

# Technocratic to Democratic: Bringing democratic business practice and policy together

## Who's it for?

- Democratic business advisors and members
- Foundations and grant givers
- Researcher and policy specialists
- Local government officers and policy teams

## Executive summary

While it's widely accepted there's a significant gap between policymaking and democratic business practice, it's not always recognised that it's undermining sector-wide ambitions for building a democratic economy. But can it change? Over the next two years we're working on a new project – supported by the Friends Provident Foundation – to build effective relationships in democratic business practice and policy through encouraging political leaders, policymakers, and researchers to work with democratic business community as key partners in research, growth strategies, and funding for the sector, not simply as 'research subjects' or end-users of policy.

This is an invitation for democratic business practitioners, policy initiatives, researchers, and local government to work together to ensure that any policy initiatives reflect the practical and strategic experience of those working in the sector, and that such policy changes or investment strategies do not only passively 'enable' but actively facilitate local and national partnerships to build more democratic business culture, skills, and infrastructure in the UK.

## Background

While think tanks and policy specialists have traditionally focused on lobbying for changes in mainstream business and economic practices, there's an increasing recognition of the important role of expanding democratic business – both in the number of businesses and their scale – as part of efforts to transform regional economies. This is clearly evident in reports and policy recommendations, from the Co-operatives Party's Co-operatives Unleashed: Doubling the Size of the UK's Co-operative Sector to CLES' research and policy work on Community Wealth Building, and the recent spike in new thinktanks with an interest in the democratic economy, such as Common Wealth and Autonomy. This policy interest is also evident in the growth of the Co-operative Council Innovation Network, which now has 100 members. These policy initiatives and networks have been crucial in building political support for democratic business models over the last decade.



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## Challenge

However, the challenge of not only slowing the decline but also expanding the presence of democratic businesses in the economy, through startups and SME conversions, has too often been underestimated within these policy approaches. They mainly lack the tactical clarity of how – beyond redirecting public money and expecting existing local capacities to understand and meet the needs of democratic business development – we rebuild both the culture awareness of these business models and the technical infrastructure from its current and historical low point. This is most apparent in the slow development or absence of new democratic businesses in many policy-led regions. As Co-operative UK's Head of Development Unit, James de le Vingne, says: "Commitments to building more generative local economies and the acknowledgement of the role democratic businesses can have in achieving this are certainly welcome, however, more needs to be done to support those tasked with translating these policy aims into practical action. Our experience highlights a pressing need to address the low baseline of knowledge within councils and business support infrastructure and create local networks of organisations and individuals with the requisite skills and confidence capable of promoting and supporting democratic businesses across the full business life cycle."

Even traditional business development, despite its higher profile and the larger resources that are regularly invested into it, consistently experiences failure. When considering that democratic business development has experienced decades of underfunding, low cultural awareness, and lack of recruitment into the sector, it's at an even greater disadvantage than the wider business community. These historical challenges mean these models are often unknown or even disfavoured by local communities and entrepreneurs, and less attractive to finance and investors. The 'ambitions' of

policy-makers and politicians can not replace the patient and long-term support that is required to reverse this cultural and business trend.

The current technocratic focus on policy change – a large part of most funder's portfolios in our sector – does not respond to the immediate deficit in democratic business culture and skills in our communities. Despite such progressive policy work, there has been little to no investment from local governments into democratic business support programmes, instead retaining their investment in 'employability', and often aiming to force the pace of development through institutional strategies, such as releasing assets into ownership by communities that lack the readiness to meaningfully manage or govern them. For those who are ready to acquire assets from the local state, it is mostly limited to those with social capital, not addressing the economic inequalities in our communities or expanding 'who' can be part of the democratic economy.

A further lack of knowledge and experience of business and business development within policy initiatives has encouraged a limited focus on institutional power, and not on what communities can actually do – both economically and socially – through democratic business. Through their consultancy to local government, policy initiatives risk mismanaging expectations about the levels of financial investment and the time it will take to build democratic business culture, skills, and infrastructure – particularly in regions with low or no exposure to these business models. Democratic businesses are not simply 'different' legal structures, they are entirely new cultural organisations for most employees and communities in the UK. The recent calls for more realistic expectations from the democratic business sector are often perceived as 'negative' by policymakers, but it's a fair assessment of what it'll take to translate policy ambitions into a long-term cultural and economic programme.

In practice, we've seen how policy recommendations can heavily influence democratic business development in terms of the how local businesses receive funding (or not), the unfunded gaps in business pipeline development – particularly pre-technical support that stimulates cultural awareness and interest in new (and often minoritised) communities, and how the important differences in the business models described within the concept of 'plural ownership' are underplayed. The often changing, confusing, and congested range of economic concepts and policy brands – from

'beneficial ownership' to the 'inclusive economy' – can go even further in disconnecting local communities using these business models from potential funding and support. So while local authorities have made positive commitments, and think tanks have played an important role in building this political support, development could become far more effective through forming early partnerships with the democratic business community, not just inviting them to be part of the process at the 'implementation' stage.

### Building on limited progress

Despite this slow progress within policy-led regions, there is change in the 'home' of Community Wealth Building in the UK. Matthew Brown, leader of Preston City Council, explains their recent experience: "Increasing the number of worker-owned firms was always at the heart of our plans, but it has taken time. Seven years in, our work is gaining pace, but I'd recommend that councils start investing time and resources into democratic business skills and culture as early as possible in the Community Wealth Building process, not wait until they've finalised internal policy and procurement strategies. That way you can ensure you have local democratic businesses ready to take up the opportunities offered by the positive policy changes." As the first to pilot this approach in the UK, it has clearly been more difficult for Preston City Council, but we can't miss the opportunity for other councils and policy initiatives to learn from their recent progress on both expanding cultural awareness about these models and business development, which has been supported (in part) through Stir to Action's recent and ongoing partnership to build co-operative culture, skills, and infrastructure within community groups and frontline charities (Community Anchors: A Co-operative Recovery).

Despite this initial progress in one region, the challenge is for low cultural awareness and the 'business development gap' to be addressed and funded across all active councils and supportive institutions at the same time as policy development. As Gareth Nash, a member of Preston's Co-operative and Mutual Solutions says: "The Open Society Foundations (OSF) programme currently

running in Preston is designed to start and support 10 new worker co-operatives. While the programme provides technical business support for these potential new co-ops, it is clear that investment in community readiness (prior to the OSF) programme would have generated momentum and a stronger pipeline. This might have included a range of activities, from awareness events to workshops run by people from co-ops, networking events to study visits."

We still need more policy development and political support for building a democratic economy, but to effectively exploit these positive changes in the public sector, we're calling for the democratic business community to be directly involved as key partners in the strategic development of these approaches across the UK. Isaac Stanley, a senior researcher at the Centre for Local Economic Strategies, says "despite creative and ambitious attempts from councils to reshape local economies, there remains a disconnection between a small number of 'new economy' activists and policy supporters, and a much larger part of the population employed in the SME economy. If the 'democratic economy' is to directly benefit (and be shaped by) a large part of the population, rather than a narrow fringe of it, it is crucial to develop new forms of business support with the capacity to engage the untapped mass of potential in our local communities. These forms of business support need to draw on the particular expertise of democratic businesses, and take the concerns and priorities of potential democratic business practitioners as their starting point."

# Where Next?

Going beyond technocratic approaches in local and national government means drawing on the existing strategic business expertise in the sector through increasing contact between practitioners and policy development. The ambition for this two-year project is to build more strategic leadership within and across the democratic business sector, policy initiatives, and local government.

## Year one

We plan to work with project partners to launch a range of events and activities, including:

Remote, regional, and residential events and research reports focused exploring the experiences of those working within economic policy initiatives, including:

- Democratic business practitioners
- Funders & grant givers
- Researchers & policy specialists
- Local government officers.

A set of guides on:

- How democratic businesses can work within economic policy initiatives
- How to fund the democratic economy
- How to research the democratic economy
- How to transform policy aims into practical action.

## Year two

We plan to work with our stakeholders to design a 'democratic business practitioner platform' to interact and contract with policy initiatives and local government, especially focusing on:

- Involvement in policy debates
- Influence on policy development
- Investment in practitioner-led research
- Influence on investment approaches within foundations and funding bodies
- Influence on democratic business development strategies
- Funded involvement in conferences and roundtables
- Representation on steering committees, boards, and advisory panels

## Contact

Jonny Gordon-Farleigh,  
workshops@stirtoaction.com