

Communities Keep Jobs, Build Enterprises with Multi-Stakeholder Cooperatives

Ashley Hernandez

Americans and Canadians have begun to use a new type of enterprise to fight the impact of recession. These enterprises, multi-stakeholder cooperatives, can be structured to allow different types of individuals and groups to share ownership and make different contributions to creating a venture that benefits all the members.

For example, in Ohio and in neighboring Canada, the flight of capital and jobs from communities is a familiar phenomenon, with many towns living with the boom and bust of industries that later disappear altogether. In the 1980s, residents of Sacre Coeur in Northern Quebec changed their economic narrative by adopting this new model of business. When their city's lone sawmill filed bankruptcy for the third time, and the threat of liquidation seemed imminent, the community of 2,000 people banded together and bought the mill, creating a corporation with ownership distributed among two local cooperatives and a conglomerate of local businesses.

Unlike corporations whose driving force is maximizing the profits for shareholders, cooperatives operate for the mutual benefit of the members. The owners are people who need the cooperative's services. Because of their ownership structure, cooperative businesses tend to have a strong concern for community. As cooperative consultant Margaret Lund puts it, "The standard way to differentiate a cooperative from alternate forms of business enterprises is to ask the fundamental questions of: 'who owns it, who controls it, who benefits from it?'"

For example, it may be too expensive for a lone dairy farmer to process milk into cheese, but by aggregating capital with other farmers, the group can purchase the equipment, sharing the costs of making cheese, and sometimes using the cooperative to market and distribute the cheese as well. Or people in a town can start a grocery store so they can pay lower prices for organic produce. Cooperatives like the examples above have just one membership class. The cheese coop members are all dairy farmers, and the grocery store coop owners are all consumers.

In the multistakeholder coop, the members may have both shared and conflicting interests, but if they can remain focused on the important goals that they all share, the mutual benefit can be very substantial.

Many find it perplexing that members with opposing interests can also collaborate, but in fact, people do it all the time in everyday life. The multistakeholder cooperative just formalizes and structures the relationship to give the enterprise stability and strength.

Multi-stakeholder cooperatives were pioneered by the Italian cooperative movement in the region of Emilia Romagna. When the downsizing of the mental healthcare service

in the 1970s left many sick people to fend for themselves, the people of Emilia Romagna doubted that profit-driven private markets would provide these vital services. With the Italian cooperator's ingenuity, they developed social cooperatives that included workers, consumers, investors and community supporters and provided an array of social services. In 1991, they finalized the Italian law that defines and governs their version of the multi-stakeholder model.

The Oklahoma Food Cooperative, located in Oklahoma City, decided to use the multi-stakeholder approach in order to recreate a local food system for residents. People in the community (consumers) collaborated with local farmers (producers) to form a cooperative that manages a website where consumers can order products directly from producers. Every month, farmer members of the cooperative list their available products on the website and consumers place their orders.

Since producers and consumers are both vital players in this initiative, both parties participate in the election of the board of directors, where a seat is reserved for each class of members — producers and consumers. Ensuring equal representation is one way the cooperative can deal with diverse interests.

Of course, sometimes the different members disagree, but a multi-stakeholder model is not about "why can't everybody get along." It is a viable tool for situations where there is a larger collective need that goes beyond one particular interest.

In Sacre Coeur, the entire town had a stake in ensuring that their largest employer would survive. Likewise, The Oklahoma City community having access to a local food system is more important than the price of any product. One cooperative member explains, "We want the farmers to live off of the food they sell and the consumers to be able to afford it."

Since states make most of the laws that affect cooperatives, state law must authorize the creation of such cooperatives and a procedure for registering them. Yet one problem with this novel model is that most states do not have a formal legal structure

for multi-stakeholder cooperatives. Some cooperatives have established themselves as limited liability corporations (LLCs) while still governing the business as a cooperative. In some states, coop law is flexible enough to allow the formation of something like a multi-stakeholder coop. Legal assistance and an experienced cooperative developer can help to design the structure and governance for a multi-stakeholder cooperative that will fit state law.

The Cooperative Development Center at KSU has recently published a multi-stakeholder cooperative manual and has been collecting short case studies to help communities and groups that want to explore the concept further. For information call Roy Messing at 330-672-3028. **OAW**

