Effects of Tourism-Related Cooperatives
On Community Development
In Appalachia
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(ABSTRACT)

Rising poverty rates, increases in joblessness, and the depletion of traditional means of livelihood (such as agriculture and large industry), are all forces working to diminish the ability for the rural Appalachian to make a living (Appalachian Regional Commission, 1993). Many rural development professionals interested in cultivating new options are including the concept of the cooperative as a tool for economic development. However, there is some controversy over whether the cooperative form of organization is an optimal method of economic development for rural America. The same had been said about tourism as a contributor to economic development. This thesis uses case study analysis to examine three current cooperatives and their contributions to the community, using a Weberian lens of formal versus substantive rationality. Results indicated a tentative relationship between amount and type of contributions of the tourism-related cooperative organization and type of rationality for its existence.
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Introduction

Many rural areas in the 1990s, including the Appalachian region, have experienced rising poverty rates, increases in joblessness, and the depletion of traditional means of livelihood (such as agriculture and manufacturing). One possible means of rural economic revitalization in Appalachia is through tourism, which, like any form of economic development, has generated both success and controversy. A variety of forms of economic enterprise have been utilized for tourism development in rural communities - privately held businesses, corporations, partnerships, and cooperatives.

The U.S. has a strong tradition of agricultural cooperatives, which are often suggested as a model for rural development. Considered "the road less traveled," cooperatives offer the advantage of equal sharing by members of both the risks and benefits of operating a business. This research focuses on the marketing cooperative and its form of ownership and management. A cooperative is defined as

"a voluntary contractual organization of persons having mutual ownership interest in providing themselves needed services. It is usually organized as a legal entity to accomplish an economic objective through joint participation of its members. In a cooperative, the investments risked, benefits gained, or losses incurred are shared equitably by its members in proportion to their use of the cooperatives services" (Savage and Volkin, 1965).

More specifically, a marketing cooperative is an
organization whereby individuals who grow, or create products join together to promote and sell them.

There is some controversy over whether and under what circumstances the cooperative form of organization is an optimal method of development for rural America (Torgerson, 1990). Given the availability of both technical assistance for cooperatives in the United States ($4 million in 1993, primarily through the regional secondary level agricultural marketing /input cooperatives, and the Agriculture Cooperative Service) (Tom Gray, 1994) and financial assistance through the Bank for Cooperatives and the Bank for Consumer Cooperatives, an assessment of the effects of the structure on rural development seems timely. Considering the current attention on tourism as a form of economic development, focusing on the tourism-related cooperative makes the assessment even more provocative.

Cooperative success is based on active participation of the membership. Similarly, successful tourism development is a unique industry in that its success hinges upon community support and promotion - local word-of-mouth communication and support can make or break the industry (Murphy, 1985). Many community development experts have found that successful community development is the result of active
participation (Christenson, et al. 1989, Garkovich, 1989, and Blank, 1989). Participation in cooperatives, tourism development, and community development may take many forms – fundraising, activism, skill development, and/or technical assistance. The cooperative enterprise, the tourism industry and the successfully developed community require similar kinds of active participation on the part of their members. This study examines the ways in which combining the tourism industry with the cooperative form of enterprise contributes to overall community development. Three tourism-related craft marketing cooperatives in central Appalachia were closely observed, using the Weberian lens of formal versus substantive rationality. This study build upon past research in tourism, cooperatives, and community development.
Defining Tourism And The Tourist

According to Pearce (1989), tourism can be defined as "the relationships and phenomena arising out of the journeys and temporary stays of people traveling primarily for leisure or recreation purposes" (p.5). Murphy (1985) states that "tourism is a result of the travel of non-residents to destination areas, as long as their sojourn does not become a permanent residence on that trip" (p.9). Smith, an anthropologist, defines the tourist as "a temporarily leisured person who voluntarily visits a place away from home for the purpose of experiencing a change" (1989, p. 1). She depicts tourism graphically in the following manner (p.1):

Tourism = leisure time + discretionary income + positive local sanctions

Tourism is an export industry that involves the exchange of money for goods and services. In fact, the tourism industry is the largest export in America, bringing in 397 billion dollars in sales per year (U.S. Travel Data Center, 1993). Although the majority of these funds are generated in urban settings, rural America is increasingly receiving a larger piece of the tourism pie, which has piqued the interest of many community leaders nationwide (Appalachian Tourism Research and Development Center, Scenic Byways and Rural Tourism Development Conference, 1992). Rural tourism enter-
prises can take many forms, ranging from a roadside fruit stand in Western North Carolina to full scale development - complete with major outside investment - much like the musician-owned country music halls of Branson, Missouri.
Cooperatives As Economic and Social Enterprises

Co-ops and Tourism

Some aspects of the tourism industry might be particularly adaptable to cooperative organization. For example, travelers are often in search of high quality art, crafts, or food indigenous to the community or region they visit. This can sometimes be difficult to obtain, particularly in rural areas, because artisans may not be in close proximity to each other, or because as individuals they cannot afford to advertise to tourists. The craft marketing cooperative gives individuals the opportunity to consolidate their time and expenses, while creating a one-stop shopping destination for travelers (Sargent, et al, 1991). de Kadt argues that the cooperative form may be useful in preventing outside exploitation. In Cyprus, "to avoid exploitation by middlemen, some communities have formed local cooperatives to market the products and protect the interests of the producers" (1979; p.253). Widespread local ownership and democratically controlled cooperatives could support sustainable development of tourism in rural communities.

Co-ops and Community Development

The cooperative form as a motor of democracy has been the subject of a great deal of internal study in the workplace (Russell, 1993; Jackall and Levin, 1984). Research on the
importance of external support for cooperative success (Aldrich and Stern, 1983) is also substantial. However, studies on benefits of the cooperative form of economic enterprise to the larger community are few. Collins (1975, pp.329-340, cited in Russell 1993) states that the broad distribution of administrative issues - and active membership participation - contributed to the democraticization of the workplace. Using Collins' reasoning, a tourism-related cooperative which garners active participation by a large percentage of the membership will be less apt to change forms. This thesis will examine the relationship between the cooperative organization's participation in community development and the parameters of the cooperative as the form of enterprise. Since the cooperative form is actively participatory, will that atmosphere carry over into other aspects of community development? This question poses the first hypothesis of this study.

Although he does not mention the effects of the cooperative form on the community, Russell indicates that historical research on American worker cooperatives has supported the concept that the cooperative form needs outside support in order to flourish (Aldrich and Stern, 1983). "Where these organizations have shown any dynamism at all," they
conclude, "it has been the times and places in which they have benefitted from the active sponsorship of trade unions or church groups" (Russell, p.16). Russell indicates that institutional support is also helpful in the survival of worker-participatory forms of business.

Institutional support can be based within the community in terms of horizontal linkages or outside it in terms of vertical linkages, also referred to as horizontal and vertical networking (Flora and Flora, 1993). Rural cooperatives within the U.S. have benefitted from vertical institutional support provided through the USDA (Rasmussen, 1991). The generation of horizontal institutional support - local cooperatives linking with church or community development corporations - can contribute to participatory community development. This study will examine the effects on participation in community development of such vertical and horizontal institutional support, through the analysis of the participation of the tourism-related cooperative in community development.

Due to its longevity, size, and reputation as "the experiment," the Mondragón cooperatives of the Basque region of northern Spain have been studied extensively (Moye 1993 Taylor, 1994; Whyte and Whyte 1988). Historically, the
Mondragón cooperatives have been very successful, contributing to the overall community economic health of the region. Moye attributes this success to a number of variables, including sovereignty of labor over capital, an open-book policy of record-keeping, diversification of products to reduce risk and contribute to the steady growth of employment, an interest in long-term investment in the cooperatives, and sharing of the financial burden. These variables represent an overall interest on the part of the membership of the Mondragón cooperatives in both the economic and the social health of the community.

Weberian Formal -Substantive Rationality: Mondragón As An Example

As with any attempt at good science, a theoretical base is necessary. For this research the Weberian concept of formal-substantive rationality will be used. Rationality, according to Weber, is the underlying force or reasoning behind the creation of some form of economic activity (Roth and Wittich, eds., 1978, Taylor, 1994). Rationality may be formal or substantive. To gain a better understanding of formal and substantive rationality, I will couch the activities of the Mondragón cooperatives in Weberian terms. The economic success of the cooperative, that is, the "provision of needs, which is essential to every rational
A definition of economic rationality, which is capable of being expressed in calculable terms" (Roth and Wittich, p.85) is considered by Weber to be the definition of formal rationality. An example of formal rationality in the Mondragon cooperative is the diversification of products. This action was taken to reduce risk to the larger cooperative enterprise and increase individual cooperative profitability. It was also an important step to take to improve the economic strength of the cooperatives against outside competition and the changing market, thus improving the bottom line.

Substantive rationality, as defined by Weber, is a bit more ambiguous. It is concerned with the "degree to which the provisioning of given groups of persons (no matter how delimited) with goods is shaped by economically oriented social action under some criterion (past, present, or potential) of ultimate values (wertende Postulate), regardless of the nature of these ends" (Roth and Wittich, p. 85). It may be simply interpreted as that which is not formally rational. Diversification of products among the cooperatives of Mondragon may also be seen as a form of substantive rationality, since the action was taken to ensure steady employment for the worker-members. Sovereignty of labor over capital is another example of substantive rationality. An example would be the three-to-
one ratio established between the lowest and highest paid persons in the cooperative. Long-term re-investment of profits back into the cooperative and willingness to share the financial burden represent a desire to cultivate the common good of the cooperative, as opposed to individual economic gain.

More recently, Taylor (1994) has examined the changing face of the Mondragón cooperatives by calling attention to the role of ideology, knowledge, and power in the rhetorical strategies of Mondragón (Friedland and Robertson, 1990). "In Mondragón, two competing rhetorical strategies, the rhetoric of the 'businesslike [formal] firm' and the rhetoric of the 'social [substantive] firm' have brought to bear distinct organizational imperatives on major policy issues. The first imperative has been to develop and conduct efficient, productive, and competitive business enterprises. The second imperative has been to develop a production model with the 'human being at its center' (FAGOR Central Social Council, 1988, cited in Taylor, 1994; p.465)." It is of vital importance to note that Taylor believes these rhetorical strategies are not to be seen as mutually exclusive inevitabilities brought on by the global capitalist machine.

"An important issue raised by Mondragóns experience is
whether it and similar organizations are facing an inevitable, historical process of rationalization presaged so pessimistically by Weber years ago. To what extent, under the current conditions of the international economy, does space exist to organize economic activities in ways that incorporate social considerations into the calculation of efficiency?" (p. 486).

This review of the literature on cooperatives suggests that perhaps a balance of economic and participatory motivators (formal and substantive rationality) would create the best mix for successful tourism-related craft marketing cooperatives. Does this also hold true for external contributions to community development? This question forms the basis for the second hypothesis of this study.
Community Development

The term development has a variety of implications, both implicit and explicit. According to Flora and Christenson (1991), development is "a process of change through which environmentally sustainable and socially equitable improvements are made to the quality of life for all or most members of society. Development efforts should be judged on their contribution toward these broad criteria" (p.320). Kotze (1987, p.34) states that "ideally, CD (community development) is essentially a micro level process mobilizing community resources which are by definition small, meager, and localized using simple technology."

Community development can be conceptualized in two ways: as development in the community, and development of the community. Development in the community includes actual (primarily economic) development that takes place which results in an increase of productivity and distribution of wealth. Examples include establishment of new businesses (like the tourism-related cooperative), job creation, etc. Development of the community involves its improvement of decision-making capabilities and quality of life (Christenson, Fendley, and Robinson, 1989). This may include local policy development, project planning, and activities designed to inform community members and
encourage participation. Many may argue that the two forms cannot be mutually exclusive (Garkovich, 1989), but in most cases it is development of the community which occurs first. Both forms of development will be measured to some degree in the course of this study. In order for development to occur in the community, there must be development of the community. The economic impacts of development in the community cannot be trivialized, but the social effects of development are often much more far-reaching and lead to more long-term and equitable development of the community. "The developed community is both improved and empowered" (Littrell and Hobbs, 1989, p.48). This is similar to the successful cooperative. If, in fact, the tourism-related cooperative form is conducive to overall community development, then it should be recognized (see Hypothesis 1).

This study intends to explore the relationship between tourism-related craft marketing cooperatives and economic-community development, not simply community economic growth. Growth does not insure development. A community may be experiencing short-term growth that will deplete resources in the long term. Development "is characterized by increases in productivity and the creation and expansion of a more diverse mix of businesses and economic activities for both
external and internal markets" (Sergent, et al, p. 183).

A major theoretical area of community development that will be drawn upon for this research is that of the Self-Help Approach. This collaborative approach has been found to successfully lead to development in and of the community, as measured by increases in jobs and income while maintaining local control of the enterprise (Green, et al., 1993). Communities committed to self-help are often committed as well to a broader notion of social development (Bender, 1986). This participatory concept "is a style of planning, decision-making, and problem-solving which is endemic to the very idea of community - especially that of the small, face-to-face community" (Littrell and Hobbs, p.48). This community development theory, when combined with Collins' ideas about the relationship between cooperative success and membership participation, provides the rationale for this study. The development of the tourism-related cooperative may be seen as a microcosm of the community process and examination of the life history of a cooperative may lend insights to the community overall.
Tourism as Community Development

In this study, tourism development will be defined as the manner in which the economic components of the tourism industry in a community - accommodations, attractions, restaurants, recreation facilities, for example - evolve and change, both as a process and a state (Pearce 1989). Pearce (1989) also documents tourism's positive and negative effects. The negative economic, environmental, and social impacts of poorly planned tourism development can sometimes overshadow the benefits for some communities (de Kadt, 1979; Smith, 1989). Negative impacts may include seasonality (which leads to seasonal employment), infrastructure overuse, low wage jobs, decline of local control of the economy, and destruction of local culture replaced with crass, "canned" culture (Mathieson and Wall, 1982). The dangers of eventual degeneration of indigenous crafts to trinkets and cheap souvenirs as a result of tourist demand have been well documented (Crystal, 1989; Nash 1989, deKadt, 1979).

"Traditional artifacts are being bought by tourists for uses which have no relation to their original function (camel muzzles become handbags, for example), craftsmen [sic] have responded by changing the design and execution of these products to bring them more in line with the taste of the new customers" (de Kadt, 1979;p.68). Others maintain that increased interest by outsiders in authentic handwork "has
served to strengthen [their] identity, pride in heritage, and local income as an alternative to out-migration to jobs or joblessness in an urban setting" (Deitch, 1989; p.235).

Because of the negative community consequences that tourism has generated in some cases (Nelson, et al, 1993; Schulter, 1993; Smith, 1989), many proponents of the tourism industry recommend development of tourism in a sustainable form, with active participation on the part of members of the community (Blank, 1989). That participation may include long-term planning and policy-making, where conscious decisions about the type of tourism and its potential contribution to the overall economic development of the community are made. Community members might consider all types of tourism, ranging from locally owned and operated attractions and accommodations that perhaps may attract only a few adventurous travelers, to highly-developed, mass-produced tourism that attracts large numbers of tourists (Blank, 1989). However, if sustainability is an issue, the options are reduced. Sargent, et al. describe sustainability as a state that "is achieved when citizens guide economic development according to the physical carrying capacities of the ecosystem." Consideration of the ecosystem's physical carrying capacity assumes that, although efficiency of use can vary, physical and natural resources are finite and can bear only so much
use" (p.182). Sargent, et al. (1991) continue to explain that a successful community is both introspective and extrospective. "A sustainable local economy is one that maintains mutually beneficial and equitable relationships internally, that is, within the community, and externally, with the larger society and economy."(p. 183).

Many government officials active in policy making are highly supportive of rural tourism. At a hearing before the Subcommittee on Procurement, Tourism, and Rural Development of the Committee on Small Business, in 1989 Wylie Whisonant, former Deputy Under Secretary of Commerce for Travel and Tourism, U.S. Travel and Tourism Administration stated that "as the farm crisis spreads beyond the farm and to small businesses which have traditionally catered to the farmer, there is a rapidly growing consensus that rural America must be revitalized. That revitalization depends on diversification" (United States Congress, 1989; p.2). In response, the USTTA contracted a rural tourism study. The resulting recommendations were made regarding a national policy on rural tourism development:

1. To develop the human resources and leadership potential of rural areas.

2. To encourage rural areas to identify, develop, manage, conserve, and protect their tourism resources for
the long-term.

3. To enhance transportation access to rural areas with tourism potential.

4. To formally recognize that tourism can be a significant contributor to economic development (United States Congress, 1989; p. 7-8).

Whisonant was also careful to explain that tourism is not a panacea for rural economic decline, but instead it is one source of economic development. Rural development planners and small business owners, he said, should treat tourism as a component of a broader community development plan, not an end in itself. "Tourism may not be an appropriate development strategy for all rural areas. The successful development of a tourism industry is a long-term endeavor. It requires planning, infrastructure, attractions, essential services, management, maintenance, and an accessible market. In the absence of any one of these elements, a rural region may find that tourism is not a cost-effective development option, or, that other development tools, such as investment in infrastructure and education, must precede the development of tourist attractions and services" (p. 45).

Successful tourism can be conceptualized as development of the community - local people enhancing the quality of life
of the community to attract outside visitors – leading to development in the community and increased income. This is based on tourism literature’s quality of living theory (Blank, 1989). According to Blank, "quality of living theory turns traditional export base development theory on its head. Instead of starting with an exploitable, productive resource, it starts with living resources and with people" (p. 94). Quality of living theory accepts the idea that a large segment of the American population is mobile and can take up residence in any community they believe has the most to offer them. In addition, this concept is built upon the logic that the same things that are attractive to tourists are also attractive to permanent residents – recreational amenities, well-developed infrastructure, cultural preservation and expression, to name a few. Permanent residents want to preserve and maintain what is important and attractive to them by becoming active in community development. This in turn creates more tourism activity which, when developed properly, generates additional benefits to the community. These benefits may include economic well-being -- formal rationality -- but the main focus is on other benefits, such as an increase in community pride, or cultural preservation -- substantive rationality (Mathieson and Wall, 1982).
Improvement of the quality of living as the basis for sustainable tourism suggests that members of a tourism-related cooperative are working to improve their communities as part of their tourism development objective. A tourism-related cooperative adds to the draw for tourists. In addition, as the cooperative becomes a viable economic and social force in the community, it increases the quality of living for members of the community.

Murphy (1985) presents another perspective on tourism development at the community level. "The industry possesses a great potential for social and economic benefits if planning can be redirected from a pure business and development approach to a more open and community-oriented approach which views tourism as a local resource. This will involve focusing on the ecological and human qualities of a destination area in addition to business considerations" (p. 37). A community's business and managerial considerations are included in the process, as are its environmental, cultural, and social considerations. Again, this represents an example of a combination of formal and substantive rationality for tourism development.

Murphy also states that as with any major development strategy, tourism development must be considered carefully.
"Successful economic strategies for destination communities will require consideration of exogenous forces, community benefits and development scale in addition to the more direct concerns of resource availability and market opportunities" (p.115). The cost of development indicates a need for a community to search for multi-use investment approaches to tourism development, as well as small scale growth that matches local capacities and resources. This will minimize financial leakages and maximize local control. The tourism-related cooperative enterprises in this study would seem to fit this type of development strategy in rural Appalachia. As will be indicated in proceeding chapters, the co-ops are small in proportion to the size of each community, and they present a variety of activities - offering workshops for skill development and activities such as square dances and special interest group meetings.
Objectives

The objective of this study of tourism-related cooperatives is to explore the following hypotheses:

Tourism-related craft marketing cooperative development leads to community development (H1).

Tourism-related craft marketing cooperatives that are formed by a mixture of formal and substantive rationality will be more likely to participate as an organization in community development than tourism-related craft marketing cooperatives primarily established out of formal rationality (H2).

Tourism related co-operatives formed on the basis of formal rational goals are more likely to contribute to community development in a formally rational manner. Conversely, tourism-related craft marketing cooperatives formed on the basis of substantive rational goals are more likely to contribute to community development in a substantive rational manner. (H3).
Description of Methods

The unit of analysis for this study is the tourism-related cooperative, which will be analyzed through a Weberian lens, specifically addressing the concept of formal versus substantive rationality. In order to analyze the relationship of the establishment and growth of tourism cooperatives with development of the community, data were gathered on three cooperatives related to tourism in the rural United States - specifically, central Appalachia. This area was chosen because of its longstanding need for development opportunities, the researchers past experience in the region, and its close proximity and accessibility.

Economic hardship is not a new issue for residents of Appalachia. The region, which extends from western New York southward to northern Mississippi, consistently reveals some of the nation's highest statistics in the areas of unemployment, welfare assistance, and other negative economic indicators (Appalachian Regional Commission, 1994). Decades of a stagnant economy resulted in the creation of a number of Federal programs, including the Appalachian Regional Commission, which was established by the Appalachian Regional Development Act of 1965. This federal agency was designed to assist in the planning and development strategies of the thirteen-state region. The ARC
and other federal, state, and local organizations have been in search of new ways to stimulate economic growth in the region. The development of the tourism industry has repeatedly been pointed to as a possible means of economic stimulus for many years (Appalachian Regional Commission, 1975; Appalachian Tourism Research and Development Center, 1992). This study will add to the current body of knowledge about tourism in the region, and assist in the selection of the most economically, socially, and culturally viable means of its development.

Within central Appalachia, I selected tourism-related craft marketing cooperatives which were small to medium in scale. The definition of rural usually includes objective characteristics such as size, degree of isolation, homogeneity, and economic and social character (Flora and Christenson, 1991). For purposes of this study, rural is defined as a village, town, or unincorporated area, located in a nonmetropolitan county (fewer than 50,000 people). The case study cooperatives had between 40 and 250 members. Criteria for determining if an establishment was a cooperative was simple: ask those in leadership positions if they perceived themselves as a co-op, and if so, why. Their responses were then analyzed using the seven principles of cooperatives (Falk, 1975, p. ii):
1. Voluntary participation
2. Democratic - one person, one vote, no proxy voting
3. Equal opportunity to share in the benefits of any effort but with equitable sharing based upon each member's participation.
4. Autonomous, self-help efforts to serve the cooperators self-interests.
5. Limited return on invested capital.
6. Evolutionary, open-ended development.
7. Educational - learn by doing process.

Members of the cooperatives were interviewed to determine the way the cooperative developed and the evolution of participation in other community activity. Several agencies and contacts were used to assist in the selection of case studies, including the Agricultural Cooperative Service and the Extension Service. The case studies were selected initially from a review of the cooperative cases responding to a national study of local economic development and social infrastructure being conducted jointly by the Departments of Agricultural Economics and Sociology at Virginia Polytechnic Institute and State University. Marketing cooperatives, which promote the sale of craft, art or value-added local produce were the most numerous in that sample. Examples of tourism-related products that may be marketed collectively
include locally produced art, crafts, or value-added agricultural produce (furniture, jams/jellies, preserved vegetables, wool products, etc.).

Each cooperative was screened through a preliminary interview in order to determine the fit with the research criteria: tourism-related, craft marketing, small to medium sized, rural location. For the marketing cooperative to be considered part of the tourism industry, sales had to be oriented to tourists (non-residents traveling for pleasure). This was determined by asking the cooperative leaders if they considered their primary market to be tourists, and through informal marketing data collection techniques, including checking parking lot license plates, reviewing a guest register, etc.. In addition, a representative of each of the three cooperatives was briefly interviewed by telephone to determine if they were at three different points along a substantive versus formal rationality scale. Leaders from each co-op were questioned about its primary goals. If economic gain was a primary, almost singular goal, then the co-op was tentatively placed toward the formal rational end of the continuum. If other quality of life issues such as cultural preservation were mentioned as primary goals, the co-op was placed on the substantive end of the scale. Finally, if the co-op seemed to be an almost
even mix of formal and substantive goals, it was placed in
the middle. This was by no means a definitive determina-
tion; the goal was to seek out three different co-ops to
determine if general differences existed, and if so, to
analyze the co-ops to determine whether these differences
persisted. If, upon further analysis, the co-ops did not
fall along different points of a formal-substantive
continuum, the process would be repeated in an attempt to
find the co-op(s) needed to fit. This latter step proved to
be unnecessary. A final, not unimportant selection criteria
was the willingness on the part of the cooperative leader-
ship to participate.

On-site interviews of cooperative leaders and staff (where
staff existed) were conducted in the three case study commu-
nities in March 1994, followed by telephone interviews in
September 1994. In addition, other community leaders were
questioned by telephone, including directors of local art
councils, main street programs, convention and visitor bu-
reaus, and owners/managers of other businesses in the commu-
nities, as a result of using the "snowball" method of
discovering informants. On-site observation was also under-
taken. From these sources, data were triangulated to
determine types of community participation by each coopera-
tive, analyzing the 1) operation of the cooperative, 2)
vertical and horizontal networking, and 3) participation in structured and unstructured community development activities (Cohen, 1977). The leaders interviewed were asked to define and provide specific examples of rural development in their community and described the cooperative's participation in development as an organization.

Secondary data analyzed included cooperative business plans, marketing and membership recruiting brochures, membership contracts, grant applications, and newspaper accounts of cooperative activities. The interviews, on-site observation, and the secondary data were then analyzed, focusing on 1) motivation for the initial establishment of a tourism-related cooperative (WHY), 2) what kind of community activities the cooperative participates in (WHAT), 3) the involvement of the cooperative organization in community development activities over time (WHO), and 4) the balance between formal and substantive rationality now and through the history of the cooperative (HOW). This analysis will support or disprove the hypotheses stated previously.

Appendix A contains the interview schedule used for each case study. Important indicators built into the interview schedule included: 1) types and levels of participation in community development by the cooperative organization as a
whole, 2) investment of time and local resources through vertical and horizontal networking, and 3) rationality for establishing a cooperative. These data, along with the history of the cooperative, were gathered from key informants. In addition, questions were asked about the types of assistance requested and received and the membership composition. Questions about sources of capital provide insight into the level of local participation. Profiling the leadership of the cooperative helped to determine linkages between community participation (an indicator of community development) and cooperative activity.

Establishing the relationship of levels of participation in tourism-related craft marketing cooperatives with levels of participation in community development is not a simple issue. "Whereas economic costs and benefits may be presented in dollar terms, social involvement cannot always be expressed so conveniently" (Pearce, 1989, p. 187). When looking at a variety of causes of participation in community development, it is important to review and test a wide variety of data. Time constraints limited this study to the exploration of the activity of tourism-related cooperative leaders (in their leadership positions) and the cooperative as an organization (WHO) in community development. I also looked at any changes that have occurred in that participa-
tion since the cooperative's inception. Participation factors included local outreach projects (workshops, etc.), activities designed to encourage personal growth of local citizens, heritage preservation projects, and economic activities. These cooperative development participation factors (WHAT) will be related to rationality for cooperative existence (WHY), which include jobs and income (formal rationality) and participatory ideological values (substantive rationality) (adapted from Cohen, 1977, p.15).

Historical analysis of the development of each cooperative illustrates the relationship between cooperative participation and community participation. "Historic interpretation accounts for significant outcomes by piecing together evidence in a way that is sensitive to historic sequence" (Parker lecture, Sept. 21, 1993). Some of the questions to be answered by historical analysis of tourism-related craft marketing cooperatives include: What was the rationality for choosing the cooperative form? Was it advantageous when assembling capital? Who were the key community members in developing the cooperative, and are they still involved? Does the cooperative form work better for this business than forms used in the past (if any)? Do the leaders of the cooperative feel the investment in the cooperative form of business development is the optimal use
of scarce resources? The following section reviews the results of the interviews with the cooperative leadership to determine the kinds of participation in development that are encouraged through the tourism-related cooperative.
Cooperative Formation

For the purposes of anonymity, the three co-operatives studied will be referred to as Fancy Co-op, Crafty Co-op, and Parish Co-op. Informants mentioned in the text were also given pseudonyms. All three co-operatives are located within economically depressed areas of the same state in central Appalachia, and all are in rural communities with a population of less than 5,000. The co-operatives selected for study were all relatively new, ranging from one and a half years to four years of existence. According to the cooperative leadership, they defined their primary market as the tourist - that is as persons living within a day's drive visiting the area in search of a souvenir or remembrance of their trip. Each of these cooperatives were visited in March of 1994, and follow-up phone calls were made in September of 1994. An in-depth, on-site interview was conducted, as was a site assessment. Follow-up telephone interviews were also conducted with various community development leaders, directors of convention and visitor bureaus, main street program associates, chamber of commerce officials, and local business persons. The following are the results of the interview and site assessment.

Fancy Co-op

The first co-operative visited was Fancy Co-op. The current
leader of the Co-op (Dana), was interviewed, as was the full-time staff person (Lois). Other members of the business community were also briefly interviewed, including a bank loan officer (Dede), a small business owner (Greg), and the county art council director, Joan. This for-profit corporation offers high-end, upscale art and crafts made by its producing members in a retail setting. Over 80% of the producing members were from within the state (12-15% of those are local), and nearly all of the remaining 20% were within the Appalachian region - the single exception being a member from Texas. The membership fee began at $100.00 and is currently $125.00. Fancy Co-op began four years ago with a membership of 30, and now has a membership of over 200, many of whom have never been to the co-op site. Potential members were initially contacted through a bulk mailing sent to a registry list provided by the state’s division of culture and history, but recruitment efforts have slowed because additional membership would require the commitment of additional resources by the cooperative. Lois stated "with a small staff, we really can’t afford to get much bigger. " Requirements for membership have remained the same through the history of Fancy Co-op. A Standards Committee approves the work of producing members. Anyone can become a non-producing member for $100.00, receiving a 10% discount on all purchases, although this segment of the membership
was very small (less than 5%).

Initial interest in developing the co-operative began five years ago, when a group of eight artisans - college educated, 65% female, self-described "transplants" who lived in the area - began brainstorming to see what they could do to generate income so "they would not have to leave town." Unemployment for the county is above both the national and state averages - (12.9% in 1991, 14.0% in 1992, and 14.4% in 1993, compared to the state's 10.5%, 11.3%, 10.8% and the nation's 6.7%, 7.4%, and 6.8%, respectively) (telephone call, the state development office, August 14, 1994). Dana owned a vacant building downtown, but no individual had enough resources - both time and money - to start a business. In addition, it was recognized that 1.5 - 2.0 million visitors come through the area annually to visit local ski resorts and state parks, the county's first and fourth largest employers. This initial group of eight eventually became a steering committee. The same eight people now form the Board of Directors of Fancy Co-op.

According to Dana, this was not a case of "pie in the sky idealism," but the result of a carefully researched feasibility study that included both vertical and horizontal networking and high levels of resource mobilization -
consultation with lawyers, accountants, other co-operative organizations, and state agencies. The state's division of Culture and History funded the feasibility study with a grant of $10,000.00, and the regional economic development corporation, the county commission, the local Rotary Club, a local college, the chamber of commerce, the county convention and visitor bureau, and the county arts council (which acts as the co-op's pass-through grant partner, since the co-op is for-profit) were all contacted to provide feedback and assistance during the planning stage of Fancy Co-op. Fancy Co-op eventually became a member of the county arts council and the chamber of commerce. As part of the feasibility study, other craft cooperatives were visited and analyzed by the original steering committee, including ones located in Washington, D.C., Charlottesville, VA, Clarksburg, WV, and Lewisburg, WV. "We wanted to see what kind of business structure the other co-ops operated under - their marketing techniques, their successes and failures, and how they handled product quality regulation." Dana had extensive experience working with co-ops, and had in fact worked to establish a famous quilt cooperative in another part of the state. After the feasibility study was completed, it was determined that the cooperative form made the "most economic sense. We didn't have the start-up capital for straight retail, but we had a group of talented people
who wanted to participate with their crafts and could contribute a small amount through memberships, so a co-op just seemed the best way to go." A more traditional retail enterprise form calls for stock to be purchased in large quantities. The group did not have that kind of capital, but collectively had products to market.

There is no formal co-operative law in the state, and very few obstacles to the development of a co-op existed. Dana cites only two: some initial resistance by local craftspeople to the consignment concept, and reluctance of banks to offer loans to co-ops. However, Dana states that money is "not really a problem," primarily because a two-year grant of $10,000.00 per year was awarded to the organization to be used for staffing Fancy Co-op through the state's Division of Culture and History. Known as the Project 20/21 grant, it is designed to help progressive small businesses move from the 20th to the 21st Century. "The cooperative form really helped us get the grant. The grantors wanted to contribute to an industry that would affect a large number of people. Because we were a co-op and had a large membership, they knew they would be assisting many state citizens in becoming more economically independent." Granting agents at the state's division of culture and history concurred that the co-operative form was
advantageous to Fancy Co-ops success in garnering a 20/21 grant.

Fancy Co-op leadership indicated several other keys to its success. "We were at the right place at the right time for the staff grant. We are also fortunate enough to have the support of our county arts council, which acts as a pass-through for all our grant search efforts. The Project 20/21 grant has given us a steady staff person on-site, which contributes to a consistency and coherence that may not normally exist in other co-ops. In addition, our initial membership/leadership has remained intact, and there was a great initial commitment to planning and leadership." As Fancy Co-op enters its fourth year of operation, it will no longer qualify for the Project 20/21 grant, but will continue with the staff person by applying monies generated by the cooperative. According to Lois and Dana, Fancy Co-op has enjoyed moderate success - its least successful year (also its first year) garnered $50,000.00-60,000.00 in sales, rising gradually up to its most successful year - 1993 - with $160,000.00 in sales. The Co-op receives 28% of the sales of members who volunteer time to staff the establishment, and 38% of the sales of members who do not volunteer. According to Lois, these funds, along with membership fees, are used for operating capital. "The money
pays for utilities, upkeep and business supplies. Initial membership fees were used for painting the building, adding shelving, redoing the shop front, and developing a brochure. We also purchased a small computer and software called 'Craftshop,' which has been extremely helpful." The issue of how future profits will be divided (there have been no profits for the co-op to date) will be determined by the board. Dana indicated that they will most likely be put back into the business.

When the interviewees were asked about the cooperative’s participation in community development activities, three primary areas were addressed - conducting workshops, acting as an anchor business for the community, and providing a stationary location for supplemental employment for local artisans. "To me, anything that enhances economic and social growth is community development. I think our co-op is an excellent example of that," Dana stated. Fancy Co-op holds three workshops a year for children - at Christmas, Halloween, and Easter, which have been presented since the co-ops inception. Various other workshops which study calligraphy, pottery, and printmaking are held for adults, although not on a regular basis. The adult workshops provide opportunities for local citizens to sharpen their job skills in printmaking and graphic design. Dana cited sever-
al individuals who were able to gain employment or become self-employed because of skills that were developed in the workshops. One individual in particular had a history of delinquency. He attended a workshop at Fancy Co-op with a small grant attained by the co-op leadership, which sparked his interest in art. As a result, he has gained self-esteem, employment at a local print shop, and a new interest in "staying out of trouble." A pottery workshop provided the spark for local potters to form a potters association, which meets semi-regularly in the basement of Fancy Co-op.

Both Lois and Dana agreed that the workshops have become expensive. Dana believes that "we started out a little above our heads. We had an artist-in-residence that proved to be quite costly. Since we must now support our own staff person without the assistance of the Project 20/21 grant, something had to be cut back. As a result, fewer and fewer workshops are being presented."

After Fancy Co-op was established in 1991, a mountain bike shop (1992), antique shop (1992), and an outdoor recreation equipment shop (1992) have been established, sparking renewed vitality in a formerly depressed town. While it cannot be unequivocally proven that the co-op was directly responsible for this surge in business activity in the
community, both Lois and Dana feel that the co-op contributed by serving as a "role model" for the community, and various other business owners/operators concur. A loan officer at the local bank (Dede) mentioned what she called "the main street effect." "When a large downtown business comes in and starts renovating a building, a kind of ripple effect occurs as other businesses are inspired to do the same. The improvements complement each other. For instance, when Fancy Co-op painted its store front, the local restaurant and the mountain bike shop did the same. This in turn improves our business traffic, especially tourists, who are drawn by the overall improvements."

Other businesses recognize the spillover in business from Fancy Co-op. One local bike shop owner even had a name for the patrons he received as a result of Fancy Co-op. "We call them 'Fancy Co-op Refugees.' They may be the spouses, family members, or traveling companions who aren't interested in shopping at the co-op. They'll come to us to rent a bike for a couple hours or to purchase equipment for their own bikes. Although we operate a very different business, Fancy Co-op and all the other local tourist-based businesses complement each other, providing a variety of activities, which only serves to strengthen our tourist draw."
The county arts director agreed with the loan officer's comments. "Not only are businesses following Fancy Co-op's lead in store front improvements, they are following in the inventory they keep as well! For example, when Fancy Co-op began selling gourmet foods, these shops did the same."

This phenomenon is occurring not only in the town where Fancy Co-op is located, but in surrounding communities as well. An adjoining community has responded to the success of Fancy Co-op by establishing its own craft cooperative, which will be discussed in greater detail in the next section.

Many artisans must travel extensively to sell their work in craft shows all around the country, which is expensive and time-consuming, taking away from production time. Fancy Co-op provides a stationary retail venue for artisans, reducing travel time and increasing production time. According to Dana, one member of the cooperative was able to buy property and open a studio as a result of the savings of time and money. Another established a business in a nearby college town. Steady employment with the co-op also gave members the opportunity to establish a relationship with organizations and agencies who could then recommend their work to prestigious state and national juried exhibitions. It is important to note that Dana felt that "although many
members of Fancy Co-op are motivated economically, an additional segment is more interested in simply creating art for art's sake."

As for future challenges facing Fancy Co-op, Lois cited the "geographic distance of many has put the burden of operation on a few." Both Dana and the steering committee hope that some of the newer members will step forward and help to rejuvenate the leadership. The co-operative form will most likely continue, although there has been some limited discussion of privatization. Lois stated that "we would hate to resort to accepting items on a wholesale basis. There is a certain freedom for the membership that is lost when they are suddenly expected to turn out specific lots of 'cookie cutter' items."

Parish Co-op
The second co-operative visited was Parish Co-op, also a for-profit corporation with cooperative bylaws and a constitution. Interviewees included Bill and Betty, founding members of Parish Co-op and long-time community activists; Beth, the local Convention and Visitor Bureau Director; and Joan, the director of the county arts council (who was also interviewed for Fancy Co-op, since both cooperatives were within her county). Major industries in
the community are tourism, forest resources manufacturing (a charcoal plant, a pallet production plant), trucking, welding, and golf cart sales [Refer to Fancy Co-op results for the unemployment numbers, since this co-op is also located in the same county]. A county-wide development authority is being revived, which also affects Fancy Co-op. The director of the local Convention and Visitor Bureau - Beth - indicated that the Development Authority is "looking for a mix of old and young, newcomers and oldtimers as members. When asked about the kinds of economic development the authority would be interested in, Beth used terms like locally controlled, sustainable, small scale, responsible, authentic, and diverse. "We want it to result in collaborative efforts between major players like the forest service and ski resorts. For example, we want more cooperative endeavors like the one between two local ski resorts that has resulted in a 'Ski the Valley' package - one ticket for both resorts, with a shuttle between the two." Beth also indicated that it was that concept of the spirit of cooperation that resulted in the establishment of Parish Co-op.

Two founding members from Parish Co-op were interviewed jointly in a face to face interview, then individually by telephone: Bill and Betty. When asked about their thoughts on community development, Bill explained, "I am a member of
the development authority [mentioned by Beth], and I see community development as road and infrastructure development, and doing things for tourism development, since it is our number one industry." Betty described community development as "lots of ways to look at it. It's anything that makes the community grow. Corridor H, the revitalization of the development authority, the local 4-H club, and senior citizens groups, which are very active here. What we are doing with the co-op is also community development. If we can do something to preserve our culture and reduce unemployment, that's certainly community development."

Bill and Betty explained that Parish Co-op offers mid-range art and crafts in a retail setting, with hand-crafted furniture as its cornerstone. It is required that the members who produce crafts for marketing and take advantage of the workshops in the co-op be from within the state. The membership fee is a conservative $25.00, with a $25.00 initial start-up fee. For an additional $10.00 per year, the entire family may become members. Bill explained that "We have no intention of raising the membership fee. We want it to remain affordable so that everyone in the community that wants to be involved can be." Parish Co-op began one and a half years ago with ten members, and now has a membership of 43
(25 women, 18 men), nearly all of whom are located within a thirty mile radius of the cooperative. The co-op is incorporated, but works closely with the non-profit county arts council, which allows the organization to apply for grants and other forms of assistance. Members are solicited through bulk mailings to local residents and widely circulated brochures. Requirements for membership have remained the same - in-state residence, and successful blind review of work by the "acceptance committee." Although individuals who wish to contribute to the cooperative by becoming non-producing members are welcome, they are not actively recruited. Both Bill and Betty indicated that Parish Co-op is still actively in search of new members.

As indicated by the purpose and goals of the establishment, Parish Co-op participates in a number of community development activities, including conducting workshops, providing a stationary retail venue for local artisans, searching for resources to improve the community, and eventually acting as a parish-type center for local residents in need. Parish Co-op holds numerous workshops, with an estimated 300 students participating in its first year of operation. Betty stated that "the classes are at the center of what we do." The space in the first home of the co-op allowed for several workshops, and one large room
for bigger community events such as square dancing and the cooperative's annual "Harvest Days" Festival. Many individuals who began as students now teach workshops, developing their teaching skills and distributing the teaching load among community members. Bill cited three individuals who had suffered from long-term unemployment and had "basically dropped out of civilization" who participated in carpentry workshops and subsequently returned to the community and found or created their own employment - one in cabinetry, one in construction, and one in the craft show circuit. "We don't turn people away if they don't have money," Betty stated. "We'll either try and find a small grant or just cover the workshop costs - materials, teaching pay - ourselves." The original site of Parish Co-op, which belonged to the bank because of bankruptcy, was eventually sold by the bank, forcing Parish Co-op to look for a new home. The current location is much smaller, making workshops more difficult to conduct. Betty stated that "many workshops have had to go on hold until we've found a more permanent home."

Individuals have found the co-op's retail venue to be a solid local source of part-time supplemental income. As with Fancy Co-op, this reduces travel time to craft shows and increases production time. This also adds to the
economic viability of the community. Parish Co-op has enjoyed modest success - in its only year of operation it garnered over $30,000.00 in sales, doing slightly better than breaking even (covering start-up costs such as painting the building, re-graveling the parking lot; paying for utilities; and financing some workshop attendance). The Co-op receives 30-50% of the sales, depending on the cost of the item.

According to Beth, Parish co-op began two years ago, when the local Chamber of Commerce had a community development committee that met to brainstorm for ideas for development. Five local activists - primarily female, with a variety of educational and socio-economic backgrounds including crafters, carpenters, poet/historians, business owners, and community volunteers (including Bill and Betty), all members of the local chamber of commerce - saw a need to preserve the local heritage while encouraging economic development. Betty stated: "We wanted to make sure the next generation got involved, and did not lose the skills of our parents and grandparents. We also looked around and saw that many of our best and brightest were leaving because of a lack of employment opportunities." A third issue was a great need to develop a community outreach program in the form of workshops and special activities. For example, if an
organization could be formed that could provide individuals with training in carpentry and other skills, then those individuals could go into the community and assist others in need for little or no expense to them.

Bill was the first to suggest a craft co-op, and his idea was supported by the group. An outlet for local crafts was needed that could glean income from the 1.5-2.0 million tourists traveling through the region annually, one that wasn’t as "upscale" as Fancy Co-op, which is located approximately thirty miles away, "up on the mountain." According to Bill, the cooperative form was selected because it was the most economically viable, it could help in gaining financial assistance, and "it could involve other people in the community. We wanted to start a business that local people could easily become involved in. We also wanted to fashion it so we could use the profits to offer workshops." Betty explained that "we needed something that could be started with a minimal amount of initial capital, and involved a number of individuals." It was then agreed that an initial meeting should be held to gauge community interest. An ad was placed in the paper, requesting support/interest from local crafters. From this meeting (considered the first annual membership meeting), using informal methods of inquiry, a list of additional local crafters
was developed. Committees were formed to search for a show-
room, decide on classes and workshops, and develop a
brochure. A nine-member board was established, including
five officers, two community members, and two producing mem-
ers. A business plan was developed and a building was
identified. One board member was also a member of the local
bank board of directors, and was aware of a vacant building
that could be used rent-free until it was sold.

Vertical and horizontal networking and density of
acquaintanceship was and remains high. Networking consisted
of technical assistance from Fancy Co-operative, the state
department of agriculture, and the state’s development
office. Betty revealed that "we owe any success to the
community as a whole. We were able to start a business with
limited funds due to the high level of participation by many
members of the community, both on the individual and
organizational level. We’ve had individuals do volunteer
work from painting to accounting, and many organizations
have contributed through grants and technical assistance."
The county arts council, a non-profit organization, provided
a $1500.00 start-up grant that was used to purchase equip-
ment for workshops. The county convention and visitors
bureau, the county commission, the local Kiwanis, and senior
citizens groups provided a range of in-kind support -
business advice, publicity, and marketing tips. The media were also involved (the local paper is owned by the wife of one of the initial leaders), contributing free advertising for membership drives and workshop announcements. One local charcoal company donated $1,000.00 in tools for carpentry workshops. The community association - a 501(c)3 association - contributed an initial start-up grant of $2000.00, that was deposited in a general fund to be used to pay utilities, paint the interior of the building, buy gravel for the parking lot, and purchase business supplies.

The community association has been in existence since 1970, and was formed as a result of a local woolen mill leaving town. The mill allowed the building to fall back to the bank's ownership, creating a business opportunity for the community. The community association was formed by the bank to actively recruit a replacement industry for the mill. A rubber company bought the building and established a footwear factory (a subsidiary). The profits from the sale of the building were placed in a fund to be used for further development of the county. There is a seven member board of directors, which consists of different business persons, bankers, printers, lawyers, other professionals. Because of the high level of community participation, within four months the co-op was opened in a recently vacated building
owned by the bank. A grand opening was held, and one month later the first workshop was conducted on basketweaving.

As the co-op began to develop and promote workshops, a $1200.00 grant was made available from a local wellness center to support square dancing and carpentry workshops that would be open to the community. According to the Director of the local Convention and Visitor Bureau (and a former employee of the wellness center), "the wellness center likes to support events which promote a non-sedentary lifestyle. The Co-op projects were ideal."

More recently, Parish Co-op has focused its efforts on what it hopes will be its new and permanent home - the town train depot. The depot is owned by a local citizen who has offered to sell it at a low price to the cooperative. In return, the cooperative will renovate and restore the depot to be used as a retail outlet for crafts and as a community center focusing on workshops and special events. "Renovation of the train depot is our number one goal," explained Bill. "The community is really excited about the possibility of restoring the old depot. There is a lot to be done, but we believe we can do it."

"The older members of the community are especially
motivated. They have many stories to tell about the days when the depot was the center of activity in the community," Betty added. In order to generate both the interest and resources needed to undertake the restoration of the train depot, Parish Co-op has launched a fundraising campaign. Bill indicated "First we sent out a bulk mailing to businesses in the county, asking for donations. Then we advertised for contributors through our local paper that goes to former residents of the community who are now all over the US. Someone can contribute $50.00 and be a Gandy Dancer [a term used for people who worked on the railroad tracks]. We have categories of donors all the way up to $2500.00 (Station Master). Everyone who donates gets a plaque and a certificate." Parish Co-op is also hoping to apply for grants using the county arts council as a pass-through agency. Joan, the arts council director, explained that although she had not been extremely active in the affairs of Parish Co-op, she had been impressed with their energy and tenacity.

Parish Co-op has raised $34,000.00 toward the depot project, which is half the funds necessary. The primary source of funding for the depot has been the community association mentioned previously. Parish Co-op submitted a proposal to the community association, and was awarded a $25,000.00 loan
to be used toward either the purchase or renovation of the train depot. This loan is at 4% interest, and is to be paid back as the co-op becomes self-supportive. The community association has provided small (up to $5000.00) revolving loans for small business starts in the past, but this is by far the greatest contribution made to a local business by the community association to date.

The initial group of five is still involved in the leadership, although one is less active due to time limitations. There has been one new addition to the leadership, a retired printer. Bill and Betty cite only one management problem with the co-op: reluctance of members to work their required eight hours per month. As of yet, capital has not been an issue since the buildings that house the co-op have been provided rent-free, making utilities the only expense. The biggest challenge for the group and the community overall is to find the resources to renovate and develop the depot. Once the depot has been renovated, the priorities of the co-op will revert to the goal of outreach mentioned earlier. The parish aspect is still in its infancy, due to limited funding and extensive resources being focused on finding a new home for the co-op. There have been a few examples of community assistance in the form of small home repairs, but the leadership hopes to do more in the
future. Betty indicated "after the depot is restored, we will be able to concentrate more on traditional outreach - helping renovate houses that belong to our old folks, teaching trades to our young folks, etc."

**Crafty Co-op**

The final cooperative visited was Crafty Co-op. Persons interviewed for this study included Sheila, the Convention and Visitor Bureau (CVB) Director and current manager of the co-op; Ed, the Chamber of Commerce president; and Carla, the former director of the community’s Main Street program and participant in establishing the co-op. This community is focusing on tourism as one of its primary sources of economic development. The tourism industry is a primary employer (employs over 1000) along with the board of education and the local hospital. Unemployment in the county remains slightly above the state’s average and well above the national average at 11.3% in 1991, 14.1% in 1992, and 11.8% in 1993 (phone call, state development office, August 13, 1994). Although the unemployment numbers seem to be slowly improving, there was some speculation on the part of those interviewed that the numbers were decreasing due to a steady exodus of employable young men and women, leaving retirees, the long-term unemployed and small children behind (which are segments not counted in unemployment rates).
According to Clara, the former Main Street director, Crafty Co-op began when the Main Street office was looking for a new business that would draw tourists to the downtown area. A group of about 20 persons, primarily members of the local Chamber of Commerce, the Mayor's office and Main Street gathered together to discuss the possibility of a craft cooperative. This group was named the economic restructuring committee. As a result, it was decided that local crafters should be contacted to determine if there was an interest in the project. The craft booth mailing list from a local festival sponsored by Main Street was used to send a letter announcing an initial planning session for the co-op. Approximately 25 crafters participated in the meeting, discussing such issues as membership fees, pricing, management, etc. A student from a local college conducted a follow-up survey of other crafters who did not attend the initial meeting in order to gain additional insight into the needs and interests of the local crafters. Since these initial meetings, there have been no additional regular meetings of the membership.

Clara explained that a Railroad Museum was also being planned by Main Street that was to be housed in a large building owned by the town. There was additional space in the building for the co-op, and the planning group hoped
that two tourism-related businesses in one building would have more drawing power for tourists than just one business. At this point a business plan was written (but no bylaws or constitution), and in the Spring of 1991 the co-op opened. Profits from past railroad festivals were used to add shelving, paint, and purchase business supplies for the initial start-up of the co-op. The college student who performed the initial crafters survey was sponsored as a work study by her college to perform most of the operational activities - invoicing, preparing monthly reports for each crafter, and making weekly deposits.

It was originally thought that the staffing structure of the co-op would be organized in a way that each co-op member would be expected to volunteer a few hours of time staffing the shop. In return, each volunteering member would surrender less from the sales of their goods to the co-op (15% if members did not volunteer, 10% if they did volunteer). This did not prove to be successful for the co-op. Crafters did not have the time to volunteer, and it was time consuming to train crafters to operate the shop. As a result, the director of the CVB oversees the operation of the co-op, with some assistance from part-time staff of the Convention and Visitor Bureau.
The Main Street program disbanded later in the year, and the Convention and Visitors Bureau took over the administration of the co-op and the Railroad Museum. Sheila, the Director of the local Convention and Visitors Bureau (the current leader and only staff person for the co-op) was interviewed. She explained that the co-op offers mid-to low-end art and crafts in a retail setting. A majority of the producing members are within the county (80%), with the remainder located within the state. The membership fee is $10.00 annually. Crafty Co-op began three years ago with a membership of 25, and now has a membership of 90. According to Sheila, the members are cultivated in three ways: from a registry list provided by the state’s division of culture and history, through local advertisements requesting members, and current members recruiting potential members through word of mouth at craft shows. Requirements for membership have remained the same - state residence and approval from a very lenient jury system. New members are still being actively recruited. Both Sheila and Ed, the current president of the Chamber of Commerce, concurred that Crafty Co-op resulted after the town purchased a building five years ago and needed to develop an anchor tourist attraction that would act as an economic impetus for the economically depressed community. The cooperative form was the only economic form considered, due to limited financial resources, little or no start-up
costs, and ease of establishment. In addition, there was a
great deal of interest in assuring local level involvement
and control. The same heads of organizations are involved
currently as in the beginning of the co-op, but the lead­
ership has changed somewhat because of job turnover in the
public service organizations.

Currently, the major obstacles and challenges to the
development of the cooperative are unavailability of
investors, no funding for staff members, and limited
advertising funds. Crafty Co-op has had gradual increases in
sales each year, ranging from over $8,600.00 (1991) in the
first year of operation to more than $29,000.00 in the last
full fiscal year (1993). The CVB recently purchased a
computer program called "Real World" that has helped
immensely with the complex job of tracking individual sales
for the over 100 members of the co-op. The cooperative re­
cieves 25% of the member’s sales, an increase from its
original structure of 10-15%. While Sheila indicated that
there have been no profits, any future profits garnered from
the cooperative will be re-invested into the gallery.
Sheila does not envision changing from the cooperative form
to any other form of economic organization. They continue
to be listed with the Internal Revenue Service as "a non­
profit outlet for local craftspeople" in order to qualify
for exemption. The organization has 501(c)6 status, which is non-profit. This status makes applying for grants a possibility, although none have been applied for yet.

Sheila explained that opportunities exist in Crafty Co-op for individuals to use the gallery as a "training ground" for more strictly juried collections, such as those at the craft shop in the state's cultural center. One woman began working with stained glass and eventually went to work for a larger business in a nearby city. As with the other cooperatives studied, providing a stationary venue for artisans and craftpersons decreased their expenses and increased production time.

When Sheila was asked about co-op member's participation in community development activities, economic impacts were primarily cited. "Economically, money made by the cooperative members is then being spent and reinvested in the community. Most are really into their crafts, but a few work with the CVB, Local Government, and the Chamber of Commerce." While there have been some quilting and basketmaking workshops, participation has been limited to about 20 persons per year. Sheila indicated difficulty in finding instructors for classes.
Other community development impacts include an increase in community pride and quality of life for the members of Crafty Co-op. "Community development means a lot more to me than it used to - it's not just economic development, but social development, infrastructure development, things that benefit the entire community." Ed, the Chamber of Commerce president, agreed. His examples of local community development included improvements in the local education system, health services, establishing Boys and Girls Clubs, and Ruritan activities. "The Chamber of Commerce has a Community Development Committee, which focuses on beautification, so there is lot that can be placed under the development umbrella."

When asked specifically about tourism development, the CVB director indicated that while there was no tourism development plan on paper, there are a number of programs that have priority. For example, there is a shortage of accommodations in the community, so an attempt has been made to develop Bed and Breakfasts.

Summary

All three cooperatives indicated both formal and substantive rationality were important for choosing and developing tourism-related craft marketing cooperatives. They all look
to benefit economically from the large numbers of tourists traveling through the area, and invest the money gained from the tourists in different types of community development. The differences in rationality lie in the ways the co-ops desire to invest their cumulative time and finances. Analysis of this investment follows in the next section.
Analysis

Throughout this study the three organizations analyzed have been identified as cooperatives. There may be some question as to the accuracy of these organizations being labeled as such. The participatory nature of this research allowed the individual organization leadership to define themselves, and each of the three organizations studied identified themselves as cooperatives. As mentioned in the Description of Methods, these definitions were analyzed using the seven principles of cooperatives (Falk 1975, p. ii). These principles are:

1. Voluntary participation
2. Democratic—one person, one vote, no proxy voting
3. Equal opportunity to share in the benefits of any effort but with equitable sharing based upon each member’s participation.
4. Autonomous, self-help efforts to serve the cooperator’s self-interests.
5. Limited return on invested capital.
6. Evolutionary, open-ended development.
7. Educational—learn by doing process.

All three organizations studied were voluntary and democratic (although the occasion to vote was rare for some). Equal opportunity - equal sharing based upon
participation was also supported. Each organization exemplified an autonomous, grass roots base with an active effort to maintain local control, and each possessed limited return on invested capital. In spite of the fact that all these organizations are new, each had shown signs of evolution, and all are "learning by doing." For example, Fancy Co-op has reduced its workshops, Crafty Co-op has learned that volunteer staffing of the sales venue by members was not feasible, and Parish Co-op has broadened its goals to include the renovation of a town landmark. From this perspective I would concur with the self-report of each organization as a cooperative. Whether the cooperative form is the most effective for each organization to achieve its goal may be questionable, but that type of analysis is not within the scope of this research. The focus, as mentioned earlier, is on the external effects of the organization on the community.

The interviewees were encouraged to identify and define community development from their individual perspectives, as demonstrated both in the Results section of this study and in Table 1. All three cooperatives utilized the self-development approach to community development as defined by Green et al, 1993. In other words, they each provided additional employment for members of the community while maintaining
Table 1: Definitions and Examples of Community Development

A Fancy Co-op
1 Dana, President of the Co-op: To me, anything that enhances economic and social growth is community development. I think our co-op is an excellent example of that.
2 Lois, Staff member: That's a tough one. I see things like the Main Street Program as community development, as was our artist in residence. We've also helped with downtown development - the community would be lost without Fancy Co-op.
3 Beth, CVB Director: I think of words like sustainable, small scale, responsible, not mass, authentic, and diverse. We want to see collaborative efforts between major players, like the forest service and the ski resorts.
4 Greg, Mountain Bike Shop Owner: So many things, so many different levels. On one level, there is infrastructure - waste management, access to clean drinking water. A second level consists of services for the community - like a community center for sports. A third level is building the tax base for a community. A fourth level consists of developing businesses.
5 Dede, Bank Loan Officer: Things that bring more jobs into the community, develop downtown.

B Parish Co-op
1 Bill, Co-op Leader: I see community development as road and infrastructure development, and doing things for tourist development (our number one industry).
2 Betty, Co-op President: There are lots of ways to look at it. It's anything that makes the community grow. Corridor H, the revitalization of the development authority, the local 4-H club, and senior citizens groups, which are very active here. What we are doing with the co-op is also community development. If we can do something to preserve our culture and reduce unemployment, that is certainly community development.
3 Joan, county arts council director: It's anything that has to do with business and cultural development.

C Crafty Co-op
1 Sheila, CVB Director and Co-op manager: Community development means a lot more to me than it used to - it's not just economic development, but social development, infrastructure development, things that affect the entire community.
2 Ed, Chamber of Commerce President: I agree with Sheila. I can think of a number of examples in our community - improvements to the local educational system, health services, establishing boys and girls clubs, and Ruritan activities. The Chamber has a Community Development Committee, which focuses on beautification, so there is a lot than can be placed under the development umbrella.
3 Clara, former Main Street Director: community development is anything that will revitalize the community. The co-op and the railroad museum are two good examples of that in our community.
local control of the enterprise—development both in and of the community. For example, the leadership of Crafty Co-op was interested in developing a tourism business in which they could maintain local control, Fancy Co-op’s founding members wanted to gain employment so they could stay in the community, and Parish Co-op wanted to eventually be able to operate as a parish-type outreach from the town’s renovated train depot.

All three cooperatives make a contribution to the quality of living in their communities, reinforcing Blank’s 1989 theory that tourism-related activities improve the quality of living for local citizens. Crafty Co-op was interested in putting an empty building in the downtown area to good use, improving its appearance and strengthening the economic base of downtown through tourism. Parish Co-op incorporated festivals and community activities like square dancing into the goals and objectives of the organization, and Fancy Co-op offers children’s holiday workshops three times a year. Each of the cooperatives demonstrated kinds of development both in and of the community. Development in the community includes that actual (primarily economic) development that takes place which results in an increase of productivity and distribution of wealth. Examples of development in the community cited by interviewees from all three co-
ops include establishment of other new businesses, income supplement for local crafters, and job skill development. Development of the community involves the improvement of decision-making capabilities and quality of life. Interviewees cite heritage preservation, projects and activities like planning for festivals and other social events, and workshops designed to inform community members and encourage participation.

Every cooperative leader interviewed mentioned the importance of the economic contribution of the craft-marketing cooperative to the community. In other words, all had some level of formal rationality in the mix of the co-op. All were concerned with the proper calculation of their financial matters, as indicated by their business plans (Appendix B). Bookkeeping was either done with the assistance of a computer program (Fancy and Crafty Co-ops), or by a professional Certified Public Accountant who volunteered her time (Parish Co-op).

This concern for the bottom line should not, however, lead one to assume that all three co-ops were primarily formally rational. Each had a goal to reach and the recognition that it could not be reached without financial accountability. For example, Crafty Co-op desired additional tourism draw
for the community, and a well-operated tourism-related craft marketing cooperative could be a means to that end. Fancy Co-op wanted to provide income for its members and a full-time staff person to lend continuity to the organization. An accurate record keeping system was necessary. Crafty Co-op has a dream to restore a local depot, and to achieve that goal, the leadership felt financial records must be closely kept. The differences lie in substantive rationality.

Primary indicators of formal rationality in the cooperatives include economic concerns as part of the primary goal(s), a concern for economic stimulus in the community, amount and time spent on business planning, perception of the cooperative form as advantageous for funding options, ability for local leaders to maintain economic control of the co-op, high membership dues, high commission, and a low level of interest in developing workshops and other types of community outreach programs. Primary indicators of substantive rationality in the structural mix for each co-op include community oriented concerns as the primary goal(s), low membership dues, authenticity of the product, type and number of workshops, desire to preserve heritage, interest in community outreach activities, and plans for reinvestment back into the community.
Parish Co-op seems the least interested in formal rationality within the cooperative structure and strongly substantive. Some economic research was performed before the co-op was established, and the cooperative form was considered advantageous for gaining additional funding. Additionally, Parish co-op was perceived as providing an economic stimulus for the community, part-time employment and job skills development for individuals, and a stationary venue for craft-producers (all formally rational). Substantive rationality for Parish Co-op was extensive. The primary goal of the co-op was to renovate the community’s abandoned train depot. Other substantive rationale included a desire for authenticity in the products being marketed with a relaxed craft acceptance committee, low membership dues including an option for family membership, extensive interest in workshops and other community gatherings, a desire to preserve local heritage for future generations, and the plan that the cooperative will eventually have a parish-type facet to its organization, re-investing into the community.

According to the most recent sales receipt figures for each cooperative, the most financially and organizationally sound co-op is the most formally rational - Fancy Co-op (Table 2). While sales alone are certainly not a consistently
Table 2: Financial Health of the Cooperatives Studied

<table>
<thead>
<tr>
<th>Co-op</th>
<th>Best Sales Yr.</th>
<th>$ Sales</th>
<th>Commission %</th>
<th>Est. Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fancy</td>
<td>1993</td>
<td>$160,000.00</td>
<td>38-45%</td>
<td>$66,400.00</td>
</tr>
<tr>
<td>Crafty</td>
<td>1993</td>
<td>$ 29,000.00</td>
<td>25%</td>
<td>$  7,250.00</td>
</tr>
<tr>
<td>Parish</td>
<td>1993</td>
<td>$ 30,000.00</td>
<td>30-50%</td>
<td>$12,000.00</td>
</tr>
</tbody>
</table>
reliable measure for success, it was the only measure available. Earnings were estimated by using the average commission charged times the total sales. Fancy Co-op's leadership was quick to tell me that the development had nothing to do with "pie in the sky idealism." A carefully researched plan was implemented before establishing the cooperative, economic stimulus was seen as important, work was strictly juried, the cooperative form was recognized as helpful in garnering additional funding, and membership dues and commission were moderately high (formally substantive). The primary goal of Fancy Co-op was formal - a desire to help local artists earn money so they could remain in the community. Authenticity and quality were also important to Fancy Co-op, with a strict jury system in place. Formal rationality was further reflected in the business plan of Fancy Co-op (see Appendix B).

Substantively, workshops were somewhat important, although there was recognition that they were an economic drain on the organization. The leadership of Fancy Co-op recognized the importance of the cooperative as an opportunity to provide both economic and personal assistance to local individuals in need by helping them to develop their skills. It is also important to recognize that some of the members had minimal interest in economic gain - they were simply
interested in "art for art's sake."

Crafty Co-op falls in between Fancy and Parish Co-ops along the formal-substantive continuum. The primary goal centers around the establishment of a tourist attraction to bring additional income and economic stimulus into the community - a goal which combines elements of both formal and substantive rationality. Some research was done when developing a business plan, and it is interpreted by the leadership that the cooperative form may assist in attaining various types of funding - especially grants. Local control of the economic operation of the cooperative by local organizations was also important to Crafty Co-op. Minimal interest was expressed by the leadership of Crafty Co-op in developing workshops, which are a decidedly substantive activity. Substantive rationality for the structural mix within Crafty Co-op included low membership dues, the lowest commission rates of the three cooperatives studied, a desire for local authenticity and relaxed level of juried approval.

Do the cooperatives vary in the type and degree of contribution of community development? And if so, why? Upon taking a closer look at the data gathered in the previous chapter, it becomes apparent that there are differ-
ing types and degrees of community development at work. While Fancy Co-op was the most concerned with making economic progress (formal rationality), it is the least concerned with contributing to the community through preserving heritage and other substantive pursuits. Parish Co-op was very concerned with workshops and other community development efforts, while always recognizing the need for revenue from the retail activities of the co-op in order to continue. Crafty Co-op fell somewhere in between - an awareness of the need to make a profit, but equal recognition of the importance of assisting members of the community in their quests for an improved quality of living (Figure 1).

A relationship seems to exist between levels of vertical and horizontal networking and community interaction (Table 3). Parish Co-op appears to enjoy the greatest variety of local and extra-local support, and it also seems to contribute the most back into the community, as indicated previously by Figure 1. Fancy Co-op follows close behind with local and extra-local support, with Crafty Co-op in third. The reverse is true for community interaction - Fancy Co-op experiences the least, while Crafty Co-op falls somewhere in between.
Formal Substantive

Fancy Co-op

#1 goal: artists to make $ to stay in community
“not pie in the sky idealism”
carefully researched plan
coop form helps get grants
economic stimulus: new business/employment
strictly juried

high membership dues
medium-high commission
part-time employment
stationary venue for crafters - saves time, $$$
members may eventually be able to start business
computer software used to track member’s sales, profits

Crafty Co-op

economic stimulus: new business/employment
part-time employment opportunity for many
stationary venue for crafters - saves time, $$$
little interest in developing workshops
form helps get grant funding
computer software used to track member’s sales, profits

Parish Co-op

carefully - but quickly researched plan
coop form helps get funding
economic stimulus: new business, part-time employment
stationary venue for crafters - saves time, $$$
job skill development
CPA keeps books, but is a volunteer

#1 goal: tourist attraction
low membership dues
low commission
desire for local control of business
source of community pride

training ground for more strictly juried venues
non-profit status suggests profitability is secondary

#1 Goal: Renovate the Depot
state authenticity, relatively juried
family memberships, low memberships
desire to preserve heritage
parish-type community outreach
looking for community involvement
future profits invested in community
extensive workshops: 300 students per year
festivals, community gatherings
lack of $ doesn’t exclude participation in workshops

Figure 1: Formal - Substantive Rationality Mix for each Co-op
Table 3: Levels and Sources of Networking/Interaction
By Each Cooperative

<table>
<thead>
<tr>
<th>Cooperative</th>
<th>Source of Networking/Interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Extra-Local</strong></td>
<td></td>
</tr>
<tr>
<td>Crafty Co-op</td>
<td>State Div. of Culture and History</td>
</tr>
<tr>
<td>Fancy Co-op</td>
<td>State Div. of Culture and History Regional Econ. Dev. Corp. Other Co-ops</td>
</tr>
<tr>
<td>Parish Co-op</td>
<td>State Div. of Culture and History Regional Econ. Dev. Corp. Other Co-ops Dept. of Agriculture State Development Office State Mountain Products Assoc.</td>
</tr>
<tr>
<td><strong>Local</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Main Street program Chamber of Commerce Local State Park Convention/Visitor Bureau Local College Mayor</td>
</tr>
<tr>
<td></td>
<td>Rotary Club Local College County Arts Council Chamber of Commerce County Commission Convention/Visitor Bureau Kiwanis Convention/Visitor Bureau Senior Citizens Group County Arts Council Local Industry Media-Local Paper Community Participation Assoc. Local Bank Bd. of Directors County Commission</td>
</tr>
</tbody>
</table>
Another interpretation of the data may be found in Figure 2, the Tourism-Related Craft Marketing Co-op Continuum. Several indicators of the co-ops that may reflect rationality have been isolated as they apply directly to each cooperative. These indicators include origin of leadership for the co-operative, primary goal of the cooperative, relative amount of community development/participation, level of craftsmanship, age of cooperative, depth of social infrastructure, and reason for choosing the cooperative form.

Those that seem most likely to reflect the rationality of the cooperative are:

1) type of leadership - whether the leadership was derived through formal or substantive means.

2) primary goals of the cooperative - whether they are formal or substantive goals.

3) relative amount of community development/participation.

4) depth of social infrastructure - how far does the cooperative reach into the community?

5) level of craftsmanship - whether the products were strictly juried and advanced in skill level. The more strictly juried, the higher the formal rationality.
### Figure 2: Tourism Related Craft Marketing Co-op Continuum

<table>
<thead>
<tr>
<th>Type of Leadership</th>
<th>Fancy Co-Op</th>
<th>Crafty Co-Op</th>
<th>Parish Co-Op</th>
</tr>
</thead>
<tbody>
<tr>
<td>artists, other crafters</td>
<td>CVB director, mayor, other public officials</td>
<td>local activists</td>
<td></td>
</tr>
<tr>
<td>did not want to leave town</td>
<td>create a tourism-related industry</td>
<td>Cultural Preservation</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>Low</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>4 yrs.</td>
<td>4 yrs.</td>
<td>1 1/2 yrs.</td>
<td></td>
</tr>
<tr>
<td>Medium - art community</td>
<td>Shallow - hierarchical</td>
<td>Deep - across SES's; same</td>
<td></td>
</tr>
</tbody>
</table>

- **Why a Co-op?**
  - Easy to start, minimum capital required
  - same

- **Members place of origin**
  - 80% In-State, 19% Appalachia, 1% Texas
  - All In-State, 80% In County

- **Membership Fees**
  - $100.00
  - $10.00

- **Commission**
  - 38-45%
  - 25%

- **Symbolic Diversity of Leadership**
  - Low
  - Low

- **Priority of Workshops**
  - Medium
  - Low
Those indicators that seem least likely to reflect the rationality are:

1) age of cooperative - all of the cooperatives selected for study were new (under five years old).

2) reason for choosing the cooperative form - all seemed to agree that the cooperative form required the least amount of capital and was easy to start. This is important because only one - Fancy Cooperative - fits the strict definition of the cooperative form.

4) Horizontal/Vertical Networking - Parish Co-op enjoys the greatest variety/amount of vertical and horizontal networking, followed by Fancy Co-op, with Crafty Co-op in a close third.

Support For Hypotheses

Hypothesis 1 states: Tourism-related cooperative development leads to community development. Considering the various examples of community development activities carried out by all of the co-ops, the data would seem to support this hypothesis (See Figure 1). It is important to recognize that the fact that hypothesis 1 would not have been supported if one or more of the cases had not shown community involvement, since there is uncertainty about how typical these three cases are compared to other tourism-related craft marketing cooperatives.
The second hypothesis states: Tourism-related craft marketing cooperatives that are formed by a mixture of formal and substantive rationality will be more likely to participate in community development than a tourism-related cooperative that is created primarily out of formal rationality. This hypothesis will be difficult to support or refute, since all three cooperatives enjoyed a mix of both formal and substantive rationality—none were exclusively formal or exclusively substantive. However, by comparing the formal–substantive mix with the contributions to the community noted in the Tourism-Related Craft Marketing Co-op Continuum (Figures 1 and 2), the differences in community contribution are in the degree of substantiveness. All three cooperatives have a similar formal base with little variation—basic research was conducted before establishing the business (to varying degrees), each wanted to provide a stationary venue for local artisans, and all recognized the need for solid bookkeeping. Each desired to participate formally in community development by acting as an economic stimulus in the community by providing part-time employment and inspiring others to open businesses. The major variations existed through the substantively rational aspects of the tourism-related craft marketing cooperative, which resulted in varying degrees of community development (Figure 1).
The third hypothesis states: Tourism-related craft marketing cooperatives that are based on a primarily formal rational structure will make community development contributions in a primarily formal rational manner. Conversely, tourism-related craft marketing cooperatives that are based on a primarily substantive rational structure will make community development contributions in a primarily substantive manner. The cooperatives studied seem to reinforce this hypothesis. Fancy Co-op, which has a more formal structure than the other co-ops, seems to contribute to community development in a formal manner. For example, their primary goal centered around providing employment to local artists, which was reflected in the skill-centered, high quality workshops Fancy Co-op conducted. Other businesses in the community have benefitted economically from Fancy Co-op, since it acts as an anchor business in the community, drawing tourists who then become patrons of other local businesses. Parish Co-op, which has a more substantive structure, contributes to community development in a more substantive way. Restoration of the train depot is an example of a substantive contribution to community development. Workshops like square dancing and basketmaking focus primarily on community-building and preservation of heritage, rather than economic gain. Finally, Crafty Co-op, which seems to lie between the other two co-ops in its formal-substantive mix,
contributes to community development in a mixed manner. Membership fees are low and the jury system for Crafty Co-op is relaxed, so that many local artisans can contribute to the cooperative (substantive contributions). Presenting an opportunity for locals to generate additional income constitutes a formal contribution to community development.

The self-help approach, which differentiates development of the community with development in the community, may present a different way to view Hypothesis three and the contributions made to community development by each of the cooperatives. Fancy Co-op is formal, with formal contributions to the community. It also contributes primarily to development in the community - increases in productivity and wealth. Development of the community relates to quality of life - something addressed through substantive rationality.
Conclusions

As with any research, hypotheses are never proven, only supported or rejected. Although the data seem to support each of the three hypotheses developed in this study, it is important to recognize the non-generalizability of the case study approach taken. However, since each cooperative was closely examined, a depth of analysis was achieved that would not have been possible with a study of a larger number of cases. Future studies may be appropriate that explore a greater number of cooperatives over an extended period of time. Such longitudinal research could examine the relationship between structure and agency. Could the structure (the cooperative form of economic enterprise in a capitalist society) become the impetus for agency (individual participation in community development)?

This study does not intend to indicate that each cooperative is permanently fixed along the formal-substantive rationality continuum. Over time, goals and objectives may change, as will the indicators. Formerly substantive cooperatives may re-assess their goals and wish to focus more on the bottom line of the organization. Ways to measure this may include changes in the leadership, membership dues, jury procedure, and/or commission received by the cooperative organization.
Questions about other facets of tourism-related craft marketing cooperatives have been sparked by this research. All three cases in this study were operated by women in leadership positions - gender analysis might provide insights into whether this is the exception or the rule for tourism-related craft marketing cooperatives across the country. This could provide valuable information for agencies that support economic enterprises that are conducive to success for women.

There are a number of practical applications for this research. These cooperatives can serve to exemplify a way in which tourism and grassroots development may be combined to contribute to community development. It is important for planners and other public officials to be aware of the range of opportunities and the possible effects the tourism industry might have on their communities. For those communities looking at a variety of economic options in their tourism development, this research will be meaningful in that they will have some measure of the contributions tourism-related craft marketing cooperatives can make to communities similar to theirs. The research also presents the cooperative form as a possible means of capital accumulation for new businesses. They may wish to begin with a cooperative format, then develop into another form as
capital becomes available to do so.

A word of caution to individuals considering practical application of the results of this research: the categorization of the organizations studied as cooperatives and the belief by informants that the cooperative form was advantageous for funding are two concepts that may prove somewhat problematic. While each of the organizations studied referred to themselves as cooperatives, it may be argued that in fact they may be more appropriately categorized as pre-cooperatives in an emergent stage. All three of the organizations were new (less than 5 years old), and the one person/one vote status of each member, while indicated by the leadership to be part of their structure, was not strictly adhered to for some policy-related decisions. Additionally, informants believed the cooperative form was advantageous for acquiring funding. This may be the case for each of these cooperatives, given the state-level funding that was available. However, for most rural communities in the United States, 501(c)3 or not-for-profit status may be more appropriate. This would eliminate the need for a pass-through organization to act on the behalf of the cooperatives.

Today, rural communities in Appalachia face many economic
and social challenges. Public officials are looking to tourism as a way to meet those challenges. Perhaps the tourism-related craft marketing cooperative can serve as an example of economic enterprise that can contribute to development in and of the community in a mix of formal and substantive ways.
Bibliography


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Appendix A

Informed Consent/Interview Schedule
Title of Project: Tourism Cooperatives and Their Effects on Participation in Community Development
Principal Investigator: Nancy G. McGehee

I. Purpose of Research Project:
You are invited to participate in a study about tourism related co-operatives and their effects on community development. This study involves experimentation for the purpose of discovering linkages between tourism-related cooperatives and development in their communities. This study involves 10-15 subjects in addition to yourself.

II. Procedures
The procedures to be used in this study involve both face to face and telephone interviews. Time and conditions for you to participate in this project vary. For face to face interviews, there will be a time commitment of up to hours, while telephone interviews may take up to one hour. Requests may be made for additional written information (meeting minutes, bylaws and or business plans, etc.). There is no risk of discomfort involved in this experimentation.

III. Benefits of This Project
Your participation in this project will provide the following information which may be helpful. As most participants in this study are non-profit or minimal profit organizations, information on grant finding, proposal writing, and other opportunities for technical assistance in tourism development or cooperative management will be made available. However, no guarantees of benefits may be made to encourage you to participate. You may receive a synopsis of this research when completed. To do so, send a self-addressed stamped envelope to Nancy G. McGehee, 110 Roberta Street, Narrows, VA 24124.

IV. Extent of Anonymity and Confidentiality
The results of this study will be kept strictly confidential. At no time will the researchers release the results to anyone other than individuals working on the project without your written consent. The information you provide will have your name removed and only a subject number will identify you during analysis and any written reports of the research.

V. Compensation
There will be no compensation for your participation in this project.
VI. **Freedom to Withdraw**  
You are free to withdraw from this study at any time.

VII. **Approval of Research**  
This research project has been approved as required, by the Institutional Review Board for projects involving human subjects at Virginia Polytechnic Institute and State University and by the Department of Sociology.

VIII. **Subjects Responsibilities**  
I know of no reason I cannot participate in this study. I have the following responsibilities: To answer questions about tourism related cooperatives and their contributions to community development to the best of my knowledge.

________________________________________  
Signature

---------------------------------------------  
(cut along dotted line and keep for your files)

IX. **Subject’s Permission**  
I have read and understand the informed consent and conditions of this project. I have had all questions answered. I hereby acknowledge the above and give my voluntary consent for participation in this project. If I participate, I may withdraw at any time without penalty. I agree to abide by the rules of this project. Should I have any questions about this research or its conduct, I will contact:

_____________________________  
Investigator  
_____________________________  
Faculty Advisor  
_____________________________  
Chair, IRB  
Research Division  
_____________________________  
Phone  
_____________________________  
Phone  
_____________________________  
Phone
Cooperatives and Community Development -
Interview Schedule

1. Name of Community: __________________________

2. County: ________________________________

3. State: ________________________________

4. Name of Cooperative: __________________________

5. Primary Contact person:
    name: __________________________
    address: __________________________
    __________________________
    phone: __________________________

6. Secondary Contact Person:
    name: __________________________
    address: __________________________
    __________________________
    phone: __________________________

7. Briefly describe the cooperative. Include type of products available, typical customers, methods of delivery to the public (wholesale, retail), etc.: 

8. Would you describe your co-op as oriented to tourism?

9. What is the geographic area which the coop serves?

10. Has the cooperative made connections with other local organizations, for example, through invitations to meetings, progress reports, etc.?

    Use these organizations to prompt, if necessary.

    ___ Local Government
    ___ Local Development Corporation or Committee
    ___ Private Business
    ___ Chamber of Commerce
    ___ Labor organizations
    ___ Local Newspaper
    ___ Local University or College
    ___ County Extension Agent
    ___ Farmers or Farm Organization
    ___ Retirees

93
11. Did these organizations respond? How?

12. Have local resources (financial, time, technical assistance) been invested into the cooperative, specifically start-up costs?
   What type of local resources:

13. Has there been an additional need for capital? How was it raised?

14. Has the cooperative generated or expanded a locally-controlled enterprise?
   Name the enterprise: ____________________________

15. In what way was the enterprise affected?

16. Has the cooperative created/saved local employment?
   How many jobs?
   Full Time?  Part Time?
   Unskilled
   Semiskilled
   Clerical
   Professional/Managerial
   Are these jobs still in existence today?

17. Has the cooperative generated new income?
   How much?  (provide ranges)
   __ $0-1,000
   __ $1,001-5,000
   __ $5,001-10,000
   __ $10,001-15,000
   __ $15,001-20,000
   __ $20,001-25,000
   __ $25,001-30,000
   __ $30,001-35,000
   __ $35,001-40,000
   __ $40,001-45,000
   __ other __________________

18. For whom?

19. Has the cooperative improved the quality of life for the membership?
   What about the community overall? In what way(s)?
20. Has the cooperative form given the membership more economic stability? How?

21. Does the cooperative serve the community other than its members? How?

22. Tell me how the cooperative was established.

23. When was the cooperative initiated? Why? Describe the history of the organization of the cooperative.

24. Who first generated interest in a cooperative for your community, and when?

25. Why? (prompt, if necessary)

   - To improve the economy in the community
   - To create a democratic environment for local business
   - Other

26. Did they consider other forms of organization? Why did they choose the cooperative form over other forms?

27. How long did it take for the idea of a cooperative in the community to become a reality?

   __ Months
   __ Years
28. Who were the original leaders of the cooperative movement?

name ____________________________
position ____________________________
age ____________________________
gender ____________________________
years residence ____________________________
ethnic background ____________________________

name ____________________________
position ____________________________
age ____________________________
gender ____________________________
years residence ____________________________
ethnic background ____________________________

name ____________________________
position ____________________________
age ____________________________
gender ____________________________
years residence ____________________________
ethnic background ____________________________

29. Was it through a formal organization, or just interested citizens? If the latter, how did they come together?

30. Who were the members initially? How many were there? How did they become members? Tell me a little about their background.

31. What were the major obstacles to the development of the cooperative?

(prompt below)

- Unavailability of debt capital (loans)
- Unavailability of equity capital (investors)
- Cost of Capital
- Lack of trust in the cooperative form
- Lack of flexibility in delivery of capital
- Lack of skilled/appropriately trained labor
- Lack of professional personnel
- Lack of capable management
- Lack of technical assistance
- Conflict/mistrust among local civic groups
- Lack of community leadership
- Lack of governmental capacity
- Local government opposition
- Marketing problems
- Inadequate physical infrastructure
- Other ____________________________

32. What was the local economic atmosphere like when the co-op was established?

__ strong, growing economy
33. What other economic development projects, if any, preceded the cooperative? had the leaders of the cooperative had any previous experience in other kinds of economic development projects? What kind? Was the experience helpful?

34. Where did the initial capital to start the cooperative come from?
   __local sources (name them):
   amount:
   __regional level sources (name them):
   amount:
   __state level sources (name them):
   amount:
   __federal sources (name them):
   amount:
   __national level sources (name them):
   amount:

35. What sources have been used to raise additional capital?
   __local sources (name them):
   amount:
   __regional level sources (name them):
   amount:
   __state level sources (name them):
   amount:
   __federal sources (name them):
   amount:
amount:

___national level sources (name them):

amount:

36. Did the coop form help in getting grants? Getting a loan? Getting technical assistance?

37. Did any other organizations provide in-kind support, technical assistance, or other types of support?

___cooperative agricultural service
___other federal agencies (name them)

what were the results?

38. How did the co-op evolve and change since its inception? Has it always been successful? Were there peaks and valleys in its evolution?

39. Who can be a member? Are the qualifications the same as when the coop first began?

40. Has the membership expanded/changed? Have you attempted to expand the number of members? How? Have you had trouble finding good members?

41. Are the same people still in leadership that originally established the cooperative?

42. If not, who is involved now? If there has been turnover, explain how/why.
43. How are profits distributed among its members?

44. Estimate total direct gross sales or receipts generated by all forms or activities created by the cooperative during its most successful year. What year was that?

Amount: Year:

45. Estimate total direct gross sales or receipts generated by all forms or activities created by the cooperative during its least successful year. What year was that?

Amount: Year:

46. Do you envision the economic form to remain cooperative? If not, then how do you see it changing? (use for prompt)

  ___ Incorporated  
  ___ Not-for-profit  
  ___ Other ____________________

Does it seem more appropriate for the needs of the members?

47. Does the coop organization belong to any local organizations? (Chamber of Commerce, Local Convention and Visitors Bureau, etc.)

48. Are the current members involved in other aspects of community development? (use as prompt)

  ___ Local Government  
  ___ Local Development Corporation or Committee  
  ___ Private Business  
  ___ Chamber of Commerce  
  ___ Labor organizations  
  ___ Local Newspaper  
  ___ Local University or College  
  ___ County Extension Agent  
  ___ Farmers or Farm Organization
49. Are there any other cooperatives in your community or surrounding communities? If so, do you work together? Have you gone to other communities to see how other cooperatives operate?

50. Will you be able to provide meeting minutes and/or voting records from cooperative association meetings? What about membership lists?

51. Is there anything you would like to add about your cooperative?
Appendix B

Comparative Itemization of Each Cooperative's Business Plans
<table>
<thead>
<tr>
<th>Cooperative</th>
<th>Projected length of time perspective for plan</th>
<th>Depth/complexity of plan</th>
<th># of objectives that focus on economic goals</th>
<th>Existence of projected budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fancy Co-op</td>
<td>1, 5, and 10 year goals</td>
<td>very complex</td>
<td>3 out of 5</td>
<td>extensive</td>
</tr>
<tr>
<td>Craft Co-op</td>
<td>no time perspective</td>
<td>simplistic</td>
<td>2 out of 4</td>
<td>moderate</td>
</tr>
<tr>
<td>Parish Co-op</td>
<td>2 year goals</td>
<td>simplistic</td>
<td>1 out of 4</td>
<td>moderate</td>
</tr>
</tbody>
</table>
Nancy Gard McGehee was born in Parkersburg, West Virginia, on 12 January 1963. Upon graduation from Parkersburg South High School in 1981, she enrolled at Marshall University in Huntington, WV, where she received a Bachelor of Arts degree in Sports Marketing and Management in 1985. Ms. McGehee was then employed by Forest Hills Sports Medicine Clinic in West Palm Beach, Florida as a marketing specialist.

In 1988, Ms. McGehee moved to Smithfield, North Carolina, and enrolled at North Carolina State University. She received her Master of Science degree in Tourism Marketing and Management in 1991, and began working for the Appalachian Tourism Research and Development Center at Concord College in Athens, WV as Assistant Director and later as Director. In 1993, Ms. McGehee enrolled at Virginia Polytechnic Institute and State University and completed a Master of Science degree in Sociology in December of 1994.

Ms. McGehee is currently pursuing a Ph.D. in Sociology at Virginia Polytechnic Institute and State University. She is married to James C. McGehee, II, who is employed by Bluefield State University in Bluefield, WV.

Nancy Gard McGehee