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Acting Globally but Thinking Locally? The Influence of Local Communities on Organizations

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ABSTRACT

We develop an institutional theory of how local communities continue to matter for organizations, and why community factors are particularly important in a global age. Since globalization has taken center stage in both practitioner and academic circles, research has shifted away from understanding effects of local factors. In this paper, our aim is to redirect theoretical and empirical attention back to understanding the determinants and importance of local influences. We review classical and contemporary research from organizational theory, sociology and economics that have focused on geographic influences on organizations. We adapt Scott's (2001) influential three pillars model, including regulative, social-normative and cultural-cognitive features to conceptualize an overarching model of how communities influence organizations. We suggest that because organizations are simultaneously embedded in communities and organizational fields, by accounting for both of these different levels, researchers will better understand isomorphism and change dynamics. Our approach thus runs counter the idea that globalization is a homogeneity-producing process, and the view that society is moving from particularism to universalism. With globalization, not only has the local remained important, but in many ways local particularities have become more visible and salient, and so understanding these dynamics will be helpful for researchers addressing institutional isomorphism and change.

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It is a paradox of recent times that in a globalizing and "boundaryless" economy, factors associated with local communities are of central importance to understanding organizations and their actions (Bagnasco and Le Galès, 2000; Sorge, 2005; Marquis, Glynn and Davis, 2007). Recent studies have shown that embeddedness in communities has an enduring influence on organizational behavior and there are a number of mechanisms that mediate this relationship. For example, geographic proximity and local networks influence organizations' non-profit giving (Galaskiewicz, 1997), board of director structure (Kono et. al, 1998; Marquis, 2003) and corporate governance practices (Davis and Greve, 1997). There is also evidence that different localities exhibit shared frames of references which influence outcomes as diverse as corporate social responsibility behaviors (Marquis, Glynn and Davis, 2007), corporate strategies (Lounsbury, 2007), governance processes (Abzug and Simonoff, 2004) and organizational foundings (Marquis and Lounsbury, 2007). Variation in local laws and tax rates also contribute to differences in organizational behavior across communities (Guthrie and McQuarrie, 2005; Guthrie et al, forthcoming; Marx, Strumsky and Fleming, 2006). Further, a growing stream of research focuses on how local competitive and market-based processes influence organizations (Audia, Freeman and Reynolds, 2006; Stuart and Sorensen, 2003; see Freeman and Audia, 2006 for a review). This diverse work suggests that even in spite of recent globalizing trends, there has been a revival of research accounting for the effect of geographic communities on organizational behaviors. But there has not yet been a theoretical synthesis that delineates scope and boundary conditions as well as the underlying processes that drive these relationships.

Our approach and review of how communities influence organizations will focus on how the tools and mechanisms of institutional theorizing (Scott, 2001; Davis and Marquis, 2005) can enhance our understanding of the influence of local forces in a global age. The primary underlying premise of institutional theory is that action and choice cannot be understood outside of the cultural and historical frameworks in which organizations are embedded, yet paradoxically, the theory has thus far mostly neglected the important influences that are associated with organizations' local cultures, legal systems and social contexts. While early institutional works, such as Selznick's (1949) study of the Tennessee Valley Authority and Zald's (1970) study of Chicago YMCA were heavily influenced by local sources of power, as Powell and DiMaggio (1991) describe, institutional theory has more recently discarded the focus on local environments to more frequently focus on geography-independent organizational sectors, or fields. The organizational field (DiMaggio and Powell, 1983) has proven to be a powerful level of analysis which has shifted research attention and obscured the influence of geographic embeddedness. Our goal is to build on the social constructionist and cognitive tradition of institutional theory, but reorient the theory to focus more on community influences.

Our review of this literature harks back to some of the earliest work in modern organizational theory that focused on documenting the importance of community in understanding organizational behavior. Early investigators such as Warren (1967), who, following upon Emery and Trist (1965), coined the concept of "inter-organizational field," stressed the importance of community for understanding institutional influences because it is within communities that diverse types of organizations come into contact. Other early research documented how social linkages develop among diverse organizations located within same community (Litwack and Hylton, 1962; Turk, 1977; Lincoln, 1979). Ironically, much of this early work sought to demonstrate that the American community was undergoing great change, which involved the increasing orientation of local communities units toward extra-community relations. In explaining why community studies had fallen out of favor after the 1980s, Scott (2001) describes that modern transportation and communication systems developed such that geographical boundaries became meaningless. More recently, globalization has come to occupy the center of the stage, further contributing to the neglect of the community level of analysis (Sorge, 2005).

But the recent flurry of scholarship and research on community bases of organizational behavior suggests that Scott's (2001) assessment is not accurate. The most systematic of this research has been in the ecological tradition, building of Hawley's (1950) community ecology model, as adapted by Hannan and Freeman (1977, and see Freeman and Audia, 2006 for a review). These studies that highlight competitive and ecological factors of geographic communities are important and focus on how proximity defines market boundaries and as a result still drives some organizational decisions. As a counterpoint, our focus is on how communities are not just contexts for competition, but provide different institutional environments which influence organizations.

We argue in this paper, that communities influence organizational behavior not only as local markets and resource environments, but also through a number of institutional pressures. While a stream of research in economic geography (e.g., Storper, 1997; Scott and Storper, 2003) has examined the influence of some institutional factors on the economic development of communities, it is striking to note that recent developments in institutional theory have tended to overlook the influence on organizational behavior of institutional pressures stemming from the community. As an analytic device to unpack the different institutional influences of communities, we follow Marquis, Glynn and Davis's (2007) research on the geography of corporate social responsibility and draw on Scott's (2001) three pillars model, including regulative, social-normative and cultural-cognitive features of communities. In doing so, we hope to reorient institutional theory from the current focus on organizations' embeddedness in organizational fields to organizations' simultaneous embeddedness in both geographical communities and organizational fields. Building on Warren's (1967) insight, we feel that accounting for community-level processes will draw the social and cultural underpinnings of organizational behavior into fuller relief by showing how even organizations with conflicting economic purposes are influenced by embeddeddess in similar geographic environments.

By accounting for these different levels of analysis, we also believe that researchers will better understand isomorphism and change dynamics both within and across geographical communities and organizational fields. While communities may be a natural venue to understand isomorphism processes (Marquis, Glynn and Davis, 2007), there is evidence as well that as different local communities come closer together as a result of increased globalization, they may also demarcate the boundaries between them even more clearly (Scott and Storper, 2003; Sorge, 2005; Marquis and Lounsbury, 2007). Such an approach to the process of globalization runs counter the idea that one can view the evolution of society as moving from particularism to universalism through homogeneity-producing trends (Robertson and Khondker, 1998; Sorge, 2005).

In closing, the goal of our chapter will be to both review the emerging set of work that has considered communities' effects on organizations and further to develop a theoretical synthesis that delineates scope and boundary conditions as well as the underlying mechanisms that drive these relationships in the context of a globalizing economy. After defining what we mean by community, we review some of the geographically-oriented work in organizational ecology and economics that focuses mainly on effects of proximity and studies communities as competitive environments. To complement this work and better account for institutional pressures stemming from the community, we then apply Scott's (2001) influential typology of institutional features to the community level of analysis. We conclude with some final thoughts about how understanding communities may be even more important in light of globalization and future research directions and extensions suggested by taking this approach. Focusing on communities as institutional environments provides fresh theoretical insights to organizational theory in addition to providing a more unified perspective on this diverse set of emerging community-oriented research.

LOCAL COMMUNITIES: A NEGLECTED LEVEL OF ANALYSIS

Many sociological and anthropological definitions of the concept of community exist, and most emphasize some combination of relative small-scale, boundedness, and strong ties among the members of the community (Oxford dictionary of social sciences, 2001). These qualities distinguish community from larger and more impersonal forms of relationship such as society, as emphasized in Tönnies's (1887) seminal distinction between Gemeinschaft (community) and Gesellschaft (society) whereby community is about collective relationships between people focused on interpersonal and particularistic connections, and society is more universal, transparent and anonymous. In his influential work on economic geography, Storper (2005:34) draws on this distinction and defines community as referring to a "wide variety of ways of grouping together with others with whom we share some part of our identity, expectations, and interests."

Although the distinction between community and broader society is helpful, and it highlights many of the important components that comprise community, these definitions do not precisely delineate the boundaries of a local community. Such boundaries are hard to delineate in an abstract definition and need not necessarily coincide with any political or administrative boundaries. Warren (1967: 400) explains, "the term 'community level' does not imply a discretely identifiable level, except for purposes of analysis." Using the term "community field," he thereby intertwined the concepts of field and community and showed how even organizations with conflicting economic purposes are influenced by embeddedness in similar geographic environments.

In conceptualizing communities, we think it is important to highlight our focus on bounded geographic entities in order to effectively distinguish our meaning from definitions of geography-independent organizational fields that have emerged as the unit of analysis used in institutional studies to account for the wider institutional context in which actors are embedded (Davis and Marquis, 2005). Further, a focus on geographic boundaries serves as a counterpoint to recent institutional research that aims to understand the importance of transnational phenomena (e.g., Djelic and Quack, 2003;

Djelic and Sahlin-Andersson, 2006) in a world where "organizations are more open to non-local events and ideas" (Scott, 2005: 474).

There is significant precedent for defining community as a metropolitan region. This is the approach taken by early American sociology and political science, in studies of Muncie, Indiana (Lynd and Lynd, 1929), Newburyport, Massachussetts (Warner and Lunt, 1941), Philadelphia, Pennsylvania (Baltzell, 1958), Atlanta, Georgia (Hunter, 1953) and New Haven, Connecticut (Dahl, 1961; Polsby, 1963). Recent research (e.g. Marquis, 2003; Stuart and Sorenson, 2003) has followed a similar approach. An early European tradition of research also addressed the importance of cities as essential social structures, which were local societies where groups and interests gathered and were represented (Weber, 1921). Weber proposed to analyze the city through its economy, its culture and its politics, which were interconnected. Anchoring itself in the Weberian tradition, a more recent stream of research has revived interest in European cities as local units of analysis, which paradoxically "remain significant tiers of social and political organization," in the era of globalization (Bagnasco and Le Galès, 2000: 6).

But we argue that the phenomena associated with communities need not be bound within a city-limit. Aldrich (1999: 300) for example, suggested that the "geographic scope of a community is an empirical question." He stressed that what qualifies as a community is to some extent determined from the bottom-up based on relations between organizations. Thus, other geographic entities, for example clusters of cities or regions may also qualify as communities (Greenwood, Diaz, Li and Lorente, 2007). Economic geography has contributed to the resurgence of regions as units of analysis in social sciences over the last two decades by examining their role in economic development and considering some of them as sites of the most advanced forms of economic development and innovation (Scott and Storper, 2003). Silicon Valley (Saxenian, 1994) is a good example of a region playing an active role in the development and the improvement of industrial products and processes. Recent research has focused on how industrial regions become identified by external audiences which results in a reinforcing process (Romanelli and Khessina, 2005). Industrial districts (the term was coined by Alfred Marshall (1920)), which are geographically localized industrial systems based on an extended division of labor between small and medium-sized firms that, although they often directly compete with each other, also cooperate with each other in a number of different ways (Piore and Sabel, 1984; Brusco, 1995), also qualify as local communities. They are industrial systems built on regional networks. More broadly, any local productive system defined as a system composed of three principal elements: "the active businesses, the territory in which they are located and the people living in that territory, with their values and their history" (Brusco, 1995: 63) qualifies a geographic community.

We regard the community level of analysis *as a local level of analysis corresponding to a the populations, organizations and markets located in a geographic territory and sharing, as a result of their common location, elements of local culture, norms and identity.* We recognize that the delineation of the boundaries of such territory is not straightforward. The boundaries of local communities are not given; they are always partially constructed by researchers in the same way as organizational fields' boundaries are. We, however, argue that the community level of analysis has to be revived in institutional theory as it is the only way to account for the fact that organizations are locally embedded.

In this paper, we focus on the underlying regulative, social and cultural mechanisms that influence organizations within local communities. By our definition, these could include cities, clusters of cities, regions, industrial districts or any type of local productive systems. After reviewing studies that focus on how geographic proximity and local markets influence organization behaviour, as a counterpoint, we highlight geographic communities' influence from an institutional standpoint. We thereby suggest that communities are an essential level of analysis in understanding the interactions between organizations and their environment.

COMMUNITIES AS LOCAL MARKETS

The most developed streams of organizational research that has explicitly studied local effects on organizations are those that examine local competitive environments that provide differential levels of various types of resources for organizations. In this stream of research, investigators identify organizational communities based on geographic proximity and study the effects of local markets on organizations' economic performance. We focus here on two influential streams of research. First, we review the contribution of the ecological tradition, which builds on the work of Hannan and Freeman's (1977), whose original population ecology model theorized the importance of communities for understanding the dynamics of organizational populations (see Freeman and Audia, (2006) for a review of this work). Secondly, we review the work on economic geography (Marshall, 1920), which examines how geographic collocation of industries provide positive externalities, such as spillovers and labor training. Some researchers, for example Sorensen and Audia (e.g. Sorensen and Audia, 2000; Audia, Freeman and Reynolds, 2006) are increasingly integrating insights from both of these approaches.

The ecological research stream mostly focuses on how organizational density in a population influences the vital rates of other organizations, i.e., organizations die and are founded as a function of the existing stock of similar organizations. The key theoretical advancements of this approach, density dependence and resource partitioning, both have been shown to be geographically contingent and in some cases more dependent on local market processes than those of the entire field (Freeman and Audia, 2006). For example, Carroll and Wade (1991), in a study of how local and national densities in the brewing industry influence population dynamics find that local competition matters more than national competition. The most developed theoretical consideration of local environments is Greve's (2000, 2002) spatial density dependence model, which posits that localized competition is more central than field-level characteristics to organizational decision making. Markets have bounds, and some types of organizations, in Greve's case, Tokyo banks, live within those bounds. Further, Baum in a number of studies (Baum and Singh, 1994; Baum and Mezias, 1992) has also shown how localized competition and crowding within local communities led to greater levels of failure rates for community day care centers in Toronto and Manhattan hotels. This line of work has shown that collocation and proximity are important to defining organizational ecologies and sites of market competition.

The ecological model of resource partitioning theorizes a relationship between the consolidation of markets and founding of new firms. As a market consolidates into a fewer number of generalist firms, specialist firms arise to capitalize on market niches abandoned by the larger competitors. Traditionally, the explanation has focused on proximate location: “an organization’s location in the resource space accounts almost entirely for the partitioning of industries” (Carroll and Swaminathan, 2000). McPherson (1983) proposes a similar model whereby overlap of member characteristics defines niches and competition between voluntary organizations. In most cases, the site of resource competition in these studies is cities. For example, Carroll’s (1985) original statement of resource partitioning studied newspapers in seven US cities because they were the autonomous units of competition for newspapers. Marquis and Lounsbury (2007) also find support for resource partitioning as a community process in their study of how local bank acquisitions lead to new bank foundings. Further supporting the effects of local mergers on organizational founding, Stuart and Sorenson (2003) found that organizational liquidity events such as IPOs and acquisitions within focal or adjacent communities leads to the foundings of technology firms.

These effects of density dependence and partitioning of local markets, which focus on some of the negative effects of crowded or consolidated markets, are to some extent in conflict with other research in the economic geography area that study how industries agglomerate and how close geographic proximity with competitors can be beneficial (Marshall, 1920; Krugman, 1991). Ecology suggests there are negative effects of crowding as resources become scarcer. But work in economic geography suggests an opposite relationship. Focusing more on the local accumulation of knowledge, and trained labor, which leads to information spillovers, it shows that there is a substantial benefit to all local firms from the agglomeration of industries. For example, Silicon Valley became the center of the technology industry as a result of tight networks of local firms (Saxenian, 1994), Detroit became the capital of the auto industry by having fertile early training grounds such as the Olds company that spawned many spin-offs (see Klepper, 2002 for summary of his other research) and Akron was fertile soil for tire research leading to benefits for firms located and founded there (Sull, 2001; Buenstorf and Klepper, 2005).

These studies begin accounting for some more of the social dynamics that are boundary conditions for a strict ecological approach. For example entrepreneurs are not necessarily randomly distributed, and individuals typically start businesses in close proximity to their current places of residence (Marquis and Lounsbury, 2007; Sorenson and Audia, 2000; Thornton and Flynn, 2003), sometimes founding a company to compete with a former employer (Burton, Sorenson and Beckman, 2002; Romanelli and Schoonhoven, 2001). Networks also have been found to lead to increased founding rates in communities (Audia, Freeman and Reynolds, 2006). In a particularly influential study, Saxenian (1994) described how the characteristics of two technology communities, Boston and Silicon Valley influenced innovation and production within these regions. Local factors such as universities, business associations, clubs and professional organizations sustained the region's culture of embeddedness. While competition and market processes are important mechanisms to understand the effects of proximity and collocation, studies such as Saxenian's suggest that local systems and organization behavior within them may in fact be better characterized by institutional explanations.

COMMUNITIES AS INSTITUTIONAL ENVIRONMENTS

We believe that while the above studies have been influential, they are in many ways only a starting point in understanding how embeddedness (Dacin, Ventresca, and Beal, 1999) in communities influences firm behaviors. As noted, their conception of community is mainly about proximity and local markets. There are still significant open questions with regard to how embeddedness in a community influences organizational behavior and characteristics beyond organization performance, foundings and death. A further distinction between our approach and the community ecology approach is that while they are examining dynamics of populations, we are interested in understanding organizational behavior at a more micro-level, including how the specific behaviors and strategies of organizations are influenced by their communities.

Following Marquis, Glynn and Davis's (2007) research on corporate social responsibility in drawing on Scott's (2001) influential typology of institutional processes, we argue that communities influence organizational behavior through three primary mechanisms. We start with coercive pressures, which stem from the regulative structures of the community (i.e., the formal rules and incentives constructed by empowered agents of the collective good) that may force organizations to adopt specific managerial practices or organizational forms. This is consistent with the diverse research across levels of analysis that has suggested the political boundaries are important for understanding organizations (e.g. Dobbin, 1994; Wade, Swaminathan and Saxon, 1998, Guthrie, 2003). But we also argue that organizational practices or forms may be influenced by social-normative processes, in which organizations conform to other actors' expectations to obtain their approval. Finally, cultural-cognitive processes may influence organizational behavior within communities by imposing abstract rules associated with the structure of cognitive distinctions and taken-for-granted understandings. We see the cultural-cognitive influences as distinct from the social-normative in that the cultural-cognitive gives actors a deeply shared frame of reference that does not need action to maintain or recreate (Douglas, 1986; Berger and Luckmann, 1966). In contrast, the social-normative is more about how consensus about what is appropriate arises out of the action of collectives and from one's peers. Thus, while the cultural-cognitive is about "how things are done around here," the normative has more of an evaluative tone—"what is appropriate to do around here." We use these three categories of processes below to review the existing community-oriented literature and unpack the various mechanisms that connect organizational behavior to community-level processes.

Regulative Influence of Communities

Communities exert a regulative influence on organizations. In Scott's formulation (2001: 35), "...regulative processes involve the capacity to establish rules, inspect or review others' conformity to them, and, as necessary, manipulate sanctions—rewards or punishments—in an attempt to influence future behavior." In translating this to the community level, we focus on how local politics and government mandates can influence organizational behavior within communities. First, we highlight that regulative pressures vary across communities by providing examples of such variation. Second, we analyze how different kinds of local public policies may have a determining influence on organizational behavior within communities. Finally, we show how local public authorities may also mobilize other local actors to indirectly influence organizational behavior within a community.

Variation in regulative pressures. Following Weber's definition, states are usually defined as having the monopoly of the legitimate use of violence within the national territory, thereby being the source of most regulative pressures. States, however, vary in their degree of centralization. The more decentralized states are, the more room for agency local public authorities have. Hence, the influence of local public policies on organizational behavior will vary from one country to another depending on the degree of political decentralization (Zeitlin, 1995). For example, examining the conditions that facilitate the development of industrial districts, scholars (Trigilia, 1992; Benton, 1992; Ganne, 1995) have found that in countries where political decentralization has enhanced the autonomy and powers of regional governments, such as in Italy in the 1970s and in Spain in the 1980s, local public policies may contribute to the development of industrial districts. In contrast, "where the financial and political independence of local authorities are sapped by central government controls, as in contemporary Britain, industrial districts cannot flourish" (Zeitlin, 1995).

Types of local public policies. Local public authorities may influence organizational behavior through a variety of regulative pressures, including legal regulations as well as the creation of incentives and administrative bodies in charge of supporting different types of organizations. Local public policies based on incentives that are likely to influence organizational behavior include, among others, subsidies to industry, tax breaks, infrastructure provision, and labor training program. For example, when local governments control tax laws, they may use them to influence organizations' practices in certain sectors. Guthrie, Arum, Roksa and Damaske (Forthcoming) examine how local state tax laws shape corporate giving to local schools in the United States. They find that there is an association between higher corporate tax rates and corporate giving to local institutions, such as local schools. States with higher corporate tax rates not only create incentives and opportunities for tax write-offs thereby encouraging corporate giving (Bakija and Slemrod, 1996; Bakija and Steuerle, 1994; Bakija et al., 2003), but they also signal to corporations the importance of supporting local social services and the provision of local public goods (Guthrie et al. Forthcoming).

The literature on agglomeration economies also illustrates the impact that local public policy may have on organizational behavior (Piore and Sabel, 1984; Bagnasco and Sabel, 1995). Local public authorities often play a facilitating role in the development of industrial districts. For example, in regions where industrial districts appeared in Italy, local governments have often played a facilitating role by providing a certain quantity of collective goods which have reduced costs for employers and contributed to protecting workers, thereby encouraging local compromise (Trigilia, 1995). These goods include social services for workers (transport, public housing, schools, daycare centers) and, for local firms, the provision of industrial estates, infrastructures, professional training, and support to consortia for marketing or export facilities. A particularly important legal difference that has been shown to influence innovation in technology centers is the variation in the enforceability of noncompete clauses across locales (Stuart and Sorensen, 2003; Marx, Strumski and Fleming, 2007). In addition, the local government also acted as an “agent of community sentiment” in limiting the violations of health and safety standards in the new shops (Piore and Sable, 1984: 229).

Similarly, Semlinger (1995) describes the role of the local government in the economic development of the German region of Baden-Württemberg since the early 1970s, when the promotion of inter-firm cooperation among small firms has been made a policy issue in the community. Local authorities have provided in-kind support for cooperative activities as well as subsidies for brokerage services, for traveling expenses in connection with network meetings, and for up to 50 percent of the costs incurred by the development of joint projects. This local public policy has stimulated hundreds of inter-firm networks, thereby contributing to the development of an industrial district. Similarly, Guthrie and McQuarrie (2005) recount how there is considerable variation across US states and cities on corporate support of low income housing. While the US federal tax credit designed to stimulate such housing is the same across the entire country, innovative cities and states have in effect developed local institutional fields, and dense networks centered on helping corporations, banks, municipalities, and neighborhood organizations utilize the credit, thus creating considerable differences across locales.

Interaction with other local actors. Finally, local public authorities may also mobilize other local actors to help them shape economic and organizational behavior. Differences in the type of local actors that public authorities mobilize as well as in the action of these local actors may explain variations in the regulative environment across communities. For example, universities have been identified as playing a key role in the shaping of the institutional environment (Amin and Thrift, 1992; 1994; Phelps and Tewdwr-Jones, 1998). The "university campus is like the corner café where Italian artisans solve one another's problems and share—or steal—one another's ideas" (Piore and Sabel, 1984: 287): it is the place where engineers and scientists employed by different, and often competing organizations, can share ideas, seek advice, and come to respect one another for the creativity of their innovations. Local public authorities may thus rely on universities to influence organizational and economic behavior, in particular to promote cooperation between organizations within the local community. For example, Safford (2005) shows that local public authorities in the city of Rochester, New York, successfully relied on the local university to shape knowledge networks and promote innovation among firms within the community.

The above discussion shows that regulative pressures may vary across communities, and that local political environments are still quite salient, even in spite of globalization. It further explores how such differences in regulative pressures influence organizational behavior. The type of local public policy implemented as well as the actors that local public authorities mobilize contribute to shaping organizational behavior within the community.

Social-Normative Influence of Communities

Perhaps the most developed set of factors that relate organizations to communities, apart from regulative pressures, is what we are terming the social-normative. There are a number of important factors involved in understanding social-normative systems. Scott's (2001:54-55) definition focuses on the "prescriptive, evaluative and obligatory dimension (of) social life." We argue that items such as the goals or objectives of firms and also the appropriate ways to pursue them vary by community. DiMaggio and Powell (1983) highlighted the importance of social connections in diffusing the standards of appropriateness and the corresponding organizational behavior. Thus, in our conception of social-normative, we focus on how local relational systems shape different standards of appropriateness across communities.

As discussed above, items like local social networks that span organizations are important for firm competitiveness and resource acquisition. The logic is that because close co-location suggests more frequent interactions, it is more likely there would be conduits of information (Podolny, 2001) between local firms. But as our name denotes, we are focusing on more than just automatic diffusion or information spread, but also recognizing that communities differ in social structures and that this has an effect on how firm's norms are shaped.

A number of studies have showen that norms about appropriate organizational behavior vary by community. For example, there is a body of research about variation in corporate giving across communities. Building on Galaskiewicz's many studies (e.g. 1985, 1991, and 1997) about the development and institutionalization of the local philanthropic giving norms of Minneapolis-St. Paul based companies, a number of investigators have highlighted local processes (Kanter, 1995) and differences in corporate giving norms across communities. McElroy and Siegfried (1986) interviewed corporate philanthropy personnel in 14 U.S. cities, and found that there is variation in the giving patterns across communities and that local firms in the community were an important influence when firms were contemplating giving. Similarly, in a contrast between Columbus and Cleveland Ohio, Marquis, Glynn and Davis (2007) showed that different norms of corporate involvement in community evolved in each community. In Columbus, firms coalesced around children's-oriented activities and in Cleveland the appropriate focus was more on creating affordable housing (see also Guthrie and McQuarrie, 2005). Below, we explore how organizational networks and the interaction between organizations and social class help create normative systems within communities.

Local organizational networks. The idea that community social networks were important to understanding firm behaviors was introduced by early investigators such as Warren (1967) who emphasized the importance of the network of relations among local firms and important differences between how firms connected to local firms and non-local firms. Part of this included the creation of consensus by community decision organizations around the values of organizations across three US cities. Other early research that has documented the normative effects of linkages among diverse organizations located within same community includes Litwack and Hylton (1962), Turk (1977), and Galaskiewicz (1979). More recent work about the importance of local community networks have focused on how social networks may enable organizations' innovation by contributing to the development of a norm of cooperation as well as impose standards for certain organizational practices.

Related to the industrial districts literature, recent examples of the importance of local community networks on firm behaviors have focused on how variation across communities social networks can lead to greater innovation. Storper (1997; also see Scott and Storper, 2003) terms these as relational assets and shows that such interdependency between economic agents are important conditions underlying local economic development more generally. Such relational assets involve informal inter-firm networking and processes of collective learning (Lorenz, 1992; Lazaric and Lorenz, 1998). Owen-Smith and Powell (2004) for example show in a study of biotech firms in Boston, that the local knowledge network functions as both channels and conduits to enhance firm innovation. “Small world networks” where there is local clustering and occasional bridges between clusters, have been shown to enhance innovation through mechanisms such as increased trust, sharing of information and communication (Fleming and Marx, 2006; Fleming, King and Juda, forthcoming). Others have shown that local relational assets influence the formation of routines of economic and organizational behaviors that shape activities such as production, entrepreneurship, and innovation (Haggard, 1990; Rodrik, 1999; Wry, Greenwood, Jennings and Lounsbury, 2008).

There is compelling evidence as well that such relational systems are strongly place-bound and cannot be easily transferred from one local community to another (Becattini, 1990; Putnam, 1993). For example, in a series of studies, Safford (2005, 2007) illustrates differences between paired-comparisons of similar cities to illustrate how different networks structures evolved and played a role in social and economic development. The tight elite network of Youngstown, Ohio impeded the revitalization of that city as compared to Allentown, Pennsylvania (Safford, 2007). And comparing the knowledge networks of Akron, Ohio and Rochester, New York, Safford (2005) finds that the fountain approaches of the former was less effective for innovation than the forum approach of the latter. Others have shown that some of these persistent differences in networking in communities may be connected to demographic characteristics of certain regions. For example, in certain Italian regions, extended families and a tight network of small artisan and commercial centers have been shown to facilitate the development of industrial districts (Piore and Sabel, 1984; Trigilia, 1995).

Another well developed line of research that has shown the importance of community relational factors and how network connections can create normative environments for firms is Galaskiewicz's many studies (e.g. 1985, 1991, and 1997) that analyze how the local philanthropic giving standards of Minneapolis-St. Paul based companies are influenced by a variety of locally-based network mechanisms. One area of Galaskiewicz's focus (1985, 1989 (with Wasserman)) is on how organizational uncertainty around giving levels leads firms to look to their local network peers for guidance. Another is how social comparison by structural equivalence is also important (Galaskiewicz and Burt, 1991). Further, Galaskiewicz (1985, 1991, 1997) also addresses how the establishment of local institutions facilitated local network connections and contributed to normative expectations in regard to giving levels. Similarly, a line of work on the development of inter-organizational networks by community health services providers suggests that these networks developed out of a commitment to serving community needs (Provan and Milward, 2001; Provan, Iseett and Milward, 2004) This research suggests that social factors have an evaluative component and lead organizations to behave in a way that is socially appropriate, given the context.

Local social class relations. Research that addresses how appropriate corporate behavior can be seen as stemming from the class-based interests of managers (e.g. Palmer, Friedland and Singh, 1986; Palmer and Barber, 2001) has also focused on community-level processes and specifically the importance of local class cohesion. A number of studies have shown that the local bases of social class systems shapes organizational behaviors (Mills, 1956; Kono, et. al. 1998, Marquis, 2003; see Friedland and Palmer, 1984 for a review). In Atlanta, Hunter (1953) found that well-connected business elites were able to extract preferential treatment from the local government. In St. Louis, banks whose boards were staffed with local business leaders emphasized corporate lending over mortgages, indicating a decrease in local investment (Ratcliff, 1980). In a study of the metropolitan area of Marseilles in Southern France, Zalio (1999) shows that businessmen use their local networks of relationships as well as their affiliation with wealthy local families to gain access to information or public funding for their companies. And in a study of the stability of the French financial elite, Kadushin (1995) showed that local elite connections are more influential to financial industry structure than governmental policies.

One avenue of elite power is through their typically dense connections in communities and a number of studies have shown that there is a social class based system of establishing and maintaining local inter-corporate network relationships. Authors such as Useem (1984) and Domhoff (1998) argue that exclusive upper-class clubs in cities provide settings in which managers and directors can become acquainted with and have influence on one another. Numerous studies have looked at the connection between upper class club memberships in cities and network connections at the individual level. For instance, upper class club members are more likely to hold directorships (Bonacich and Domhoff, 1981), directors are more likely to serve on the same board when both are upper class club members (Johnsen and Mintz, 1989), and presence of an upper class club leads to greater local interlocks (Kono et al. 1998; Marquis, 2003) This indicates that upper class clubs and corporate connections are both reinforcing mechanisms of upper class cohesion in communities.

The discussion above shows that social-normative processes are pervasive and that the geographic community is an important level of analysis for understanding how they influence organizations. Thus, while organizations may be competing globally, managers and leaders of organizations still reside in a certain location and their embeddedness in that location continues to influence their firms' behaviors. Consistent with some of the earliest and most influential social network research (Festinger, Schacter and Bach, 1950), physical proximity and co-location matter in understanding who one associates with and these connections then have a strong influence on norms. Different patterns of connections and norms across communities lead to a situation where there is "significant homogeneity within communities but substantial variation between communities." (Marquis, Glynn and Davis, 2007:927)

Cultural-Cognitive Influence of Communities

While networks and social structures are involved in spreading information and the appropriate behaviors for community-members, we posit as well that communities also have a deeper set of shared frameworks or mental models upon which actors draw to create common definitions of a situation, and that these are tied to longstanding identity and tradition associated with locations and regions. Cultural-cognitive institutional forces are pervasive frames of reference and identity that provide templates or models that facilitate the adoption of similar practices for members of a community group. Below, we review some general ideas about how culture and cognition differs based on localities, then we describe some of the reasons underlying this variation across communities, including immigration patterns, regional history, climate, and physical geography.

Variation in local frames of reference. A number of studies have illustrated how there is variation in long-standing shared frames of reference in corporate practices across communities. For example, Marquis (2003) showed how cities develop deeply held city traditions regarding governance and how these traditions continue to influence the structure of corporate governance in US cities. Davis and Greve (1997) in a study of adoption of different corporate governance practices suggest that adoptions are conditioned by degree of cognitive legitimacy in communities. Davis and Greve (1997: 14) describe the process of how these local frames of reference work, sometimes by the model of high status firms in a community, "executives in St. Louis are likely to be particularly attuned to the practices of Anheuser-Busch, a highly prominent local business, even if they do not share drinks with the latest scion of the Busch family to run the company." Lounsbury (2007) showed how the strategies of mutual funds differed depending on the legitimate model of investing in two cities; mutual funds in Boston, for example focused on conservative, long-term investing, while New York funds pushed aggressive growth money management strategies. And Marquis, Glynn and Davis (2007) contrasted the type of legitimate corporate social action in Minneapolis and Atlanta. In Minneapolis, there was a deeply held belief in arts funding, which was reflected in giving rates. In Atlanta however, there was not the same focus on the arts, but there was a deeply held historical belief in "local boosterism," whereby corporate philanthropic efforts focus on city promotion. This resulted in significant coordinated support for the Olympics in 1996 (Glynn, forthcoming) and even the Cotton States Exposition as far hack as 1895. Finally, Molotch, Freudenberg and Paulsen, (2000) in a study contrasting Ventura, CA and Santa Barbara, CA describe, there may be different differential “city traditions” that are reflected in denser connections between local organizations and community social patterns that are perpetuated through time.

Differences in history and tradition. A number of studies have suggested that the histories of regions are important for understanding local cultural influences on organizational behavior. Elazar (1984) devised a typology of regional cultures based on historical migratory and settlement patterns of ethnic and religious groups. A moralistic and communitarian culture exists in New England and the Northern Plains resulting from Puritans and Scandinavians settling in these areas, an individualist culture exists in the middle and western US reflecting migration from non-Puritan England and the interior northern European countries, and finally, a traditionalistic culture in the South based on the agricultural system of slavery under control of large land-owners. Similarly, in regard to organized social engagement, Robert Putnam’s (2000) work on social capital in the United States showed that states in the upper Midwest, with communitarian values stemming from the Scandinavian groups that originally settled there, had high social engagement, while former slave-owning states in the southern US were the opposite. The non-profit literature has utilized Elazar’s cultural typology to understand differential rates of non-profit growth across US regions (Bielefield and Corbin, 1996; Bielefeld, 2000). For example, Bielefield and Corbin (1996) studied how the underlying political culture of Dallas corresponds to Elazer’s Southern type and Minneapolis to the Northern Plains type and this influenced the types of non-profits governments and the private sector funded.

Further, addressing the question of why industrial districts developed in certain regions but not in others, scholars found that cultural characteristics of certain regions enabled the development of industrial districts. For example, in Italy, the legacy of the Renaissance city states with “their countryside of sharecroppers and peasants, devoid of dispersed mass industrialization, proved to be precious in activating a new form of diffuse development when circumstances became favourable” (Bagnasco, 1995, p. 7). Related, in his study contrasting the different success of Northern and Southern Italy in adopting governmental programs, Putnam (1993) also described how regional cultural differences in Italy have historical roots. In the north, a loose governance structure emerged that focused on horizontal associations which became institutionalized and led to the north’s success. According to Putnam, despite being aware of the success of the north, the south, which historically had much more hierarchical governance relations, was constrained and wasn’t able to emulate the north’s success.

In her study of the structural differences between the Route 128 region and Silicon Valley, Saxenian (1994) also proposes that these differences between the regions were established well before the emergence of technology firms in these areas and that the eventual characteristics of each region reflected important historical differences. For example, by the 1950s, MIT, in the Boston area had established a hierarchical funding model where it looked to partner directly with large government agencies and corporations. But Stanford University did not have such an experience, so when it searched for funding, it looked to smaller firms, and as a result established more collaborative relationships. Saxenian (1994) argued that the historical difference between hierarchical and collaborative funding which was established early were reinforced and institutionalized in Silicon Valley in the 1970s and this resulted in the development of funding networks and business associations that connected entrepreneurs.

Physical geographic factors. Regarding these theories that focus on how locally different shared frames of reference may arise out of regional factors, two very intriguing sets of research suggest some of the fundamental mechanisms behind these differences may be related to features of physical geography. One stream of research suggests that a region's climate may influence the development and institutionalization of certain frames of reference. For example, perhaps the most salient division within the US is the dichotomy between the South and North, grounded in climatic differences and further reinforced by the historical legacy of the Civil War (Ackermann, 2002). For much of US history up to the advent of air conditioning (Ackermann, 2002), oppressive climatic conditions in the South led to reduced work hours, and reduced productivity of southern businesses. Stinchcombe (2007) further notes that in the context of Siberia, climatologically differences have historically influenced how different social groups interrelate and these styles of relations have become firmly institutionalized.

Also, geographical issues relating to distance and travel may underlie some of these cultural differences. For example, some have speculated the differences in culture between the East and West is grounded in physical distance and transportation constraints. Difference in geographic dispersion (West) and concentration (East) may have an important influence on the cultures of the two regions. Burris (1987) for example, showed that political action of firms differs by the underlying beliefs of home region. Political giving of Western companies reflects an individualistic and conservative culture while companies from the North and Midwest are generally more moderate.

Another theory that suggests that there are regional differences in US corporate organization is Douglass North's (1961) argument that a tripartite economy developed in the US with different regions specializing in different business activities. In North's formulation, the North focuses on financial industries such as banking and insurance, the South on cotton because of inexpensive labor and fertile land and the wide-open West focused on agriculture. This argument of regional specialization is interesting because it implies that the physical conditions of a locale have significant effects on how business is organized.

In the above, we have focused on how there are persistent cultural-cognitive differences across communities and that there are a number of factors that give rise to this. First it is clear that even in a global economy there are different frames of reference and corresponding standards of legitimacy that exist across locales. Some of this arises out of history and tradition, for example, cultural features in where migration originated from or as a result of early experiences. Further, some of these underlying factors could relate to physical geographic factors such as climate and travel. These underlying cultural forces continue to give a multi-layered geographic shape to organizational behaviors.

DISCUSSION AND CONCLUSIONS

In this paper, we argue that local communities are institutional arenas that continue to influence organizational behavior through normative, cognitive and regulative processes, despite increased globalization. Although one cannot deny that globalization involves a considerable degree of isomorphism with respect to organizational behavior across communities, there is still considerable local variation in organizational behavior across communities, and as we showed in the previous sections, there are systematic patterns to these differences.

At a time when globalization occupies the center of the stage, it may seem paradoxical to emphasize the importance of institutional pressures stemming from the community level but the process of globalization involves the interpenetration of universalism and particularism (Robertson and Khondker, 1998; Sorge, 2005). As local communities come closer together, as a result of increased globalization, they may also demarcate the boundaries between them even more clearly (Scott and Storper, 2003; Sorge, 2005; Marquis and Lounsbury, 2007). Such approach to the process of globalization runs counter the idea that one can view the evolution of society as moving from particularism to universalism through homogeneity-producing trends. As Robertson and Khondker (1998: 28) summarize:

> "In sociology we have grown used to thinking in terms of temporal, diachronic transition from particularism to universalism. But we now need to bring spatial, synchronic considerations firmly into our thinking and consider fully the spatiality particularisms and differences."

We argue that institutional theory, which accounts for the interaction between actors and the environment in which they are embedded, should account for the particularism of the different environments in which organizations are embedded. While many scholars (e.g., Friedland and Alford, 1991; Ocasio, 2002; Palmer and Biggart, 2002; Strang and Sine, 2002; Reay et al., 2006) have called for more multi-level research in institutional theory, thereby echoing a call that pervades the field of organizational studies (e.g., Rousseau, 1985), most studies have so far focused only on the organizational and organizational field levels of analysis (Battilana, 2006). There is a need for studies accounting for the fact that organizations are simultaneously embedded in multiple environments (Sewell, 1992; Schneiberg, 2002; Boxenbaum and Battilana, 2005), including local communities as well as organizational fields and the transnational stage. These different levels of analysis are hard to delineate in abstract definitions, but they correspond to useful analytical distinctions between the local and more global environments in which organizations are embedded.

Because organizations are simultaneously embedded in local as well as more global environments, they almost always face a situation of institutional pluralism, that is, they simultaneously evolve in different institutional spheres (Friedland and Alford, 1991; Kraatz and Block, 2007), that are sometimes competing (Marquis and Lounsbury, 2007). Managing such pluralism may be a challenge for organizations but also a resource as it may contribute to enhancing their agency. In the same way as the presence of multiple institutional orders or alternatives within a given field constitutes an opportunity for agency (Sewell, 1992; Whittington, 1992; Clemens and Cook, 1999; D'Aunno, Succi and Alexander, 2000; Seo and Creed, 2002; Lounsbury, 2007), organizations' multiple embeddedness in local as well as more global contexts may facilitate agency. Because organizations are likely to face different institutional pressures in the different contexts in which they are embedded, institutional incompatibilities are more likely to emerge. Such incompatibilities are a source of contradictions. The ongoing experience of contradictory institutional arrangments can transform actors from passive participants in the reproduction of existing institutional arrangements into institutional entrepreneurs (Seo and Creed, 2002).

This tension between the local and more global environments in which organizations are embedded raises a number of interesting questions about the influence of institutional pressures stemming from the different contexts in which organizations are simultaneously embedded. There are a number of dimensions on which future research can parse the varying institutional dimensions that influence organizations. Community influence, in particular, is likely to be contingent upon community characteristics as well as organizational and individual characteristics. In suggesting future research, below we discuss some characteristics of communities that may lead to greater influence on organizations; and secondly some characteristics of organizations and organizational activities and then finally characteristics of organizational members that may make them more or less influenced by community pressures.

Future Research Directions

Features of communities: While in our review above, we discussed research that addresses community influence, there are still significant gaps in our understanding of how community influence varies with community characteristics. In particular, an open question is the degree to which communities that are geographically and/or socially isolated may lead them to rely more or less on local institutions. A line of research that has investigated the effects of physical distance on inter-firm ties (Sorenson and Stuart, 2001; Marquis, 2003) hints that isolation may be an important variable. But this research is really only a first step, as distance and isolation may not just lead to differences across individual firms, but could as well create more systematic underlying cultural and social differences. For example, communities, such as Edmonton, Alberta that are physically removed from other major population centers may have systematic differences when compared to population centers that are closer to other population centers such as those on the East Coast of the USA. Further, degrees of isolation can also be assessed across linguistic and cultural boundaries, such as for example, those that exist within Canada between Quebec and the other provinces or within some of the Spanish speaking areas of the United States.

Features of organizations: Another angle to understanding community influence on organizations is to explore the variation in community effects based on features of organizations themselves. There are a number of characteristics of organizations that may influence how responsive they are to community pressures. For example, in an early study, Galaskiewicz (1979) showed how larger firms that were more dependent on the local economy and community were the most central in local exchange networks. While clearly dependency on the local community may still lead firms to be more locally oriented, in the global economy, organization size may now be inversely related to localness such that it is mainly smaller firms that are more locally focused since it is a reasonable expectation that larger firms may be more cosmopolitan. Other variables such as the history of the firms and their tenure in communities may also lead to stronger community effects. A long line of research on the effects of founding environments (Stinchcombe, 1965) suggests that early embeddedness in communities may create a persistent connection between organizations and their founding community. There are a number of anecdotal examples that suggest this might be the case, but as of yet, no systematic empirical research. For example, even though Boeing may have relocated its headquarters to Chicago in recent years, it still maintains an active presence in its traditional home town of Seattle.

This distribution of organizations' headquarters and production facilities is also an important, though relatively unexplored consideration to understanding community effects. Greenwood et. al. (2007) for example showed that Spanish firms that are more regionally concentrated are less likely to downsize, presumably because they are embedded to a greater extent in that community. Further, studying the evolution over the 20th century of the employers in Marseilles, Zalio (1999) shows a recent tension between the local and global logics and that this tension is particularly salient for the heads of subsidiaries of large companies, who have to balance the promotion of local productive projects and the promotion of the most promising industrial projects in other locations. The degree to which production facilities are dispersed or centralized may influence the networks, norms and cognition of firms. More centralized firms may be expected to be more locally focused and thereby more responsive to community pressures than more dispersed ones.

In addition to characteristics of organizations, different types of organizational activities as well may be particularly local in nature. Clearly the long line of research on community nonprofits suggests that services that specifically serve local populations maintain a local character. The degree to which organizations' business models and clientele are local in nature would lead firms to be more focused on their communities. However, contrasting this argument is Lounsbury's (2001) study of how a very national institution, mutual funds, still reflects the local environment of firm headquarters. As noted, Boston firms maintain a conservative strategy, while New York firms are more aggressive. The types of industries and organizational activities that are more or less influenced by community factors is a significantly under explored topic.

Individual features: Finally, organizational members' degree of embeddedness (Dacin, Ventresca, and Beal, 1999) in the local community is also likely to influence organizations' responsiveness to community pressures (c.f. Kono, et. al., 1998). For example, organizational members with longer tenure in the community are more likely to take for granted local institutions, and in some cases defend them (Marquis and Lounsbury, 2007). Similarly, organizational members who never worked outside a given community are more likely to take for granted local institutions. In contrast, organizational members who have worked in other communities, having been exposed to greater numbers of different institutional contexts, are less likely to take for granted local institutions (Sewell, 1992; Emirbayer and Mische, 1998; Kraatz and Moore, 2002; Battilana, 2006).

The proportion of people with longer tenure in the community and/or who never worked outside the community may influence organizational responsiveness to community influence. For example, the proportion of expatriates versus locally rooted employees working in the subsidiary of a multinational corporation may affect this subsidiary's responsiveness to community influence. The impact of organizational members' degree of embeddedness in the local community may, however, vary with hierarchical position. For example, the trajectory of top managers may have a greater impact on organizational responsiveness to community pressures. In new venture, the trajectory of founders may affect the organization's responsiveness to community influence. There is a need for studies addressing these different issues and thereby clarifying the impact of organizational members' trajectory on organizational responsiveness to community influence.

Conclusion

Our goal in the paper was to redirect theoretical and empirical attention back to understanding the importance of community influences on organizations. Given the extensive focus on globalization and isomorphism in recent decades, our approach thus runs counter to the dominant trends in organizational theory. But our contention is that these trends have been over emphasized which has led to a systematic undervaluing of the particularities associated with local communities. Our argument is that understanding the influence of communities will not only uncover nuance and provide a more fine-grained accounting for organizational behaviors, but also have a broader theoretical pay-off as well. In unpacking the regulative, social-normative and cultural-cognitive effects of communities, we have shown that with globalization, not only has the local remained important, but in many ways local particularities have become more visible and salient as globalization has proceeded. In today's environment, organizations are simultaneously embedded in communities and broader global environments, and therefore, by accounting for these different levels, researchers will be able to better understand isomorphism and change dynamics.

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