

THE DEFINITION AND IMPORTANCE OF THE COOPERATIVE MOVEMENT

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Abstract

This paper examines the cooperative movement as a key component of the social economy. Defined by democratic control and mutual aid, cooperatives provide inclusive solutions for both economic and social challenges. Based on secondary analysis, the study highlights their global relevance, with a focus on Romania's post-1989 transformation. Cooperatives are shown to be resilient, community-oriented, and essential for sustainable development and economic democracy. The aim of the paper is to briefly define the concept of cooperative and emphasize the importance of the cooperative movement. This study employs secondary analysis, utilizing peer-reviewed academic sources, institutional reports, and national studies related to the cooperative movement. In Romania, cooperatives underwent severe decline during the post-socialist transition. The findings show that the cooperative movement remains a vital force for inclusive economic development. By aligning economic performance with democratic values and social equity, cooperatives embody a transformative vision for local and global economies.

Keywords: cooperative, cooperative movement, social economy, democratic governance

Classification JEL: N93, P13, R51

1. Introduction

The cooperative movement represents a fundamental structure within the global social economy (Toma et al, 2015), rooted in principles of solidarity, democratic governance, and mutual aid. As defined by the International Cooperative Alliance (ICA), a cooperative is "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise" (ICA, 1995, p. 1).

The cooperative model embodies principles that promote voluntary and open membership, democratic member control, economic participation, autonomy, education, cooperation among cooperatives, and concern for community (ICA, 1995). These principles position cooperatives as viable alternatives to capitalist enterprises and significant contributors to inclusive growth and sustainable development (Spear, 2010). In the age of globalization (Cornescu et al, 2004; Toma, 2005; Marinescu and Toma, 2015a), cooperatives are facing multiple challenges such as frequent and unpredictable changes within the socio-economic environment (Toma, 2006; Toma, 2013; Toma and Marinescu, 2015a), increasing digitalization (Tohănean and Toma, 2018; Tohănean et al, 2018; Toma and Tohănean, 2018; Tohănean and Toma, 2024), rapid innovations (Marinescu et al, 2016; Marinescu and Toma, 2017; Toma and Săseanu, 2017) and multiple economic crises (Hudea et al, 2012).

The aim of the paper is to briefly define the concept of cooperative and emphasize the importance of the cooperative movement. The research is structured as follows: the next chapter illustrates the literature review. The research methodology is displayed in the third chapter. The fourth chapter outlines the results. The study ends with conclusions.

2. Literature review

There are numerous definitions of the concept of cooperative in the literature. Cooperatives may be defined as "an organizational form in which: (a) the users or beneficiaries of the goods or services produced by the organization also have ultimate decision-making power; (b) the owners

have an unusual transaction relationship with the enterprise, as they are not only investors, but also employees, suppliers and/or customers; and (c) organizational governance typically does not discriminate among members in terms of rights; in essence there is typically a one person/one vote rule” (Diaz-Foncea and Marcuello, 2013, p. 240). The key ideas of cooperatives are:

- “self-help,
- personal cooperation,
- equality of members,
- voluntary association and
- member promotion“ (Münkner, 2015, p. 4).

Thus, cooperatives are organizations which involve the existence of a managerial structure (Toma, 2008a; Toma and Marinescu, 2015b) and an effective leadership (Marinescu and Toma, 2015b; Grădinaru et al, 2020; Toma et al, 2020a; Toma et al, 2020b; Toma, 2024a), possessing deep strategic thinking (Toma et al, 2016a; Toma and Grădinaru, 2016) and designing strategic plans (Toma et al, 2016b; Toma, 2024b). Their clear socially responsible approach (Toma, 2008b; Marinescu et al, 2010; Toma et al, 2011a; Toma et al, 2011b; Toma, 2012) is mixed with an evident entrepreneurial orientation (Toma et al, 2017; Toma, 2019; Catană et al, 2020; Toma et al, 2021; Toma, 2023)

Historically, cooperatives emerged in response to social inequalities and economic exclusion during the Industrial Revolution. The Rochdale Society of Equitable Pioneers (1844) in England is widely recognized as the birthplace of the modern cooperative model (Birchall, 1997). These pioneers established operational and ethical guidelines—later called the Rochdale Principles—that are still in use today.

Cooperatives flourished throughout the 20th century as self-help institutions, particularly in agriculture, finance, and housing (Craig, 1993). In post-conflict or post-transition societies, cooperatives have been instrumental in rebuilding trust and stimulating localized economic activity (Borzaga and Galera, 2012). According to ICA (2021), over 3 million cooperatives operate globally, employing approximately 280 million people and providing services to over 1 billion members. In the European Union, cooperatives account for 4.7 million jobs and around 180,000 enterprises (CICOPA, 2019). They are particularly strong in countries like France, Italy, Spain, and the Nordic region, where legal and fiscal frameworks have encouraged their development.

From a theoretical standpoint, cooperatives challenge the neoclassical model of the firm by emphasizing stakeholder governance and social embeddedness. They align closely with Elinor Ostrom’s (1990) principles on collective action and the management of common-pool resources. Moreover, cooperatives function as hybrid organizations that balance economic and social goals, making them central actors in the social economy (Defourny & Nyssens, 2013).

Novkovic (2006) further highlights that cooperatives evolve through adaptive processes rooted in local cultural, institutional, and economic conditions, suggesting a path-dependent trajectory influenced by values and participatory norms.

3. Methodology

This study employs a qualitative research strategy based on secondary data analysis. The research methodology centers on the collection, examination, and synthesis of data from existing scholarly and institutional sources that document the historical and contemporary dynamics of the cooperative movement. Secondary analysis, as used here, refers to the systematic reinterpretation of data previously compiled by academic researchers, international organizations, and national policy institutions. This approach is appropriate given the historical depth, geographical diversity, and multi-sectoral nature of the cooperative phenomenon.

The selection of sources was guided by four main criteria: (1) academic rigor, (2) credibility of the publishing body, (3) thematic relevance to the cooperative movement, and (4) representativeness of both global and Romanian contexts. Key academic contributions were drawn

from peer-reviewed journal articles and specialized monographs published by experts in social economy, economic history, and organizational governance. Institutional materials include reports from the International Cooperative Alliance (ICA), International Labour Organization (ILO), Organisation for Economic Co-operation and Development (OECD), and European cooperative networks such as CICOPA. National-level perspectives are drawn from Romanian researchers and government reports reflecting post-socialist transformations.

The methodology followed a thematic coding process. Relevant data were extracted and organized under major themes such as: the historical evolution of cooperatives, governance structures, social values and principles, economic performance, role in sustainable development, resilience during crises, and the legal-institutional frameworks supporting or constraining cooperative activity. This thematic structure enabled the synthesis of disparate information into a coherent analytical narrative.

Particular emphasis was placed on exploring the cooperative model in the Romanian context. Legal reforms such as Law No. 1/2005, the emergence of social cooperatives, and sectoral initiatives in rural development, energy, and cultural industries were reviewed. National case studies and academic publications served as the basis for analyzing the challenges and opportunities for cooperatives in Romania’s transition and post-transition periods.

It is important to acknowledge certain methodological limitations. As the study relies exclusively on secondary data, it does not incorporate primary research methods such as interviews, focus groups, or surveys. This may limit the empirical depth of insights, particularly with respect to recent grassroots developments or emerging cooperative models not yet documented in formal publications. Nonetheless, the diversity, scope, and credibility of the consulted sources provide a robust foundation for achieving the study’s objectives.

In summary, the adopted methodological framework ensures both breadth and depth in addressing the cooperative movement. It allows for a multidimensional understanding of cooperatives as socio-economic entities embedded in specific institutional and cultural contexts, while also revealing broader global patterns of resilience, inclusivity, and democratic governance.

4. Results and discussion

4.1. Global Insights

The cooperative model has consistently demonstrated resilience during periods of economic and social turmoil. Studies indicate that cooperatives effectively mitigate unemployment and economic instability due to their inherent governance structure, which prioritizes long-term stability and community welfare over short-term profit maximization. Research conducted by Birchall & Ketilson (2009) for the International Labour Organization (ILO) underscores this resilience, highlighting that cooperatives, unlike traditional enterprises, tend to preserve jobs, sustain community services, and maintain internal cohesion even during significant economic downturns such as the global financial crisis of 2008 and the COVID-19 pandemic.

Furthermore, cooperatives are increasingly recognized as critical vehicles for achieving sustainable development goals (SDGs). The United Nations explicitly identifies cooperatives as essential partners in addressing poverty alleviation, promoting gender equality, and ensuring decent working conditions (UN DESA, 2016). This alignment is primarily due to cooperatives’ unique governance model, which integrates economic performance with social responsibility, fostering inclusive economic growth and environmental sustainability.

Internationally, the cooperative sector continues to expand both in terms of economic contribution and employment generation. According to CICOPA’s 2019 report, cooperatives directly provide employment for approximately 280 million individuals worldwide and serve more than one billion members. In Europe alone, cooperative enterprises account for millions of jobs and represent a substantial economic presence, particularly within sectors such as agriculture, finance, consumer retail, and renewable energy. Their success across diverse contexts demonstrates the

adaptability of the cooperative model, highlighting its potential as an inclusive economic alternative to mainstream market capitalism.

An essential aspect of the cooperatives relevance is their capacity to withstand and even thrive during periods of economic and social crisis. This resilience is attributed to the intrinsic characteristics of cooperatives: community member orientation, prioritization of collective well-being, and democratic governance, which favor long-term stability and adaptability over short-term profit maximization (Birchall & Ketilson, 2009).

4.2. The Romanian Context

Romania presents a unique and instructive case for examining the evolution of cooperatives. Following the collapse of socialism in 1989, Romanian cooperatives experienced significant disruption due to shifting economic policies, privatization, and societal changes. The cooperative sector faced substantial declines in membership, economic output, and influence. However, legislative reforms such as Law No. 1/2005 introduced crucial improvements by redefining legal frameworks, thus encouraging the revitalization of existing cooperatives and the emergence of innovative cooperative forms, including social enterprises.

Recent empirical research highlights the renewed interest in cooperative enterprises within Romania, especially in rural areas facing economic marginalization, demographic decline, and limited access to financial resources. Alexandrescu and Mihalache (2011) emphasize the transformative potential of cooperatives in rural development, noting their ability to provide sustainable economic opportunities and stimulate local development through democratic decision-making and collective resource management.

Moreover, Romanian cooperatives have increasingly ventured into innovative sectors, notably renewable energy and cultural industries. Rus (2014) identifies cooperatives in the renewable energy sector as instrumental in fostering local energy autonomy, environmental sustainability, and economic revitalization. Similarly, the cultural and creative cooperatives serve as catalysts for social innovation, preserving cultural heritage while providing employment opportunities and community development.

Nevertheless, Romanian cooperatives continue to confront challenges, including limited visibility, insufficient financial support, fragmented institutional frameworks, and persistent misconceptions about their economic viability. Recent studies by Bodea et al. (2022) highlight the need for stronger institutional and policy support, tailored financial instruments, and comprehensive awareness-raising campaigns to unlock the full potential of cooperatives.

Overall, both globally and nationally, cooperatives have proven resilient and adaptable, addressing contemporary socio-economic challenges through democratic governance, sustainable practices, and community-centric values. Enhancing supportive policies, financial mechanisms, and institutional recognition remains critical to maximizing the cooperative movement's positive impact on inclusive economic development.

5. Conclusions

The cooperative movement remains a vital force for inclusive economic development, profoundly reshaping both local and global economic landscapes. By aligning economic performance with democratic values and social equity, cooperatives embody a transformative vision capable of addressing contemporary challenges. Cooperatives' unique governance structures, founded on democratic participation and collective ownership, ensure resilience and adaptability, enabling them to withstand and thrive during economic disruptions and social crises. This resilience was notably demonstrated during major upheavals, including the global financial crisis of 2008 and the COVID-19 pandemic, when cooperatives successfully preserved jobs, maintained community services, and ensured internal cohesion.

In the Romanian context, the revitalization of cooperatives following the post-socialist transition underscores their potential as instruments for socio-economic transformation. Legislative advancements, such as Law No. 1/2005, marked crucial steps in redefining cooperatives' legal frameworks, paving the way for innovative cooperative forms, notably social cooperatives. These developments have rejuvenated interest in cooperatives, particularly in economically marginalized rural areas. Here, cooperatives offer sustainable economic opportunities through collective resource management and democratic decision-making, highlighting their role as catalysts for localized economic revitalization.

Moreover, the strategic entry of Romanian cooperatives into innovative sectors such as renewable energy and cultural industries reveals their capacity to foster sustainable growth and community empowerment. In renewable energy, cooperatives promote local autonomy and environmental sustainability, contributing significantly to broader ecological transition goals. In cultural sectors, cooperatives safeguard cultural heritage and stimulate economic opportunities through social innovation, illustrating their versatility and critical role in promoting diverse forms of community resilience.

However, cooperatives in Romania and globally continue to face considerable challenges, including limited visibility, fragmented institutional support, and persistent misconceptions about their economic viability and competitiveness. Addressing these barriers requires comprehensive efforts, such as tailored financial instruments, enhanced institutional frameworks, and robust policy support. Public awareness campaigns and educational initiatives are equally vital to dismantle misconceptions and increase cooperatives' recognition as viable and desirable economic alternatives.

Looking forward, cooperatives possess significant potential to drive critical societal transitions, particularly in digital transformation and ecological sustainability. As digital technologies increasingly dominate economic activities, cooperatives can leverage their democratic and inclusive structures to ensure technological advancements benefit broader segments of society. Likewise, cooperatives' inherent community-centric values position them uniquely to champion sustainable practices and environmentally conscious innovations.

Future research must further examine the comparative efficiencies between cooperatives and traditional capitalist enterprises, particularly regarding their resilience and capacity to promote inclusive economic growth during crises. Additionally, investigations should assess cooperatives' effectiveness in integrating digital technologies and ecological strategies, identifying best practices and areas requiring policy and institutional reinforcement.

Ultimately, reinforcing the cooperative movement through targeted policy initiatives, enhanced financial support mechanisms, and broader societal recognition can significantly amplify its impact on achieving inclusive, equitable, and sustainable development. Strengthening these foundations ensures cooperatives not only endure but thrive, continuing to offer transformative economic models capable of responding dynamically and ethically to emerging global and local challenges.

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