Exploring Positive Identities and Organizations

Building a Theoretical and Research Foundation

Edited by Laura Morgan Roberts and Jane E. Dutton
Why does civic and public commitment thrive in some communities and wither in others? Why has Minneapolis-St. Paul come to be known for the civic spirit of its populace, whereas Silicon Valley has cultivated an identity as the home of the “cyber stingy?” In this chapter we propose that local corporations and nonprofits play an essential role in the development and maintenance of such community identities and reputations and that once developed, these intertwined processes have a self-reinforcing function. Communities become known for being more or less desirable places, which serves as an internal signal to shape the behaviors of existing corporations, and further, an external signal to attract new firms and residents (Marquis, Glynn, & Davis, 2007). Having a positive identity and
reputation yields many benefits, yet because these processes are complex and durable, community identity and reputation may be resistant to purposeful change. In this chapter we discuss how geographical communities and their identities and reputation still matter in a globalized corporate world, focusing on some of the organizational mechanisms underlying positive community processes.

To understand community identities and reputations, we focus on how both internal and external perceptions of geographically defined units take on a positive shape based on actions of their organizational constituents. We follow Romanelli and Khessina (2005) in arguing that historical features and ongoing organizational activities foster lasting impressions of communities that inform audience perceptions. We focus on both internal and external audiences, examining the intertwined concepts of positive community identity (i.e., how members within a community define themselves) and positive community reputation (i.e., how others define and perceive the community).

Further, whereas Romanelli and Khessina theorize about the industrial identities that developed for places such as Silicon Valley (technology) and Pittsburgh (steel making) as a result of concentrated economic activities, our discussion focuses more on what we are describing as positive identity and reputation, or how geographies become known for the existence (or absence) of positive social phenomena, such as social cohesion, generalized trust, and reciprocity. Thus, our concept of positive community identity is similar to Putnam’s (2000) idea that communities vary in their stock of “social capital.” But a key difference is that whereas Putnam focused on the norms and networks connecting individual residents of a community, we focus on organizations as the most consequential constituents of communities. It is the actions of organizational decision makers that have the greatest impact on positive community identity and reputation.

Our focus on community identity and reputation in this chapter specifically relates to how local corporations contribute to positive social phenomena through their engagement with the civic sector. We detail how such activities shape both internal and external perceptions of communities. Specifically, businesses vary substantially across cities in whether and how they engage with the nonprofit sector, which in turn is a critical element of positive social phenomena, such as social cohesion, generalized trust, and reciprocity. Active support of local nonprofits serves as a
visible symbol of this commitment on the part of corporations and residents, shaping how both insiders and outsiders perceive the community. We suggest there are two important mechanisms by which local corporations enact and maintain their community identity, and we term these the hardware and software of creating and maintaining positive community identity. We further suggest that these activities have an influence on how the community is perceived by outsiders. First, local corporations contribute to the social infrastructure (i.e., hardware) of their community through the networks connecting their decision makers and the norms that guide their actions. Cohesive relations among local organizations encourage trust and reciprocity and can embody templates for successful cooperation. Second, local corporations can be a vehicle for community involvement for the local populace (i.e., software)—aiding in the aggregation of individuals for volunteering and other community-oriented activities, which has positive spillovers for a community's identity and reputation.

In this chapter, we explore the underlying theoretical mechanisms standing between corporations and positive community identity and reputation, and we provide illustrative examples of these processes from our fieldwork in a major U.S. metropolitan area.1 We begin with a discussion of the enduring importance of geographic location to firms, discuss how community identities and reputation can be more or less positive, and finally describe how corporations and other social actors in a locale shape and maintain these internal and external perceptions.

DO LOCAL COMMUNITIES STILL MATTER?

It is an irony of recent times that as business and public attention have identified globalization processes as the dominant social feature of our era (e.g., Fiss & Hirsch, 2005), the effects of local communities endure. Several studies have shown that as globalization has proceeded, the forces of community still matter for corporations (see Marquis & Battilana, 2009 for a review). For example, in a study of U.S. bank foundings, Marquis and

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1 We interviewed 19 civic leaders in a major metropolitan area as part of a research project on corporate involvement in local nonprofits.
Lounsbury (2007) showed that a broad group of community actors were motivated to maintain a local financial infrastructure as a reaction against more global pressures. As outsider banks expanded into communities, local bankers and other residents perceived their communities' financial infrastructure to be at risk and responded by founding new banks.

Studies have also demonstrated that the prevalence of contemporary corporate practices varies by city, ranging from taken-for-granted traditions of corporate governance (Marquis, 2003) to controversial strategies like golden parachutes (Davis & Greve, 1997). Modern industrial districts vary in their norms and networks, resulting in divergent outcomes for firms in the same industries depending on where they are headquartered (Saxenian, 1994). Ironically, the success of Silicon Valley—the place most charged with causing the "death of distance" in economic affairs—has led to a search for the factors enabling municipal economic vibrancy, encouraging governors and mayors across America to better nurture a "creative class" of mobile workers (Florida, 2002).

A characteristic of these studies is the finding that local communities have enduring effects on firms by providing traditions and reference groups for firms. Norms and ideologies about appropriate action develop along diverse paths across communities, creating characteristic variation in organizational behaviors, from the appropriate composition of a corporate board (Marquis, 2003) to the level of contribution to the local art museum (Ostrander, 1984). For example, a norm has developed around giving to children-oriented causes among companies headquartered in Columbus, Ohio, perhaps a result of the legacy of Wendy's founder Dave Thomas (Marquis et al., 2007).

The idea of community and its influence on social actors has a long tradition in the social sciences, dating back to Tönnies (1887) and his distinction between Gemeinschaft (community) and Gesellschaft (society). Community for Tönnies relates to the interpersonal connections and social cohesion that frequently occur when individuals are collocated. In studies of corporations, community is typically defined as the metropolitan area (e.g., Marquis, 2003; Marquis et al., 2007; Stuart & Sorensen, 2003), although this definition is mainly a result of convenience because many potential variables of interest are reported at the metropolitan level. Although physical boundaries are an important part of such definitions, broader regions, such Silicon Valley (Saxenian, 1994), could also be considered communities to the extent that there
is common identification and similar cultural and social elements that unite residents.

In earlier work, we conceptualized the community as an institutional field and identified the mechanisms that maintain the local community focus and identification for firms (Marquis et al., 2007). Paralleling Scott’s (2001) approach, we examined how three sets of institutional forces (i.e., three pillars) affect community actors. First, the social and corporate infrastructure includes features of organizational populations (e.g., corporations and nonprofits), social networks, and local connecting institutions such as social clubs. These forces create an enduring social infrastructure for a community that is highly resistant to change (Marquis, 2003). Second, local political and governmental factors, including governmental size, spending, and leadership ideology, create variation across communities because of variation in incentives and coercive processes such as laws and regulations. Finally, cultural-cognitive factors reflect enduring belief systems in communities about the appropriate way things are done in the locale. These three broad types of mechanisms ensure that variation between communities remains even in an age of globalization.

Glynn (2008) shows the fruitfulness of taking a community-based approach in her study of the Olympic Games in Atlanta in 1996. Organizing and staging the Olympics brought the relational and symbolic systems underlying the Atlanta organizational community into relief and shows how the elite “clubbiness” and insularity documented by Hunter (1953) over 40 years earlier still existed. Importantly, Glynn shows that cities are conscious of their reputations and how they are perceived by the broader public, and the importance of these perceptions in establishing a normative environment that influences how corporations act and undertake community-oriented events. Others have noted that the Atlanta business community is highly focused on image building through visible public works (Burbank, Andranovich, & Heying, 2001). For example, the local Atlanta Journal-Constitution reported that “even a hundred years ago, Atlanta was the city of big horn-tooters,” and that the same underlying interest in promoting the city that led Atlanta vying to host the 1895 Cotton States Exposition also led to its pursuit of the 1996 Olympics (Chambers, 1998).

Glynn’s focus on image building in Atlanta is important because it shows not only how organizational actions are idiosyncratic across cities but also that cities are focused on promulgating an image or
identity of the locale to external audiences. Glynn (2008, drawing on a quote from Putnam, 1993) argues this is about “common symbols, common leaders, and perhaps common ideals.” Ideas about the identity and reputation of Atlanta mobilize action and thus connect research on organizations and their communities back to an older stream of organizational sociology that focused on interorganizational fields of communities (Warren, 1967). Hunter’s earlier portrayal of Atlanta is clearly important in this stream of research, as well as earlier studies such as Baltzell’s (1958) study of Philadelphia and Dahl’s (1961) study of New Haven. But this earlier tradition had been lost in the ensuing decades. Scott (2001) postulates that modern transportation and communication systems developed such that geographical boundaries became meaningless, and so researchers abandoned the community in favor of geography-independent units such as the industry or field. More recently, as globalization processes have come to occupy even more importance, the community level has been even further neglected (Marquis & Battilana, 2009; Sorge, 2005).

COMMUNITY IDENTITY AND REPUTATION

Given this variation across communities in organizational actions, it should not be surprising that communities and their identities and reputation continue to shape the actions of corporations. In his influential work on economic geography, Storper (2005, p. 34) views common identity as central to unpacking how communities influence economic activities, and even defines community as a “wide variety of ways of grouping together with others with whom we share some part of our identity, expectations, and interests.” More generally, it is well established that organizations derive their social identity from membership in groups and strive to maintain a positive social identity (Rao, Davis, & Ward, 2000; Tajfel & Turner, 1986). Socially oriented identities reflect the meaning that members derive from being part of a social collective; for instance, firms’ identities are shaped in part from the stock market on which they list their shares (Rao et al.), their industry, and their market.

Although community identity is salient for some firms (Marquis et al., 2007), it need not be in competition or conflict with other sources of
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identity for corporations, such as industry. Early social scientists such as Cooley (1902) theorized that individuals had multiple identities and drew on different components of their identity depending on the broader social context. Informants in our fieldwork also verified that industry and community were the two main reference groups for large corporations. For example, a corporate philanthropy manager of a large U.S. company told us that when looking for examples when setting their giving levels, they typically look to two sets of firms—those in their industry and those headquartered in the same locale.

Having a positive identification with a community refers to a greater feeling of belonging to that community on the part of residents, which then has spillovers to community well-being more generally, reflected in activities such as nonprofit support and citizen volunteering rates. To the extent that cities become known for such behavior, this engenders further commitment. The best-known example of this dynamic is the development of the “5-Percent Club” in Minneapolis in the 1960s by local business leaders there (Galaskiewicz, 1985). All members donate 5% (or a reduced level of 2%) of their income to charitable causes. The current membership includes more than 200 Minneapolis businesses, and the club has become a visible symbol of the community. The example set by the Minneapolis tithing club has been imitated by other cities (Navarro, 1988). The epigraph from Galaskiewicz’s 1997 article on the organization of the Minneapolis community shows how businesses in the city have crafted a unique positive identity as a result of their creation and involvement in the club, and this has significant influence on a community’s reputation.

I heard so much about the City of Minneapolis, about its Chamber of Commerce, about the public spirit of its business community, about your remarkable Five Percent Club—that I feel a bit like Dorothy in the Land of Oz. I had to come to the Emerald City myself to see if it really exists.

—Speech delivered by John D. Rockefeller, III to the Minneapolis Chamber of Commerce, June 30, 1977

This example shows the power of organizations and associations both as substance and symbol for a community. Corporations in Minneapolis developed a 5-Percent Club to encourage corporations to give more to charity, and this club and the spirit underlying it then became a durable symbol of the community.
HOW LOCAL CORPORATIONS CONTRIBUTE TO POSITIVE COMMUNITY IDENTITY AND REPUTATION

The description of Galaskiewicz's research above highlights two important aspects that are missing from the broader literature on community social infrastructure (e.g., Putnam, 1993, 2000). Most research on civic infrastructure only examines direct effects, such as how levels of association membership lead to concrete positive outcomes for communities. For example, in a study of Italian communities and their success in implementing governmental programs, Putnam (1993) contrasts how the rich civic and social traditions of northern Italy made them more receptive to democratic reforms than their disconnected neighbors to the south.

But as discussed above, such behavior also has important symbolic value, influencing how the local population is engaged and outsiders view the city. For example, the 5-Percent Club becomes a symbol of what it means to be a Minneapolis corporation, which encourages other local corporations to belong and therefore give greater amounts to local charities (Galaskiewicz, 1991). This has the effect of creating greater awareness and recognition outside Minneapolis.

A second missing feature from most work on communities is a systematic consideration of how corporations influence internal and external perceptions of communities. This is also ironic because corporations are perhaps the dominant social actors of our time (Davis & Marquis, 2005). Perrow (1991) argues

organizations are the key to society because large organizations have absorbed society. They have vacuumed up a good part of what we have always thought of as society, and made organizations, once a part of society, into a surrogate of society.

Aldrich (1999) makes a similar point and connects corporations to their communities by suggesting that even the definition of what is a community is constructed in a bottom-up process, resulting from relations between organizations. To understand a community requires an understanding of the organizations of which it is constituted.

Below, we identify two mechanisms by which corporations and their leaders reinforce a community's positive identity and reputation: the creation and maintenance of local social infrastructure (i.e., hardware), and
mobilizing citizen involvement in the community (i.e., software). Although both of these mechanisms are internally focused activities, and hence mainly strengthen communities' identities, we believe they further have important spillovers to the reputation of the community. We provide illustrative examples from our fieldwork in a major U.S. metropolitan area.

Local Corporations and Social Infrastructure: The Hardware of Positive Community Identity and Reputation

One of the primary ways that local corporations contribute to a positive community identity is through their support and engagement in building and maintaining local foundations and nonprofits within a community. Below we discuss how the presence of corporate headquarters influences the well-being of local nonprofits. Second, we also address how the density of network connections between local corporate decision makers influences their commitment and degree to which they agree on the nature of their community's identity. Underlying our examples is the idea that such social infrastructure takes on a symbolic function, which increases the positive external perception of a community, that is, reputation.

Previous studies suggest that, even in an age of globalization, the location of corporate headquarters is an important component in determining where and how generously corporations support social programs and infrastructure (Guthrie, 2003). For example, a study of companies in Miami, Boston, and Cleveland described how locally headquartered companies identified more with their headquarters city and so contributed considerably more than nonlocal companies to the community, in addition to being much more involved in local civic leadership than nonlocally based companies (Kanter, 1995). Galaskiewicz (1985) also found that the philanthropic efforts of local corporate leadership in Minneapolis-St. Paul resulted in an institutional support tying corporations to their community, as in the creation of a symbolic tithing club where local companies gave 5% of after-tax profits to charity.

The relationship between Cummins Engine and its headquarters city—Columbus, Indiana—illustrates the positive influence corporations can have on local social infrastructure and how identity and reputation issues are particularly salient for local firms. As described by Whitman (1999, p. 113), Cummins Engine "functioned as the mainstay of local charities, entered into imaginative partnerships with local public schools, and once
even lobbied for a higher state corporate income tax so as to pay more of what it regarded as its fair share.” Integral to this mission was creating visible markers of support through buildings of architectural significance. Cummins, for instance, created a social program where they would pay the architects’ fees for any building that used an architect from a list of prestigious architects, ensuring that buildings of note would rise in this small city of 30,000. As a result, the city has become known as an architectural mecca. For example, in a ranking of cities with the greatest amount of architecturally significant buildings, the American Institute of Architects ranked Columbus sixth behind the much larger cities, such as Chicago, New York City, Washington D.C., San Francisco, and Boston. Thus, this program by Cummins and its leaders had the dual benefit of creating a more aesthetically pleasing city, and in the process creating a more positive identity for the community, which then impacts its broader reputation.

Conversely, the loss of local corporate headquarters has detrimental effects on the community that had formerly benefited from its support, with negative implications for community identity more generally. Jay Lorsch describes the cost to Boston’s status brought about by a string of lost headquarters:

A company headquartered in Boston does give the city a certain amount of prestige, so you can’t ignore it, I think anytime a city begins not to have any of them, people can look at it and say it’s a second-class place. That’s the danger. So having a few of them around is not a bad thing, at least symbolically. (Appelbaum, 2008)

The cost of lost headquarters is not merely symbolic because local corporations are often among the most generous supporters of local nonprofits. When Pittsburgh lost Gulf Oil, more than $2 million in local giving evaporated from the community. “[C]ivic organizations that lost money and volunteer support on account of Gulf’s sale include hospitals, colleges, museums and the world renowned Pittsburgh Symphony” (Hirsch 1987, p. 68). These examples indicate that having locally headquartered firms is not only positive symbolically, as such institutions enhance the reputation and standing of the community, but also that they directly contribute to the civic health of their communities through their local spending and leadership.
Consistent with the research on corporations and communities described above, interview subjects in our fieldwork asserted that locally based businesses promoted social infrastructure in at least two ways: through the leadership of corporate personnel and through direct financial support. Almost all of the representatives of civic organizations that we interviewed indicated the importance of electing members from local corporations to nonprofit boards to have the right names on the letterhead and to ensure financial support. The executive director of a local nonprofit said:

While there are many reasons why we invite people to our board, for example, diversity and expertise, one of the key factors is willingness for their company to support our group financially. We think for most nonprofits that is the case—features of the person and their corporation are important, but it is also essential that they be active supporters as well.

Moreover, corporate involvement with nonprofits is overwhelmingly focused on the company’s “home town.” One interviewee, the president of the corporate foundation for one of the largest corporations in the United States, indicated that “80% of corporate spending is typically in the headquarters city.” Galsakiewicz (1997) similarly found that about 70% of corporate philanthropy stayed within his focal city of Minneapolis-St. Paul. Another respondent indicated that “Just about all of our funding of cultural activities is in [headquarters city], because it is in the HQ city.” Thus, the mere presence of local headquarters is likely to help the social infrastructure of a city simply through the local spending of the corporation.

A particular type of corporation—the commercial bank—has historically held a distinctly central place in the social organization of local elites in the business and nonprofit sectors. Part of the appeal of bank leaders for nonprofits is symbolic, as informants cited the importance of having bank managers on their board for legitimacy, even if those individuals do not contribute. Idiosyncrasies of U.S. federal and state banking laws tightly restricted the geographic growth of banks for much of American history, and as a result they established deep roots within their communities and typically have a greater commitment to their locale, which is shown not only through civic commitment such as greater philanthropic donations but also by local banks and bankers creating
community-oriented business services (Marquis et al., 2007; Marquis & Lounsbury, 2007). Thus, banks have long been perceived as the center of community social and economic life (Ratcliff, 1980) and are particularly important in geographically based intercorporate networks (Mintz & Schwartz, 1985). The importance of banks to communities is illustrated by the response of San Francisco firms to an attempted takeover of Bank of America, the leading local bank. As reported in the local newspapers, this takeover was prevented because other corporations felt that a locally headquartered financial institution was important to regional well-being and identity.

Finally, it is not just the existence of businesses but the social organization of their leaders, as well as the links between business leaders and the nonprofit community, that can shape a community's identity and reputation. Our respondents stated that the tighter the ties between corporate leaders and those directing nonprofits in a community, the more likely those leaders were to give money and time (cf., Galaskiewicz, 1997). Cities vary substantially in how well-connected their local corporate elites are, reflecting long-standing local traditions around corporate governance (Marquis, 2003). Business leaders with memberships on more corporate boards and in elite social clubs are more prone to participating in local policy-related groups (Ratcliff, 1980). Corporate connections to nonprofit organizations generated greater local charitable giving in the Minneapolis-St. Paul area (Galaskiewicz, 1997). This suggests that the density of social networks connecting local business leaders contributes to greater commitment to and development of, the local social infrastructure and thus by extension provides a more positive community reputation.

Local Corporations and Citizen Involvement: The Software of Positive Community Identity and Reputation

There is more to having a city develop a positive identity and reputation than simply the support of the social infrastructure by corporations and their leaders. Our informants also suggested that a grassroots element is also necessary, and in the community we studied corporations were influential in mobilizing and aggregating citizen involvement. Below, we discuss how the presence of and connections between corporations and nonprofits can increase grassroots volunteering (i.e., the software in our model). This involvement of broader elements of the society we argue has the effect
of building individuals' attachment to the locale and hence maintaining and strengthening communities' positive identity. A similar process has also been documented by Feldman and Khademian (2003) in their study of how city governmental organizations, through their empowerment of their individual employees, strengthen connection to the community for members of the general public.

Corporations' aggregation of local volunteering efforts was described by several of our informants. A community relations manager for a Fortune 500 retailer we interviewed described her company's contributions to the leadership of local nonprofits:

We encourage our employees to participate in non-profit activities. For instance, one of our regional managers is taking the non-profit board member development program run by the local Chamber of Commerce. This is a program where they take up-and-coming corporate leaders and teach them what they need to know to serve on a board of directors. It is a rigorous program and we sponsor that person. Then they try to set that person up with an appointment to a board.

Corporations also provide a venue for aggregating rank-and-file volunteer labor. A respondent from a Fortune 500 manufacturer described how the company gave two paid days off to all employees to volunteer for nonprofit activities, and some companies provide executive-on-loan programs to help local nonprofits.

These programs can be extensive. For example, an executive of a major U.S. corporation whom we interviewed noted that the company had a centralized infrastructure that:

coordinates (volunteering) activities and ... provide[s] a venue where that is possible. We had a clean-up day last May where employees were encouraged to help clean areas of the communities where they worked. In addition we fund a huge retiree volunteer association. They logged almost 100,000 hours of volunteer time last year. We provide them with a budget, but aside from that, it is entirely employee-run.

These activities, which result in civic involvement by greater numbers of citizens, contribute to a more positive community identity by the promotion of the community as a good place to live and further strengthen individuals' ties to the community.
CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

Building on previous research regarding how communities vary in the identities and reputations that they portray internally and to the outside world (Romanelli & Khessina, 2005) as well as research that shows how communities vary on positive social phenomena such as social cohesion, trust, and reciprocity (Putnam, 2000), in this chapter we have proposed that the internal and external perceptions of cities vary on how they develop a more or less positive identity and reputation. Our extended discussion of the previous research on Minneapolis and Atlanta, as well as other anecdotal examples from our fieldwork in a major U.S. city, bears out this distinction. Local corporations and a community's identity and reputation are intimately intertwined, and we have focused on two mechanisms that help make these connections. Corporations help build the community "hardware," whereby they contribute to the establishment of local social infrastructure, and further a "software" component, whereby they enable the more effective aggregation of individuals to community-oriented activities, generating higher levels of attachment and commitment. We illustrated these two mechanisms with examples from our fieldwork in a major U.S. city. Below we discuss contributions to theory, possible areas for future research, and finally how some of our insights can aid business and policy makers interested in creating more positive identities for their communities.

One of our larger theoretical concerns is how, despite globalization, geographically based communities are still an essential organizational environment. Although there is a growing interest in the influence of communities on organizations, the processes of how organizations contribute to community identity have been relatively unexplored. We see our discussions above as a first step in this direction and see a number of avenues for future research. For example, although identity at the community level may be durable, the corporations that enact that identity come and go with the processes of founding and death, as well as merger and acquisition. This raises a number of interesting questions at a variety of levels of analysis. At the organizational level, there are a number of interesting questions that could be examined: How are new firms socialized and made aware of a community's identity? What happens when firms
are acquired? And at the community level, how can these mechanisms explain how communities can change their identities?

We also believe that understanding positive community identity processes may be relevant to understanding the levers available to municipalities seeking to build their own social and civic infrastructures, and hence well-being. If organizational scholars want to have something to say in the debate on how corporations “affect the distribution of privilege and disadvantage in society” (Hinings and Greenwood, 2002, p. 411), our discussion suggests that the community and community identity may be an appropriate and useful site for doing so. The vibrancy of local social infrastructure within a community represents one of the most direct indicators of the quality of life in that community, from the availability of education and the arts to the nature of the social safety net (Putnam & Feldstein, 2003; Saegert, Thompson, & Warren, 2001). Our theorizing above suggests that the corporate sector—its size, its composition, and the ways its constituents interact within a community—is perhaps the most proximate factor behind the vibrancy of the nonprofit sector and hence how positive identity is created and maintained within communities. Thus, there is a relatively straight path from corporations to quality of life within communities, and this path merits further study.

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REFERENCES


