Co-ops and Cooperative Approaches as a Heritage Tourism Strategy for your Community: A Web Module

Web Module as part of the http://museum.msu.edu/heritagetourism Series

Community Energy — The economy is the lifeblood of a community. It is how people in a community create wealth, earn a living, and can afford to have the things that are important to them in life.

-Larry Dickerson, University of Missouri (2013)

Keywords: Co-ops, Cooperatives, Community, Heritage Tourism, Culture, Geotourism, LLC

Introduction: What is a Co-op?

A co-op or cooperative is a business that is owned and controlled by those who use its services. As with any business, co-ops fill a need. They have a long and successful role in helping rural communities across the United States sustain their local economy for mutual community-wide benefit. They do this by not only filling a need but by doing so in a democratic, community focused way.

Co-ops around the world generally operate according to the same core principles and values, as adopted by the International Cooperative Alliance in 1995. These core principles were vigorously renewed with the United Nation’s declaration of the 2012 International Year of the Cooperative. (The United Nations 2012 International Year of Cooperatives (IYC) official website is found at http://social.un.org/coopsyear/. These core principles are also found at the National Cooperative Business Association site located at http://www.ncba.coop/ncba/about-co-ops/co-op-principles)

These Cooperative Principles are:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation among Cooperatives
7. Concern for Community

(Note: In this heritage tourism web-module on co-ops, where possible, the web link sources are imbedded into the discussion; additional references are listed at the end on page 8, also see http://museum.msu.edu/heritagetourism for the other web-modules of this series.)
While most co-ops in the United States are organized as cooperative corporations, there are some businesses that are not organized formally as co-ops, but function using some or all of the co-op principles. One of the examples discussed later in this web-module is a group involved in Heritage Tourism that functions like a co-op but was registered in their state as a limited liability company (LLC).

**How Co-ops can support the Heritage Tourism Community Development Process**

The cooperative business model, in contrast to a non-profit association, is a method for organizing economic activities that is particularly well suited to serving the civic needs of communities. (see Figure 1: Business Structure Comparison Fact Sheet – *Co-ops to Sole Proprietorships*)

The purpose of cooperatives is complementary to the purpose of communities in that they seek to bring people together to serve a common need. They are well suited to aggregating community resources to achieve a community goal. And they can be effective in distributing benefits to serve civic purposes as well as private interests.

How does a community select the approach that best fits its needs regarding Heritage Tourism as a potential method for economic development? One important first step is for the community to think of “economic development” as “community economic development.” This theme provides a more focused approach to understanding how communities can serve the diverse interests of citizens. With Community Economic Development as the theme, the fit of a cooperative model of economic organization to achieving communal goals becomes evident.

While our web module’s focus is on co-ops (and related cooperative approaches) and their application in support of a community’s heritage tourism efforts, it should be noted that there is an ever growing lexicon to denote the variations to the term community based tourism. Regarding a community’s efforts towards maintenance of its community health or resiliency, in particular we make note of *geotourism* due to the inclusiveness of the term, and also its growing usage internationally.

The Cooperative Principles, presented previously, are also complementary to the following definition of *geotourism* of which Heritage Tourism is one aspect. Cooperative principles can be a powerful foundation from which to engage the community and support the Geotourism stewardship described below.

**Insert 1: What Is Geotourism?**

Geotourism is the kind of tourism that sustains or enhances the geographical character of a place as it relates to its environment, culture, aesthetics, heritage, and the well being of its residents. It involves the community. Local businesses and civic groups join to provide a distinctive, authentic visitor experience. It benefits residents economically. Travel businesses hire local workers, and use local services, products, and supplies. As a result, when community members understand the benefits of geotourism, they take responsibility for destination stewardship.

Applications of the “Co-op” model in promoting Cultural Sustainability: Alaska and Canada

Among established trends related to co-ops and especially as it taps into the visitor market, are included the traditional cooperative focuses, such as buying collectives, marketing collectives, and collective service co-ops. Alaska Natives and Canada’s First Nations peoples have found that the co-op model is consistent with their respective cultures, and have had notable success in the implementation of the co-op model over a period of time.

**Alaska:** Oomingmak - Musk Ox Producers Cooperative. Regarding our discussion of heritage tourism here, first we will look at Oomingmak, the Musk Ox Co-op which is a long established producer/marketing cooperative with headquarters in Anchorage, Alaska. It has 200+ members-scattered in remote rural Alaska villages. At the height of Alaska’s 1.5 million/year tourist season, many visitors will find their way to the Oomingmak Co-op Store located in downtown Anchorage. In the tradition of this co-op, Qiviut (kiv-ee-ute), the downy-soft under wool shed naturally each spring from the Arctic Musk Ox, is used to knit products (caps, scarves, etc.) that display the distinct patterns of the areas where they are knit. ([http://www.qiviut.com/](http://www.qiviut.com/))

**Canada:** West Baffin Eskimo Co-operative. Canada’s First Nations peoples have a long history of using co-ops to market traditional art. Cape Dorset, Nunavut Territory, Canada, is known as the ‘capital of Inuit art’ with a quarter of its population engaged in fine arts production. The Hudson’s Bay Company established a trading post there in 1913, followed by the missions, the school and in 1959, the West Baffin Eskimo Cooperative. This Co-op is the oldest arts organization in the Canadian Arctic, and the **Kinngait Studios** are the oldest professional printmaking studios in Canada. For the past fifty years the Co-op has represented Cape Dorset’s artists. It now maintains a marketing office in Toronto that gives the co-op’s members access to markets in large metropolitan areas, and the wider fine art markets. ([http://www.capedorset.ca/en/index.asp](http://www.capedorset.ca/en/index.asp))

The experiences of indigenous peoples in Alaska and Canada with these co-ops is not unlike agricultural producers’ co-ops in the mid-west where the co-ops have offered their members access to markets they could not have reached on their own. The co-ops have also given the artists access to business skills and experience that are a vital ingredient to their long term sustainability.

Oomingmak and Cape Dorset are examples of how traditional producer cooperatives have helped Native people access tourism markets. Next we will look at Multi-stakeholder co-ops, a new form of co-op that is well established in Canada, and has been receiving increased attention in the U.S.

**Emerging Applications of the Co-op Model – Multi-stakeholder Co-ops**

Multi-stakeholder co-ops present another application of the co-op model that can contribute a viable model for a community’s cultural/heritage tourism endeavors.

Traditional cooperatives have one class of members. They assumed that having more than one stakeholder group as members would lead to conflicts that would make the cooperative ungovernable. In Europe and Canada new multi-stakeholder co-ops have shown that this is not necessarily true.
**Insert 2: Multi stakeholder Co-ops**

A multi-stakeholder or multi-membership cooperative draws upon membership from two or more classes of constituents. Multi-stakeholder cooperatives represent a diversity of interests, but a commonality of need or aspiration on the part of the stakeholders, capturing a range of types of interests and impacts that an organization has, while recognizing the interdependency between them. These multi-stakeholder co-ops and in Canada, such cooperatives are called “Solidarity” cooperatives specifically to recognize their organizational basis to bolster commonalities rather than solidify differences.

Traditional cooperatives are made up exclusively of buyers or producers or workers, while multi-stakeholder cooperatives can be made up of any of these groups, or combinations of them. They may also include new categories of membership, such as “community supporters.” The simplicity of the definition of “multi-stakeholder” — i.e., two or more groups of different types of members coming together to pursue a common goal — belies the complexity of the practice.

Multi-stakeholder co-ops require all members to look beyond their immediate short-term interests and join with their business and community partners to envision a system where everyone’s interests will be met in different ways over the short-term as well as the long term. Canada’s experiences with this type of co-op have been very promising. (see also Note 2: More on Solidarity Co-operatives, page 10)


---

**Mont-Orignal** is a Canadian ski resort located about 100 km from Quebec City, Canada. It is an example of how a traditional and multi-stakeholder co-op can support a local tourism industry. In the 1980's skiers who patronized Mont-Orignal formed a consumer co-op and bought the Mont-Orignal ski station from a private owner who was going bankrupt. While not profitable for the private owner there was enough business to keep the ski area in operation. The ski resort co-op worked well for about 20 years, but it ran into financial difficulties from a planned expansion and the co-op members decided to sell the ski area to a private business.

In 2012, realizing the ski area’s economic importance, the people of Lac-Etchemin, the town where Mont-Orignal is located, organized a multi-stakeholder co-op to buy the ski resort back. (Comment: In Quebec, Canada, Mont-Orignal is referred to as a solidarity co-op with worker members and support members. See also Note 2.) The new co-op has an overall membership of 60+ including both ski resort workers and solidarity members, who either ski at Mont-Orignal or benefit from the visitors the resort attracts. The wider membership base afforded by the multi-stakeholder model enabled the co-op to mobilize the community’s financial resources. The new co-op helps to maintain local control and ensure Mont-Orignal’s future sustainability. This is important as the ski area is an important economic engine for this region of about 1,500 residents. (Note: Their web site is in French - use [www.translate.google.com](http://www.translate.google.com) for [http://www.montorignal.com/informations-generales/](http://www.montorignal.com/informations-generales/))

Our second multi-stakeholder example also addresses community sustainability for smaller communities, such as where their local economy is narrowly based on a single resource.
Boisaco Inc - Sacré-Cœur is located in the Province of Quebec, Canada. The small community of Sacré-Cœur has 2,000 residents and is located far away from major population centers and about a 5 hour drive from Lac-Étchemin. It has thrived or declined based on the ups and downs of its single industry, forestry. In 1984 the forestry industry was in a deep slump. The local sawmill, the town’s major employer, was facing its third bankruptcy under as many management teams. It appeared the mill would soon be permanently closed. Community members banded together under the name Sacré-Cœur Development Corporation and secured the assistance of their local credit union. After considering several options, the development corporation decided to reincorporate the mill as a single company owned in three equal parts by a cooperative of millworkers, a cooperative of loggers and a consortium of local businesses and other community members. The resulting company—Boisaco Inc. (“bois” means wood, or timber, in French) soon earned enough revenue to retire its modest debts and continue operations. (Source: Margaret Lund, A Convergence of Interests: From forestry to local foods, multi-stakeholder co-ops are gaining in popularity. Rural Cooperatives, March/April 2011 (p-14) http://www.rurdev.usda.gov/BCP_Coop_RurCoopMag.html#yr2011)

While this co-op example is not directly tourism related, it is suggestive of the power of community unity as well as an application of the co-op business model.

Online Co-ops and LLCs

Thus far, the previous examples all involve selling tangible goods or operating a tangible facility, like a sawmill or a ski area, but co-ops can also provide intangible services. The next example, the Montana Bunkhouse, provides its members, who are separated by some distance with an opportunity to brand their heritage tourism strategy and to market it together online. While it functions like a co-op, the members of the Montana Bunkhouse model decided after researching applicable laws and regulations, that an LLC fit them better than a co-op.

The Montana Bunkhouses Working Ranch Vacations LLC is owned and managed by Karen Searle. She works on behalf of the 20 ranch families who operate cooperatively to host guests. (http://www.montanaworkingranches.com/) Many of them are 4th–5th generation ranches established by the early pioneers to the Rocky Mountains and plains of Montana’s Black Hills region. While the ranches are functioning businesses, they are deeply invested in the heritage of Montana ranching. Through their involvement with the Montana Bunkhouses, they share their heritage, contribute to the cultural history of the Yellowstone region, and through the Montana Bunkhouse collaboration, make a few dollars too.

The Barron Ranch is a typical Bunkhouse member/owner. It is run by the fifth generation of homesteaders who established the first trading post in the area. They cut a trail in 1873 from Oregon to “Big Sky” country, near present-day Absarokee which is located 115 miles east of Bozeman, Montana. The original homesteaders inter-married with the Indians and when the white man killed off the buffalo, they rode all the way to Oregon and trailed back 4,000 sheep to provide food for their families and five generations later the ranch family at the Barron Ranch continues to raise sheep and cattle while sharing their way of life with guests. Their 15,000-acre working ranch includes 740 sheep, 100 cattle, 150 horses, and a handful of mules and llamas and offers a unique heritage tourism experience for their guests by running overnight pack trips to Wyoming’s Beartooth Mountains. (http://intelligenttravel.nationalgeographic.com/2012/07/03/wrangling-under-the-big-sky/)
Montana Bunkhouse promotes the Barron Ranch’s unique Heritage Tourism offerings by advertising the experience online as well as handling the booking and payment, which allows the Barron Ranch to offer its tours without having to set up their own website, or manage booking. The Bunkhouse model can also appeal to a wider variety of tourists because it offers not one but twenty different Heritage Tourism experiences. (see Insert 3 below)

Insert 3: Outline of the Steps in Starting an Online Cooperative*

1. Identify needs and organize
   ✷ Identify the economic need the cooperative might fulfill.
   ✷ Establish a steering committee to guide the next steps.

2. Decide the feasibility of the business
   ✷ Understand how the industry works**
   ✷ Evaluate software – and get technical help if needed.
   ✷ Identify potential members and services.
   ✷ Size up the costs and sources of funds.
   ✷ Decide how to proceed.

3. Structure the cooperative
   ✷ Conduct membership drive.
   ✷ Prepare legal papers and incorporate – will it be a co-op or an LLC***
   ✷ Establish a board of directors.
   ✷ Draft the business plan.

4. Startup the operations
   ✷ Secure other financing and funding.
   ✷ Hire the manager.
   ✷ Arrange for facilities and equipment.
   ✷ Begin operations.

*The steps listed above are not limited to Online co-ops, but these are time tested steps that any potential co-op needs to consider. This step-by-step process is an excellent resource on all aspects of co-op development.

** For Heritage tourism you need to understand what the tourists are looking for, how they look for those experiences, and what the norms are for offering and selling those experiences. The Montana Bunkhouse fills a niche in the tourism industry, but to fill that niche the people who organized and run the Bunkhouse have to know about the tourism industry as well as ranching, and that is why the Bunkhouse business model is successful.

***Note: In some cases the organizing of the actual co-op might find that the LLC structure maybe is advantageous for certain tax and/or legal concerns.

Source: Adapted from the Northwest Cooperative Development Center “Starting an Online Cooperative”
http://www.nwcdc.coop/
Summary

This web-module *Co-ops and Cooperative Approaches as a Heritage Tourism Strategy for your Community* presented 3 types of examples that could be used to promote Heritage Tourism for rural communities.

1. Traditional marketing co-ops (Alaska and Canada)
2. Multi-stakeholder or Solidarity Co-ops (Ski resort and Sawmill)
3. Online co-ops/LLCs (Montana Bunkhouse Working Ranch Vacations LLC model)

If your community determines that it genuinely wants to support a Heritage Tourism community development strategy, and that it wants to explore using a cooperative to develop Heritage Tourism opportunities, it should consider a couple of initial points before proceeding:

First, there are many excellent resources regarding organizing a cooperative. All share a similar approach: define the need that the co-op is going to meet and then begin to build consensus among the stakeholders and target groups that will be involved/considered. Then decide whether you want to pursue a traditional single stakeholder co-op, or a more complex multi-stakeholder model. Then make sure it can fill that need and, like any other business, cover its costs.

Second, gather as much information about your industry as possible. The USDA Rural Development Program has established a nation-wide network of Cooperative Development Centers, which can provide communities with important technical assistance and can connect them with networks of cooperatives and co-op development specialists. Local credit unions, utility co-ops and other established local co-ops are “must contact” resources, and may in fact be potential partners in your community’s Heritage Tourism efforts. Another good resource for potential co-ops is the Cooperative Foundation. (see [www.thecooperativefoundation.org](http://www.thecooperativefoundation.org))

This web-module has provided a broad overview of co-ops as a community development strategy to accomplish a community’s heritage tourism goals. The related web links and attached resources are presented to provide further assistance. Also, to review the entire Heritage Tourism modules web-site go to [http://museum.msu.edu/heritagetourism](http://museum.msu.edu/heritagetourism) Please contact us if we can be of any further assistance in developing your community’s Heritage Tourism strategy.

______________________________

**Project Participants and Affiliations:** Participating in the development of this web-module were Anthony “Tony” Nakazawa and Bill Hall (retired), University of Alaska Fairbanks Cooperative Extension Service and University of Alaska Cooperative Development Program (907-786-6300); Andrew Crow, Project Director, University of Alaska Co-op Development Pgm (907-786-5447); Larry Dickerson, University of Missouri Cooperative Extension (573-529-3665); Edgar Blatchford, University of Alaska Anchorage Dept of Journalism and Public Communications (907-250-6568); and, Hiroyuki Matsuura, Taisei Gakkuin University, Osaka, Japan (011-81-80-4015-6285).
**Additional Web Resources/References** - Here are some additional selected web resources on co-ops related to the discussion presented in this web-module.


Karen Searle @ Montana Bunkhouses Working Ranch Vacations LLC, karen@montanabunkhouses.com and [http://www.montanaworkingranches.com/](http://www.montanaworkingranches.com/)

Local Dirt [http://localdirt.com/](http://localdirt.com/) The software service, developed through a National Science Foundation grant, links buyers and sellers of many types together.

Margaret Lund, Cooperative Development Center at Kent State University in Ohio, *Solidarity as a Business Model: A Multi-stakeholder Cooperative Manual* lundsteller@iphouse.com and [http://www.oeockent.org/library/category/46/cooperatives](http://www.oeockent.org/library/category/46/cooperatives)

National Cooperative Business Association [www.ncba.coop](http://www.ncba.coop)

Northwest Cooperative Development Center, [http://nwcdc.coop/resources-2/](http://nwcdc.coop/resources-2/)


USDA Rural Development *How to Start a Cooperative* [http://www.rurdev.usda.gov/BCP_Coop_StartingACoop.html](http://www.rurdev.usda.gov/BCP_Coop_StartingACoop.html)
The legal structure of any business organization defines ownership, control, and earnings distribution. Like other businesses, cooperatives typically incorporate as a legal entity under state statutes, which provide parameters for governance and operation. State statutes are not uniform; however, so specific legal requirements for cooperative structure will vary state by state.

### Figure 1: Business Structure Comparison Fact Sheet – Co-ops to Sole Proprietorships

<table>
<thead>
<tr>
<th>I. Co-op or Cooperative Corporation</th>
<th>II. Corporation (C or S)**</th>
<th>III. Limited Liability Company (LLC)</th>
<th>IV. Partnership</th>
<th>V. Proprietorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Who are the owners?</td>
<td>Members (individuals or entities)***</td>
<td>One or more shareholders (individuals or entities). S Corp limited to 100 shareholders.</td>
<td>One or more individuals who are members</td>
<td>At least 2 individuals or entities</td>
</tr>
<tr>
<td>B. What are membership requirements?</td>
<td>Determined by bylaws. Usually one share/fee. May include other requirements.</td>
<td>One share of stock</td>
<td>At discretion of LLC members</td>
<td>At discretion of partners</td>
</tr>
<tr>
<td>C. What is the business purpose?</td>
<td>To meet member needs for goods or services; earn return on member investment</td>
<td>To earn a return on owner investment</td>
<td>To earn a return on owner investment; provide employment for members</td>
<td>To provide employment for partners and a return on partners’ investments</td>
</tr>
<tr>
<td>D. How is the business financed?</td>
<td>Stock/shares to members, and/or outside investors; retained profits</td>
<td>Sale of stock; retained profits</td>
<td>LLC member investments; retained profits</td>
<td>Partner investments, retained profits</td>
</tr>
<tr>
<td>E. Who receives profits?</td>
<td>Members in proportion to use; preferred stockholders in proportion to investment, up to 8%</td>
<td>Stockholders in proportion to investment</td>
<td>LLC members in proportion to investment, or by agreement</td>
<td>Partners in proportion to investment or by agreement</td>
</tr>
<tr>
<td>F. Who pays income taxes on profit?</td>
<td>Members on qualified profit distributions based on patronage; co-op pays on nonqualified and unallocated profits</td>
<td>C Corp. pays on profits, stockholders pay individual capital gains rates on dividends; S Corp stockholders pay annual rate on profit share and capital gains</td>
<td>LLC members pay individual rate, or can elect to be taxed as a corporation</td>
<td>Partners pay individual rate</td>
</tr>
<tr>
<td>G. What is owner legal liability?</td>
<td>Limited to members' investment</td>
<td>Limited to stockholders' investment</td>
<td>Limited to members' investment</td>
<td>Unlimited for general partners, limited to investment of limited partners</td>
</tr>
</tbody>
</table>
Note 1: Notes to Figure 1

*Source: http://www.uwcc.wisc.edu/whatisacoop/BusinessStructureComparison/ (Figure 1 is an adaptation of the University of Wisconsin Co-op Fact sheet)

**Shareholders do not set policy; only members can vote for directors. There may be exceptions to what is summarized here. See your respective state business statutes for further information.

*** Cooperative principles can be a powerful foundation from which to engage the community and support community tourism stewardship. The principals include concern for community and emphasize the need for collaboration. In this, co-ops are one of several types of organizations that look beyond the simple profit motive. Other types of organizations that can do this are non-profits, and, more recently, so called “B” corporations, which are allowed by statute to consider social benefits in addition to profits. Co-ops are in the middle with an eye on providing both social and economic benefits to its members. Finally, “B” corporations focus first on profits but do not have to focus exclusively on profits if its owners and board wants to support some social good.

Note 2: More on Solidarity Co-operatives (Source: Anabelle Perron, Mont-Orignal Co-operative)

• In Canada, this is the only type of co-operative that allows several different categories of members to form a co-op together:
  o Worker members
  o User (Producer) members
  o Support members

• Each category of members is represented on the board of directors.

• If all member categories are actively involved, then the common needs will be solved.

• This model was developed by homecare companies, but it’s now used in many sectors: recreation, food, etc.

• A minimum of five people is necessary to form such a co-operative.

• Support members cannot sign the constitutional documents.

Note 3: Acknowledgements: The authors of this web module appreciate the review comments and contributed resources from several sources and cooperating organizations, including: the University of Alaska Center for Economic Development; Meredith Rafferty, Northwest Cooperative Development Center; Margaret Lund, Kent State Cooperative Development Center; Karen Searle, Montana Bunkhouse Working Ranch Vacations LLC; Jean Pierre-Luc Bonneville and Anabelle Perron, Mont-Orignal Ski Station; Anne Reynolds, University of Wisconsin Center for Cooperatives; Judy Hargis, formerly with the Alaska Local Boundary Commission, Alaska Department of Commerce, Community and Economic Development; and, Terry Reeve, UAF Marine Extension Agent (retired). These people and their respective organizations are doing important work in furthering the co-op business model; however, all errors and omissions are the responsibility of the authors/project participants involved with the development of this web module.

Note 4: All websites used in this web-module were last visited on 1/16/13.