic management are the conditions of success.

Second, the development of innovative governance models can be encouraged through legal regulation. Nevertheless, based on the international experience, regulations don't need to be neither overly restrictive, nor compulsory. The best regulatory solution is to establish the general rules and let each organization translate them into concrete ways of governance.

Third, the isomorphic tendency towards more traditional governance models (as from multi-stakeholder to worker cooperatives) is always on the prowl and end ups prevailing when public authorities do not take the specificities of the organizations into account and relate with them by acting as authoritarian partners or monopsonistic buyers. Isomorphism is not necessarily the final and inescapable outcome of the process of the evolution of inclusive experiences of governance. When these enterprises are recognized and well regulated, as in the case of Italian social cooperatives, and have managed to develop their own governance and organizational models, they can succeed in reacting to isomorphic pressures and find new paths of development. In case they rely on public financial support, what matters is how public policies are

conceived and formulated, what role they assign to social enterprises and what degree of freedom they leave to social enterprises that are publicly funded.

Conclusions

The crisis of mature democracies, stemming above all from the ineffectiveness of the classic representation mechanism, is renewing the interest in the contribution of associative forms to the reduction of the democratic gap. To assess the extent of this contribution, however, it is important to investigate whether and how associations have changed, both in the activities carried out and in the forms of governance. In fact, in recent decades, and precisely in conjunction with the emergence of the difficulties of democracies, many have witnessed both a quantitative growth and a greater prominence of social enterprises, as well as their growing commitment to the production of services of general interest. This evolution was accompanied by some important innovations in the aims of activities and in the forms of governance, making these organizations direct producers of welfare and potential facilitators of democratic participation. As the Italian case indicates, these are innovations of great interest that have so far been only partially understood by scholars and policy makers. Their consolidation is still in the early stages and is not guaranteed. It requires the presence of some non-obvious conditions whose occurrence in turn necessitates a much more in-depth knowledge of the different processes that are suggested in this work. Despite this, this contribution offers some first insights from which to start for further investigations drawing on diverse disciplines.

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