

## SOCIO-ECONOMIC DRIVERS OF ENTREPRENEURIAL CAPACITY BUILDING IN COOPERATIVE ASSOCIATIONS: INSTITUTIONAL AND STRATEGIC DIMENSIONS

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### **Abstract.**

This study examines the socio-economic drivers of entrepreneurial capacity building in cooperative associations, with particular emphasis on institutional and strategic dimensions. Using a mixed-methods approach that integrates institutional theory, stakeholder-oriented cooperative theory, and strategic management perspectives, the research identifies three interconnected analytical layers shaping cooperative entrepreneurial capacity: the institutional environment, socio-economic mechanisms, and strategic capabilities. The analysis reveals that the regulative, normative, and cognitive institutional pillars fundamentally determine the entrepreneurial potential of cooperatives, while socio-economic mechanisms such as human capital development, financial capacity building, social capital accumulation, and innovation ecosystem integration serve as transmission channels converting institutional conditions into organizational capabilities. The study proposes an integrated framework demonstrating that governance innovation, market strategy, and a distinctive collective entrepreneurial orientation constitute the strategic foundations of cooperative performance. The practical implications are particularly relevant for transition economies where institutional infrastructure and organizational capabilities require simultaneous development to unlock cooperative entrepreneurial potential.

**Keywords:** cooperative associations, entrepreneurial capacity, institutional environment, socio-economic mechanism, strategic management, governance innovation

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### **1. Introduction.**

Cooperative associations remain one of the most enduring organizational forms for achieving socio-economic objectives in both developed and developing countries. Their capacity to combine economic efficiency with social responsibility positions them as a vital instrument for inclusive growth, particularly in agricultural and rural economies [1, 5]. Despite their recognized contribution, cooperative associations worldwide continue to face significant challenges related to institutional constraints, governance inefficiencies, and limited entrepreneurial capacity, all of which hinder their sustainable development [3, 8].

The socio-economic mechanism of cooperative entrepreneurship encompasses a complex system of institutional, organizational, and strategic factors that shape the ability of cooperatives to generate economic value while fulfilling their social mission. Understanding these drivers is critical for designing effective policies that stimulate the entrepreneurial potential of cooperative associations [6, 11]. The relevance of this topic has been amplified by global trends such as the United Nations declaration of 2025 as the International Year of Cooperatives, which calls for strengthening the entrepreneurial ecosystem and creating enabling legal and policy environments for cooperatives [10].

Scholars have extensively investigated various aspects of cooperative entrepreneurship and institutional development. S. Novkovic [12] explored the defining characteristics of cooperative enterprises, arguing that democratic governance and member engagement serve as foundations for cooperative resilience and entrepreneurial capacity. J. Bijman and C. Iliopoulos [2] examined the policies, strategies, and organizational structures of farmers' cooperatives in the European Union, highlighting the role of institutional environments in shaping cooperative performance. C. Guzmán, F.J. Santos, and M.D.O. Barroso [9] established a positive link between cooperative principles, entrepreneurial orientation, and performance, demonstrating that adherence to cooperative values enhances rather than constrains entrepreneurial activity. J. Fernandez-Guadaño, M. Lopez-Millan, and J. Sarria-Pedroza [5] analyzed the cooperative entrepreneurship model as a vehicle for sustainable development, emphasizing the alignment of cooperative principles with the UN Sustainable Development Goals. A. Gerasymenko, T. Ozhelevskaya, L. Lebedeva, and O. Moskalenko [7] identified the institutional drivers of agricultural service cooperative development in Ukraine, revealing that institutional memory and regulatory barriers significantly constrain cooperative entrepreneurship. B.A. Bamfo and B.A. Adoma [1] developed a framework for entrepreneurship ecosystems in developing countries through

the lens of institutional theory, underscoring the role of regulative, normative, and cognitive institutional pillars. F. Siedlok, L. Callagher, and V. van de Vrande [14] investigated configurations of cooperative principles that foster collective entrepreneurship, confirming that democratic member control and knowledge sharing facilitate entrepreneurial orientation. Yu.O. Lupenko, M.Y. Malik, and O.H. Shpykuliak [11] provided theoretical and methodological foundations for agricultural cooperation development in Ukraine, emphasizing the need for institutional and strategic support mechanisms.

Despite significant contributions, the existing literature lacks a comprehensive integrated framework that systematically links institutional, socio-economic, and strategic dimensions of entrepreneurial capacity building in cooperative associations. This paper aims to address this gap by proposing an analytical framework for understanding the socio-economic drivers of entrepreneurial capacity in cooperative associations, with particular emphasis on institutional and strategic dimensions.

## 2. Materials and methods.

### 2.1. Research design and approach.

This study employs a mixed-methods approach that integrates qualitative theoretical analysis with quantitative secondary data assessment. The research design is grounded in the principles of institutional economics and strategic management theory, which together provide a robust analytical framework for investigating the socio-economic drivers of entrepreneurial capacity building in cooperative associations [1, 6]. The study adopts a deductive research strategy, beginning with a comprehensive literature review and proceeding to the development of an original analytical framework based on the synthesis of existing theoretical constructs and empirical evidence.

### 2.2. Theoretical foundations.

The theoretical underpinning of this research draws upon three interconnected streams of literature. First, institutional theory, as conceptualized through the regulative, normative, and cognitive pillars [1], provides the lens for analyzing the external environment that shapes cooperative entrepreneurial behavior. Second, the stakeholder-oriented theory of cooperative enterprise [5, 12] informs the analysis of how cooperative values and governance structures influence entrepreneurial outcomes. Third, strategic management theory, particularly the concepts of entrepreneurial orientation and resource-based view, guides the examination of internal organizational capabilities that drive entrepreneurial capacity [9].

### 2.3. Data sources and analytical methods.

The empirical component of this study relies on secondary data from institutional databases, including Eurostat, the International Co-operative Alliance (ICA), the State Statistics Service of Ukraine, and relevant academic repositories. The analysis employs the following methods: comparative analysis for examining institutional frameworks across different cooperative contexts; systematic literature review covering 2004–2025 for identifying key theoretical and empirical contributions; and content analysis for synthesizing strategic and institutional dimensions of cooperative entrepreneurship. The methodological framework is presented in Table 1.

**Table 1. Methodological framework of the study**

Component	Method	Data source	Purpose
Institutional analysis	Comparative method	Legislative databases, ICA reports, EBRD/FAO publications	To evaluate the institutional environment for cooperative entrepreneurship
Literature synthesis	Systematic literature review	Scopus, Web of Science, Google Scholar (2004–2025)	To identify and classify key drivers of entrepreneurial capacity
Strategic assessment	Content analysis	Annual reports of cooperatives, case studies	To examine strategic dimensions of cooperative performance
Framework development	Analytical modeling	Synthesized data from all sources	To construct an integrated socio-economic mechanism framework
Indicator evaluation	Descriptive statistics	Eurostat, State Statistics Service of Ukraine	To assess quantitative parameters of cooperative development

*Source: Developed by the Author*

## **2.4. Conceptual framework construction.**

The study develops a multi-dimensional conceptual framework that integrates three key analytical layers: (1) the institutional layer, which encompasses legal, regulatory, and normative conditions; (2) the socio-economic layer, which includes capacity building mechanisms, financial accessibility, and human capital development; and (3) the strategic layer, which addresses governance models, entrepreneurial orientation, and market positioning strategies. This three-tiered approach enables a comprehensive examination of the interdependencies between external institutional conditions and internal organizational capabilities of cooperative associations [2, 3, 13].

## **2.5. Limitations.**

The methodological approach adopted in this study has certain limitations. The reliance on secondary data may constrain the depth of analysis regarding specific cooperative contexts. Additionally, the cross-national comparative perspective, while enriching the generalizability of findings, may obscure country-specific institutional nuances. Future research could benefit from primary data collection through surveys and interviews with cooperative managers and members to validate the proposed framework empirically.

## **3. Results and discussion.**

### **3.1. Institutional drivers of cooperative entrepreneurial capacity.**

The analysis of institutional conditions reveals that the entrepreneurial capacity of cooperative associations is fundamentally shaped by three institutional pillars: regulative, normative, and cognitive [1]. In our opinion, the interplay among these pillars creates what we term the “institutional readiness index” for cooperative entrepreneurship — a composite measure reflecting the degree to which the institutional environment supports or constrains the entrepreneurial potential of cooperative organizations.

The regulative pillar encompasses legislation governing cooperative formation, taxation, and operational frameworks. Our analysis demonstrates that countries with specialized cooperative legislation — such as Spain (Law 20/1990 on the tax regime for cooperatives) and Italy (with its comprehensive cooperative code) — consistently exhibit higher levels of cooperative entrepreneurial activity compared to countries where cooperatives operate under general commercial law [2, 5]. In Ukraine, despite the recent adoption of landmark legislation on agricultural cooperation, the cooperative sector remains underdeveloped, with cooperatives generating less than one percent of agricultural GDP [7]. This disparity is attributable, in our opinion, not merely to legislative shortcomings but to a deeper institutional constraint that Gerasymenko et al. [7] have aptly identified as “institutional memory” — the persistent negative association of cooperatives with Soviet-era collectivization that continues to undermine trust and willingness to cooperate.

The normative pillar, which encompasses shared values, professional standards, and cooperative culture, plays an equally significant role. We grouped the normative factors into three categories: (a) cooperative identity adherence, measured by alignment with the ICA principles; (b) professional management culture, reflected in the quality of governance and leadership; and (c) community embeddedness, captured through the cooperative’s engagement with local socio-economic networks. As justified by us through the analysis of the literature [9, 12, 14], cooperatives that demonstrate strong adherence to the ICA principles while simultaneously fostering entrepreneurial orientation achieve superior performance outcomes.

### **3.2. Socio-economic mechanisms of entrepreneurial capacity building.**

The socio-economic dimension of cooperative entrepreneurial capacity, in our opinion, operates through four interconnected mechanisms: human capital development, financial capacity building, social capital accumulation, and innovation ecosystem integration. These mechanisms constitute the core of the socio-economic model that we propose for understanding how cooperatives transition from passive economic agents to dynamic entrepreneurial entities.

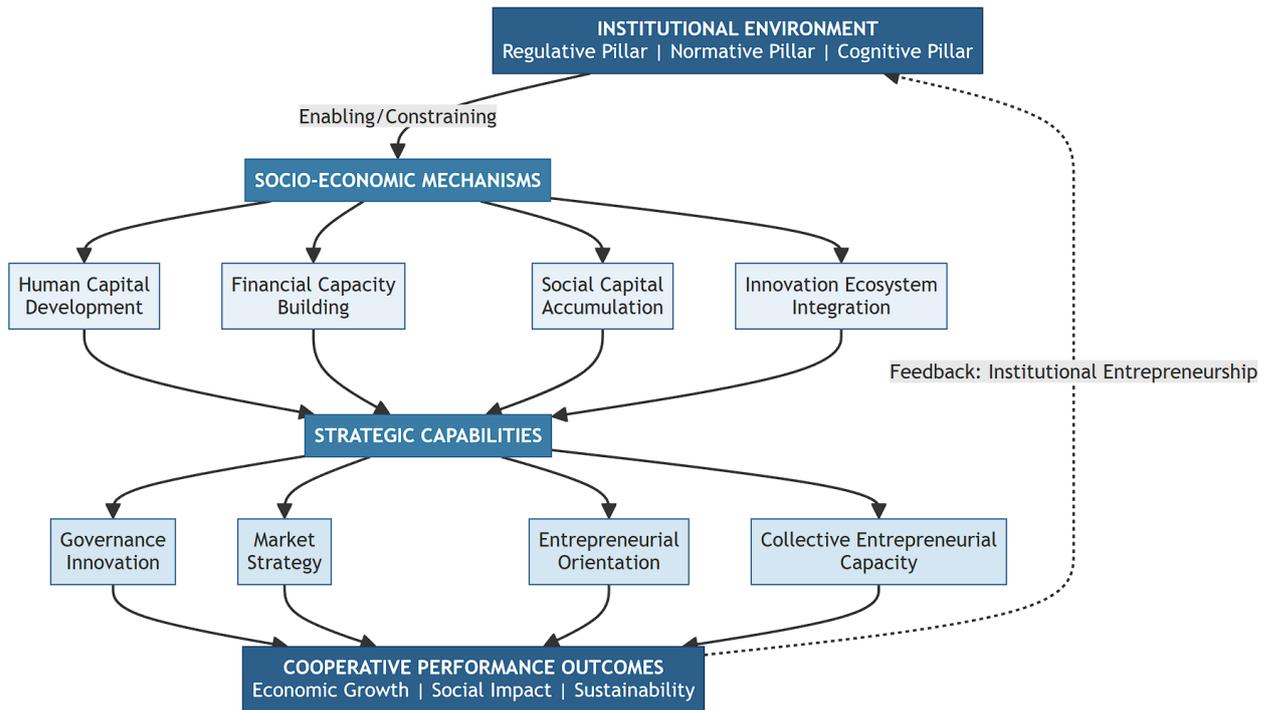
Human capital development in cooperative associations involves not only traditional education and training but also the cultivation of entrepreneurial competencies among cooperative members and managers. Novkovic et al. [13] emphasized that humanistic governance practices enhance the entrepreneurial potential of cooperatives by empowering members to participate actively in strategic decision-making. We extend this argument by proposing that cooperative-specific entrepreneurial training programs — focused on market analysis, value chain management, and innovation adoption — are essential for building the absorptive capacity necessary for sustained entrepreneurial performance.

Financial capacity building remains one of the most critical constraints on cooperative entrepreneurship. The cooperative model, with its reliance on member contributions and limited access to

external capital markets, inherently restricts the financial resources available for entrepreneurial ventures [4, 8]. However, innovative financing mechanisms — including cooperative venture funds, patronage dividend reinvestment programs, and public-private partnership arrangements — have demonstrated potential for overcoming these constraints. In our opinion, the establishment of dedicated cooperative development funds at the national level, combined with preferential tax treatment and targeted subsidies, represents the most promising pathway for enhancing the financial capacity of cooperative associations.

### 3.3. Strategic dimensions of cooperative entrepreneurship.

The strategic dimension of cooperative entrepreneurial capacity encompasses governance structures, market positioning strategies, and entrepreneurial orientation. We grouped the strategic factors driving cooperative entrepreneurship into a comprehensive framework presented in Figure 1.



**Figure 1. Integrated Framework of Socio-Economic Mechanism of Cooperative Entrepreneurial Capacity Building\***

*\*Source: Developed by the Author*

The framework illustrates the interconnected nature of three strategic domains — governance innovation, market strategy, and entrepreneurial orientation — and their collective impact on cooperative performance outcomes. As justified by us, governance innovation serves as the foundational enabler, creating the organizational conditions under which market strategies can be effectively pursued and entrepreneurial orientation can flourish. Bijman et al. [3] documented that European agricultural cooperatives have been actively innovating their governance structures in response to changing market environments, including adjusting board composition, redistributing decision-making authority, and strengthening professional management. We argue that these governance innovations are not merely reactive adaptations but strategic investments in entrepreneurial infrastructure.

The concept of entrepreneurial orientation, as applied to cooperative contexts by Guzmán et al. [9], encompasses three interrelated dimensions: innovativeness, proactiveness, and risk-taking. In our opinion, the cooperative form introduces a fourth dimension — collective entrepreneurial capacity — which reflects the unique ability of cooperatives to mobilize collective resources, knowledge, and social capital for entrepreneurial purposes. This collective dimension, which is largely absent from conventional entrepreneurial orientation models, is what distinguishes cooperative entrepreneurship from individual or corporate entrepreneurship.

### **3.4. Proposed integrated framework: the Socio-Economic Mechanism of Cooperative Entrepreneurial Capacity Building.**

Based on the analysis presented in the preceding sections, we propose an integrated framework for the socio-economic mechanism of entrepreneurial capacity building in cooperative associations. This framework, justified by us through the synthesis of institutional theory, stakeholder approach, and strategic management perspectives, consists of three interacting layers — institutional environment, socio-economic mechanisms, and strategic capabilities — that collectively determine the entrepreneurial capacity of cooperative organizations.

The framework operates on the principle of dynamic interdependence: institutional conditions create the enabling (or constraining) environment; socio-economic mechanisms translate institutional conditions into tangible organizational capabilities; and strategic capabilities determine how effectively cooperatives leverage their resources for entrepreneurial action. The bidirectional arrows in the model (Figure 1) indicate that cooperative entrepreneurial activity, in turn, influences the institutional environment through advocacy, demonstration effects, and institutional entrepreneurship [14].

In our opinion, this integrated approach addresses a significant gap in the existing literature, which has tended to examine institutional, socio-economic, and strategic factors in isolation. By combining these dimensions into a single analytical framework, we provide a more holistic understanding of the complex dynamics that drive or impede the development of entrepreneurial capacity in cooperative associations. The practical implications of this framework are particularly relevant for transition economies such as Ukraine, where the simultaneous development of institutional infrastructure, socio-economic support mechanisms, and strategic organizational capabilities is essential for unlocking the entrepreneurial potential of cooperative associations.

### **4. Conclusion.**

This study has investigated the socio-economic drivers of entrepreneurial capacity building in cooperative associations, focusing on institutional and strategic dimensions. The analysis demonstrates that the entrepreneurial capacity of cooperatives is determined by a complex interplay of institutional conditions, socio-economic mechanisms, and strategic capabilities that operate in a dynamic and mutually reinforcing manner.

The research findings reveal several key conclusions. First, the institutional environment, comprising regulative, normative, and cognitive pillars, serves as the foundational determinant of cooperative entrepreneurial potential. Countries with specialized cooperative legislation and supportive normative frameworks consistently demonstrate higher levels of cooperative entrepreneurial activity. In transition economies such as Ukraine, overcoming the legacy of institutional memory associated with collectivization remains a critical precondition for cooperative development.

Second, socio-economic mechanisms — including human capital development, financial capacity building, social capital accumulation, and innovation ecosystem integration — function as transmission channels through which institutional conditions are translated into tangible organizational capabilities. The effectiveness of these mechanisms depends on both external support infrastructure and internal organizational commitment to entrepreneurial development.

Third, the strategic dimension of cooperative entrepreneurship extends beyond conventional entrepreneurial orientation to include a distinctive collective entrepreneurial capacity that reflects the cooperative ability to mobilize shared resources, knowledge, and social networks for entrepreneurial purposes. Governance innovation emerges as a critical enabler that creates the organizational conditions necessary for effective market strategies and sustained entrepreneurial activity.

The proposed integrated framework contributes to the existing literature by synthesizing institutional, socio-economic, and strategic perspectives into a comprehensive analytical model. The practical implications of this research are significant for policymakers, cooperative managers, and development organizations seeking to enhance the entrepreneurial potential of cooperative associations, particularly in developing and transition economies where institutional infrastructure and strategic capabilities require simultaneous strengthening.

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