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Review

## Acting globally but thinking locally? The enduring influence of local communities on organizations

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**Abstract**

We develop an institutionally oriented theory of how and why local communities continue to matter for organizations 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. Our approach runs counter to the idea that globalization is a homogeneity-producing process, and to the view that society is moving from particularism to universalism. We argue that with globalization, not only has the local remained important, but in many ways local particularities have become more visible and salient. We unpack the market, regulative, social, and cultural mechanisms that result in this enduring community influence while reviewing classic and contemporary research from organizational theory, sociology, and economics that have focused on geographic influences on organizations. In this paper, our aim is to redirect theoretical and empirical attention back to understanding the determinants and importance of local influences. We suggest that because organizations are simultaneously embedded in geographic communities and organizational fields, by accounting for both of these areas, researchers will better understand isomorphism and change dynamics.

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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 & Le Galès, 2000; Marquis, Glynn, & Davis, 2007; Sorge, 2005). Recent studies have shown that embeddedness in communities has an

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enduring influence on organizational behavior and that there are a number of mechanisms that mediate and maintain this relationship. For example, geographic proximity and local networks influence diverse practices such as organizations' nonprofit giving (Galaskiewicz, 1997), board of director structure (Kono, Palmer, Friedland, & Zafonte, 1998; Marquis, 2003), and corporate governance practices (Davis & Greve, 1997). Different localities maintain shared frames of references, which influence outcomes as diverse as corporate social responsibility behaviors (Marquis et al., 2007), corporate strategies (Lounsbury, 2007), governance processes (Abzug & Simonoff, 2004), racial composition of the workforce (Brief, Butz, & Deitch, 2005), and organizational foundings (Marquis & Lounsbury, 2007). Variations in local laws and tax rates also contribute to persistent differences in organizational behavior across communities (Guthrie, Arum, Roksa, & Damaske, 2008; Guthrie & McQuarrie, 2005; Marx, Strumsky, & Fleming, 2007). Further, a growing stream of research focuses on how local competitive and market-based processes influence organizations (Audia, Freeman, & Reynolds, 2006; Stuart & Sorensen, 2003; see Freeman & Audia, 2006, for a review). This diverse work suggests that even in spite of recent globalizing trends, local influences are maintained. While there has been a revival of research that has accounted for the effect of geographic communities on organizational behaviors, 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 analysis of the influence of communities focuses on how individuals, organizations, and markets are influenced by common elements of culture, norms, identity, and laws as a result of sharing a common physical location. Even the most cosmopolitan individuals and organizations are likely rooted in some home or headquarters location, which suggests that one implication of globalization is that both global and local features remain salient (Robertson, 1995). We focus on articulating how and why place-bound features of local communities such as market structures, types of public policies, relational systems and networks, history, tradition, and even physical geographic factors maintain a significant influence on organizations. We examine how these processes create variation in organizational behaviors across communities.

The tools of institutional theorizing (Davis & Marquis, 2005; Schneiberg & Clemens, 2006; Scott, 2001) are helpful in unpacking how and why communities have an enduring influence on organizations. Our approach follows the primary underlying premise of institutional theory—that action and choice cannot be understood outside of the cultural and historical frameworks in which organizations are embedded. Early institutional works, such as Selznick's (1949) study of the Tennessee Valley Authority and Zald's (1970) study of the Chicago YMCA, were heavily influenced by local sources of power, and other investigators such as Warren (1967) stressed the importance of community for understanding institutional influences, because it is within communities that diverse types of organizations come into contact.

But as Powell and DiMaggio (1991) describe, institutional theory has more recently discarded the study of local environments to focus on geography-independent organizational sectors, or fields. 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. In such a global world, the geography-independent organizational field (DiMaggio & Powell, 1983) has proven to be a powerful level of analysis that may have obscured the influence of community. But the recent flurry of scholarship and research on community bases of organizational behavior suggests that, even in such a global world, local communities continue to influence organizational behavior. Our goals in this paper are to build on the social constructionist and cognitive traditions of institutional theory to not only understand mechanisms that maintain localness, but further to complement the focus on institutional fields with a more systematic focus on enduring community influences.

Part of the process we articulate includes a dialectic between the global and the local, which suggests 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 (Marquis & Lounsbury, 2007; Scott & Storper, 2003; Sorge, 2005). Since individuals and organizations are typically deeply embedded in their home localities, they may regard the penetration of global features as a threat to a more traditional way of life (Brint, 2001; Marquis & Lounsbury, 2007; Robertson, 1995). Such an approach runs counter to the commonly accepted idea that one can view the evolution of society as moving from particularism to universalism through homogeneity-producing trends (Robertson & Khondker, 1998; Sorge, 2005). As Robertson (1995: 28, quoting the *Oxford Dictionary of the Social Sciences*) puts it, social processes today are characterized by “telescoping global and local to make a blend.”

We articulate two classes of mechanisms, those that result from communities as local-market environments and those that result from communities as institutional environments, to unpack community influences on organizations in

a global age. A series of studies in the ecological tradition (see Freeman & Audia, 2006, for a review) and in economic geography highlight the importance of local competitive and ecological factors. Proximity still defines some market boundaries, and as a result, organizations and organizational processes reflect local contexts. As a counterpoint, our second set of mechanisms focuses on how communities are not just contexts for competition, but provide different institutional environments that influence organizations. This focus is particularly important in understanding why community forces are so durable.

To unpack the different institutional influences that lead to the persistence of community effects, we follow Marquis et al.'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 extend the current focus of institutional theory from 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 modeling community-level institutional processes will draw the regulative, social, and cultural underpinnings of organizational behavior into fuller relief by showing how even organizations with conflicting economic purposes are influenced by embeddedness in similar geographic environments.

After more fully 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 the effects of communities may be even more important in light of globalization, and how by accounting for these different levels of analysis, researchers will better understand isomorphism and change dynamics both within and across geographical communities and organizational fields. Focusing on how communities as institutional environments lead to enduring effects in the face of globalization provides fresh theoretical insights to organizational theory, in addition to providing a more unified perspective of this diverse set of emerging community-oriented research.

## 1. The concept of community

There are many sociological and anthropological definitions of the concept of community,<sup>1</sup> and most emphasize some combination of relative small scale, boundedness, and strong ties among members (*Oxford Dictionary of the 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 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 make up a 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. Some scholars have even argued that community may in fact be a largely symbolic concept, and can only be defined according to social interactions and shared cultural elements among constituencies (Cohen, 1985). 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 intertwines the concepts of field and community and shows how even organizations with conflicting economic purposes are influenced by embeddedness in similar geographic environments.

In conceptualizing the community as a central object of study for organizational scholars, it is important to highlight our focus on geographic entities. While other conceptions have included elective communities, such as professional associations, that are geography-independent (Brint, 2001), we feel it is important to focus on geography in order to effectively distinguish the processes that we identify from those identified by geography-independent

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<sup>1</sup> Hillery (1955) showed that by the mid-1950s, 94 separate definitions of community had been proposed. See also Brint (2001), Calhoun (1980), and Cohen (1985) for further discussion.

organizational fields; the latter processes have emerged as the unit of analysis in most institutional studies (Davis & Marquis, 2005). Further, a focus on local geographic boundaries complements recent institutional research on the importance of transnational phenomena (Djelic & Quack, 2003; Djelic & 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 the physical bounds of community as a metropolitan region. This is the approach taken by early work in American sociology and political science, in studies of Muncie, Indiana (Lynd & Lynd, 1929), Newburyport, Massachusetts (Warner & Lunt, 1941), Philadelphia, Pennsylvania (Baltzell, 1958), Atlanta, Georgia (Hunter, 1953), and New Haven, Connecticut (Dahl, 1961; Polsby, 1963). Recent research (Marquis, 2003; Stuart & Sorensen, 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 & Le Galès, 2000: 6).

But we argue that the legal, social, and cultural phenomena associated with communities need not be bound within a city limit. Aldrich (1999: 300), for example, suggests that the “geographic scope of a community is an empirical question.” He stresses that what qualifies as a community is to some extent determined from the bottom-up based on relations between organizations. Thus, other geographic entities or regions—for example, clusters of cities such as Silicon Valley—may also qualify as communities (Greenwood, Diaz, Li, & 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 by considering some regions as sites of the most advanced forms of economic development and innovation (Scott & Storper, 2003). Silicon Valley (Saxenian, 1994) is a good example of a region playing an active role in the development and 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 & Khessina, 2005). Industrial districts can be considered a type of community (Marshall, 1920) within which geographically localized industrial systems both directly compete with each other, and also cooperate with each other in various ways (Brusco, 1995; Piore & Sabel, 1984). 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 as a geographic community.

We regard the community level of analysis as a local level of analysis corresponding to the populations, organizations, and markets located in a geographic territory and sharing, as a result of their common location, elements of local culture, norms, identity, and laws. 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 that boundaries of organizational fields are constructed. We argue, however, that the community level of analysis needs to be revived in institutional theory because it is the only way to account for the fact that organizations are locally embedded.

In this paper, we focus on the underlying economic, regulative, social, and cultural mechanisms that influence organizations, to remain focused on their local communities in spite of (or even because of) globalizing trends. By our definition, these could include cities, clusters of cities, regions, industrial districts, or any type of local productive system. After reviewing studies that focus on how geographic proximity and local markets influence organizations' behavior, 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.

## 2. Market mechanisms maintaining community

Some streams of organizational research have explicitly studied local effects on organizations; the most developed research in this area examines local competitive environments that provide different levels of various types of resources for organizations. In this line of research, investigators identify organizational communities based on geographic proximity and study how local markets lead to variation in organizations' economic performance. We focus here on two influential streams of research that have examined how organizational variation exists across

communities. The first is the ecological tradition, which builds on the work of Hannan and Freeman (1977), whose original population ecology model theorized the importance of communities for understanding the dynamics of organizational populations (see Freeman & Audia, 2006, for a review of this work). The second stream of research is economic geography (Marshall, 1920), which examines how geographic co-location of industries provides positive externalities, such as spillovers and labor training. Some researchers, such as Sorensen and Audia (Audia et al., 2006; Sorenson & Audia, 2000), are increasingly integrating insights from both of these approaches.

The ecological research stream focuses mostly on how organizational density in a population influences organizational vital rates. Early in the life cycle of an industry, organizations are founded as their organizational form gains legitimacy. But after a point, crowding sets in and enhanced competition lowers founding rates and increases death rates. 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 community market processes than on national or even global markets (Freeman & Audia, 2006). The underlying mechanism driving these relationships is market competitiveness, which affects organizational vital rates such as founding and death. 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 in understanding where new firms are founded. The most developed theoretical consideration of local environment ecology 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 and hence organizational vital rates. Markets have bounds, and some types of organizations (in Greve's case, Tokyo banks) live and compete within those bounds. Further, Baum, in a number of studies (Baum & Mezas, 1992; Baum & Singh, 1994), has shown how localized competition and crowding within local communities led to higher failure rates for community daycare centers in Toronto and Manhattan hotels. And Ingram and Inman (1996) show that collective action and institution building by hotels on both the U.S. and Canadian side of Niagara Falls affected founding and failure rates of these localized populations. This line of work has shown that co-location and proximity are important in defining organizational ecologies, particularly as they are sites of market competition.

The ecological model of resource partitioning theorizes a relationship between the consolidation of markets and the founding of new firms. As a market consolidates into a smaller 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, and how the boundaries of markets delineate available resources for organizations: "an organization's location in the resource space accounts almost entirely for the partitioning of industries" (Carroll & Swaminathan, 2000). 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 U.S. cities because cities were the autonomous units of competition for newspapers. McPherson (1983) proposes a similar model whereby overlap of member characteristics defines niches and competition between voluntary organizations. 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. They find that more banks were founded in communities where the deposit market share was consolidated and where there was a greater presence of generalist banks that presumably ignored smaller market niches. Further supporting the effects of local mergers on organizational founding, Stuart and Sorensen (2003) find that organizational liquidity events such as IPOs and acquisitions in focal or adjacent communities led to the unleashing of entrepreneurial talent and subsequently the founding 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 diverges from other research in economic geography that studies how industries agglomerate and how close geographic proximity with competitors can be beneficial (Krugman, 1991; Marshall, 1920). Ecology research suggests that 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, this work shows that there is a substantial benefit to all local firms from the agglomeration of industries. For example, Detroit became the capital of the auto industry by having fertile early training grounds such as the Olds company that spawned many spin-offs (Klepper, 2002), and Akron was fertile soil for tire research that benefitted firms located and founded there (Buenstorf & Klepper, 2005; Sull, 2001). These studies highlight several processes that underlie the local clustering of industries, increasing the flow of innovation and ideas across firms. Being co-located with competitors leads to greater individual firm competitiveness by enabling them to draw on a specialized labor force, use common and more specialized suppliers, and benefit from more general knowledge spillovers.

Some research in both ecology and economic geography begins to account for some additional social dynamics that are boundary conditions for a strict ecological or economic geography approach. For example, entrepreneurs are not necessarily randomly distributed, and individuals typically start businesses in close proximity to their current places of residence (Marquis & Lounsbury, 2007; Sorenson & Audia, 2000; Thornton & Flynn, 2003), sometimes founding a company to compete with a former employer (Burton, Sørensen, & Beckman, 2002; Romanelli & Schoonhoven, 2001). Networks also have been found to lead to increased founding rates in communities (Audia et al., 2006). In a particularly influential study, Saxenian (1994) describes 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.

These sets of research are important for drawing attention to some of the features of local markets and competition that result in a maintenance of local community features in organizations. Competition within localities leads to processes such as locally patterned organizational founding and death, and local agglomeration factors lead organizations to be more competitive as a result of co-locating. But the rich qualitative studies of regions such as Saxenian's suggest that the durability of local-market systems and organizational behavior within them may in fact be better characterized by institutional explanations.

### 3. Institutional mechanisms maintaining community

We believe that while the above studies on how proximity and market mechanisms lead to community effects have been influential, they are in many ways only a starting point in understanding how embeddedness (Dacin, Ventresca, & Beal, 1999) in communities influences firm behaviors. There are still significant open questions about how embeddedness in a community influences organizational behavior and characteristics beyond organizational performance, foundings and death. A further distinction between our approach and the community ecology approach is that while the latter 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.

Paralleling Scott's (2001) influential typology of institutional processes, we argue that communities influence organizational behavior through three primary mechanisms: regulative, social-normative, and cultural-cognitive. We start with the regulative and legal 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 that the political boundaries are important for understanding organizations (Dobbin, 1994; Guthrie, 2003; Wade, Swaminathan, & Saxon, 1998). 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 give actors a deeply shared frame of reference that does not need action to maintain or recreate (Berger & Luckmann, 1966; Douglas, 1986). In contrast, the social-normative is more about how consensus on what is appropriate arises out of the action of collectives and from one's peers. Below, we use these three categories of processes to detail and unpack the various mechanisms that underlie community-level effects on organizational behavior.

#### 3.1. *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 into how community-level features impact organizations, 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 (Weber, 1947), states are usually defined as having a monopoly on 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 the state, the more room there is for agency by local public authorities. Hence, the influence of local public policies on organizational behavior varies from one location to another depending on the degree of political decentralization (Zeitlin, 1995). For example, examining the conditions that facilitate the development of industrial districts, scholars (Benton, 1992; Ganne, 1995; Trigilia, 1992) 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 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). Thus, due simply to the significant variation across communities with regard to regulations and laws, local features are maintained. Below, we describe how different types of local policies and actors influence organizations.

*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 programs. For example, when local governments control tax laws, they may use them to influence organizational practices in certain sectors. Guthrie et al. (2008) 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, Gale, & Slemrod, 2003; Bakija & Slemrod, 1996; Bakija & Steuerle, 1994), but they also signal to corporations the importance of supporting local social services and the provision of local public goods.

Studies have also shown that an important difference across localities is types and interpretation of employment law, and that this has a fundamental influence on a variety of organizational features, including the likelihood of organizations' discrimination based on gender, race, and sexual orientation (Brief, Butz, et al., 2005). In the U.S., legal mandates are frequently ambiguous and open to interpretation by actors such as states, corporations, and courts (Dobbin & Sutton, 1998; Edelman, 1990, 1992). This has led to some significant differences across geographic communities in the implementation of workplace legislation such as the Civil Rights Act and Equal Opportunity laws. For example, in a series of studies, Guthrie and Roth (1999a, 1999b) show how advancement of female CEOs and diffusion of maternity-leave policies varied across judicial regions and states as a result of selective enforcement of federal mandates, and this affected firms' employment activities. Areas where the judiciary exhibited greater support for equal employment law had higher rates of female CEOs, presumably a result of these organizations' being more open to promoting women throughout their careers. Further, state-level institutional environments provided a framework for firms to introduce new strategies of offering maternity leave benefits to circumvent the federal definition of gender neutrality in the workplace. This research suggests that the legal environments in which organizations exist shapes their employment policies in subtle yet profound ways.

The literature on industrial districts also illustrates the impact that local public policy may have on organizational behavior (Bagnasco & Sabel, 1995; Piore & Sabel, 1984). Local public authorities often play a facilitating role in the development of these regions. 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 collective goods include social services for workers (health care services, transportation, public housing, schools, daycare centers) and, for local firms, the provision of industrial estates, physical and technical 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 non-compete clauses across locales (Marx et al., 2007; Stuart & Sorensen, 2003). In states where scientists are not legally prohibited from starting a new firm in the same space as their prior firm, they are more likely to start new firms locally, contributing to local innovation rates and economic growth.

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 was 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% 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. Guthrie and McQuarrie (2005) also recount how there is considerable variation across U.S. states and cities on corporate support of low-income housing. While the U.S. 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 types of actions of these local actors may explain variations in the regulative environment across communities. For example, competition between locally focused and nationally focused professional associations can influence the degree to which legal changes respond to community issues (Ingram & Rao, 2004). In Ingram and Rao's case, social-movement organizations influenced the legality of chain stores in communities, which has an important influence on whether economic bases are locally maintained or not (Marquis & Lounsbury, 2007). Further, universities have been identified as playing a key role in the shaping of the institutional environment at the community level (Amin & Thrift, 1992, 1994; Phelps & 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 & 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 Rochester, New York successfully relied on the local university to shape knowledge networks and promote innovation among firms within communities.

The above discussion shows that regulative pressures may vary across communities, and that local political environments are still quite powerful in shaping variation in organizational behavior 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.

### 3.2. *Social-normative influence of communities*

Perhaps the most developed set of institutional 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 and how they influence organizational behavior at the community level. 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) highlight 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 such as 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 interaction, it is more likely that there would be conduits of information (Podolny, 2001) between local firms. But as the section heading 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 guides firm behaviors. Below, we explore how organizational networks and the interaction between organizations and social class help create normative systems within communities that lead to organizational variation across communities.

*Local organizational networks and norms.* The idea that community social networks are important in understanding firm behaviors was introduced by early investigators such as Warren (1967) who studied interaction between local businesses and nonprofits in Philadelphia, Detroit, and Boston, and emphasized that interaction between diverse organizational types was fundamental to community functioning. Other early research that has documented the normative effects of linkages among diverse organizations located within same community includes Litwak and

Hylton (1962), Turk (1977), and Galaskiewicz (1979). These investigators all support the early social research in networking (Festinger, Schacter, & Back, 1950) that showed how proximity is perhaps the most important determinant of social relationships, which contribute to shaping local norms.

Further, as noted above, recent work on industrial districts about the importance of local community networks has focused on how social networks may enable organizations' innovation by contributing to the development of a norm of cooperation, and such networks may also impose standards for certain organizational practices. Recent examples of the importance of local community networks on firm behaviors have focused on how variation within communities' social networks can lead to greater innovation. Storper (1997; also see Scott & Storper, 2003) refers to 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 (Lazaric & Lorenz, 1998; Lorenz, 1992). Owen-Smith and Powell (2004), for example, show in a study of biotech firms in Boston that local knowledge networks function 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, King, & Juda, 2007; Fleming & Marx, 2006). Others have shown that local relational assets influence the formation of routines of economic and organizational behaviors that themselves shape activities such as production, entrepreneurship, and innovation (Haggard, 1990; Rodrik, 1999; Wry, Greenwood, Jennings, & Lounsbury, 2009).

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). Organizational processes and decisions are frequently influenced by local interpersonal connections (Ingram & Zou, 2008). For example, in a series of studies, Safford (2005, 2009) illustrates differences between paired comparisons of similar cities to illustrate how different network structures evolved and played a role in social and economic development. The tight elite network of Youngstown, Ohio, centered on the local Garden Club, impeded the revitalization of that city as compared with Allentown, Pennsylvania (Safford, 2009). And comparing the knowledge networks of Akron, Ohio and Rochester, New York, Safford (2005) finds that following industrial decline, Akron's focus on generating new knowledge through local universities was less effective at fostering innovation than Rochester's focus on building community network ties. Similar networks into the global manufacturing environment helped Spartanburg-Greenville, South Carolina excel as a production center (Kanter, 1995). 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 & 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 (1985, 1991, 1997) research on corporate giving in Minneapolis/St. Paul. For instance, Galaskiewicz (1985; Galaskiewicz & Wasserman, 1989) showed that organizational uncertainty around giving levels led firms to look to their local network peers for guidance, a finding corroborated by McElroy and Siegfried's (1986) interviews of corporate philanthropy personnel in 14 U.S. cities. Further, social comparison processes (Galaskiewicz & Burt, 1991) and the establishment of local institutions contributed to normative expectations with regard to giving levels (Galaskiewicz, 1985, 1991, 1997). Similarly, a line of work on the development of inter-organizational networks by community health-services providers suggests that local networks develop out of a commitment to serving community needs (Provan, Isett, & Milward, 2004; Provan & Milward, 2001). More generally, in a contrast between Columbus and Cleveland, Ohio, Marquis et al. (2007) show that different norms of corporate involvement in community evolved in each community. In Columbus, firms coalesced around children-oriented activities, and in Cleveland the appropriate focus was more on creating affordable housing (see also Guthrie & McQuarrie, 2005). This research suggests that local social factors have an evaluative component that lead organizations to behave in ways that are socially appropriate, given the context.

*Local social class relations and norms.* Research that addresses how appropriate corporate behavior can be seen as stemming from the class-based interests of managers (Palmer & Barber, 2001; Palmer, Friedland, & Singh, 1986) has also focused on how community-level processes, and specifically, the importance of local class cohesion across cities, creates variation in organizational behaviors (Kono et al., 1998; Marquis, 2003; Mills, 1956; see Friedland & 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 in St. Louis (Ratcliff, 1980). In a study of the stability of the French financial elite, Kadushin (1995) shows that local elite connections were durable and were more influential to financial-industry structure than governmental policies. Studying the metropolitan area of Marseilles in Southern France, Zalio (1999) shows that businessmen used their local networks of relationships as well as their affiliation with wealthy local families to gain access to resources and information for their companies at the beginning of the 20th century. In particular, businessmen organized to ensure their control over the port activities, which were at the heart of local economic activities. Interestingly, the companies ran by these businessmen exhibited a number of similarities, such as the use of the same “know-how” and technologies and a weak reliance on banks.

One avenue of elite power is through elites' typically dense connections in communities; several studies have shown that there is a social class-based system of establishing and maintaining local intercorporate network relationships, and that cities vary systematically in the density of their elite networks (Marquis, 2003). Authors such as Useem (1984), Domhoff (1998), Zalio (1999), and Heemskerk (2007) argue that exclusive upper-class clubs in cities provide settings in which managers and directors can become acquainted and have influence on one another. Other 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 & Domhoff, 1981); directors are more likely to serve on the same board when both are upper-class club members (Johnsen & Mintz, 1989); and the presence of an upper-class club leads to greater local interlocks (Kono et al., 1998; Marquis, 2003). In a study of changes in the Dutch corporate elite following globalization pressures, Heemskerk (2007) shows that elite connections beyond the boardroom have significant implications for board practices and corporate governance more generally. Thus, cities with greater upper-class cohesion are likely to have more similar business practices (Mizruchi, 1992; Palmer & Barber, 2001).

The discussion above shows that local relational systems influence organizational behavior through social-normative processes. Thus, while organizations may be competing globally, managers and leaders of organizations reside in a certain location, and their embeddedness in that location has an enduring influence on their firms' behaviors. Consistent with some of the earliest and most influential social network research (Festinger et al., 1950), physical proximity and co-location affect who one associates with, and these connections subsequently have a strong influence on norms. Different patterns of connections and norms across communities lead to situations where there is “significant homogeneity within communities but substantial variation between communities” (Marquis et al., 2007: 927).

### 3.3. *Cultural-cognitive influence of communities*

While networks and social structures are involved in spreading information as well as appropriate behaviors for community members, we posit 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 how culture and cognition differ based on localities generally, and then we describe some of the reasons underlying this variation across communities as well as how different local shared frameworks influence organizational behaviors.

*Variation in local frames of reference.* Numerous studies have illustrated how there is variation in longstanding shared frames of reference in corporate practices across communities. For example, Marquis (2003) shows how cities develop deeply held city traditions regarding governance and how these traditions continue to influence the structure of corporate governance in U.S. 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 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) shows 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 et al. (2007) contrast the type of legitimate corporate social action that was prevalent in Minneapolis and Atlanta. In Minneapolis, there was a deeply

held belief in arts funding, which was reflected in giving rates. Atlanta however, did not have the same focus on the arts, but had 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, 2008) and even the Cotton States Exposition as far back as 1895. Finally, Molotch, Freudenberg, and Paulsen (2000), in a study contrasting Ventura and Santa Barbara, California, describe that there may be different “city traditions” that are reflected in denser connections between local organizations and community social patterns that are perpetuated through time. Below, we show how this variation across locales in frames of reference likely stems from a number of identifiable historical, demographic, and geographical factors.

*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 in the United States 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 U.S. reflecting migration from non-Puritan England and the interior Northern European countries; and finally, a traditionalistic culture exists in the South based on the agricultural system of slavery under the control of large landowners. Similarly, in regard to organized social engagement, Robert Putnam’s (2000) work on social capital in the U.S. shows 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 U.S. were the opposite. The nonprofit literature has used Elazar’s cultural typology to understand differential rates of nonprofit growth across U.S. regions (Bielefeld, 2000; Bielefeld & Corbin, 1996). For example, Bielefeld and Corbin (1996) studied how the underlying political culture of Dallas corresponds to Elazar’s Southern type and Minneapolis to the Northern Plains type, and this influenced the types of nonprofits that 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 favorable” (Bagnasco, 1995: 7). Related, in his study contrasting the different success of Northern and Southern Italy in adopting governmental programs, Putnam (1993) also describes 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 was not able to emulate the North’s success.

A number of studies have also shown how local cultural factors underlie innovation and types of technical advancement. In a study of the development of the nanotechnology industry, Wry et al. (2009) analyze how some community scientific cultures, which are centered at universities, promoted the creation of narrow technological development, while others focused on broader forms of knowledge. In her study of the structural differences between the Route 128 region in Boston and Silicon Valley, Saxenian (1994) 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) argues that the historical difference between hierarchical and collaborative funding, which was established early, was reinforced and institutionalized in Silicon Valley in the 1970s, and this resulted in the development of funding networks and business associations that connected entrepreneurs.

*Demographic differences.* Underlying cognitive structures, and in particular, stereotyping behaviors, have been theorized and shown to be influenced by local demographic factors. Taylor (1998), for example, surveys prior studies about how white attitudes toward blacks in U.S. communities fluctuate with the size of the black population. Using data from the 1990 General Social Survey, Taylor shows that the greater the proportion of the local black population, the greater the prejudice among whites, presumably a result of a greater level of perceived threat. In a series of studies, Brief and colleagues have extended this logic to the study of organizations and their employment relations. For example, using data from the National Organizations Study and an experiment, Brief, Umphress, et al. (2005) found

that the closer whites lived to blacks and perceived an interethnic conflict, the more negatively they responded to diverse workplaces. Further, Brief, Butz, et al. (2005) postulate that these processes likely have a self-fulfilling function such that the more visible blacks are in lower-income jobs, the more whites will stereotype, which impacts black hiring rates and how blacks are distributed across occupations in cities.

*Physical geographic factors.* Two very intriguing sets of research suggest that some of the fundamental mechanisms behind variation across communities on locally shared frames of reference may be related to physical geography, such as climate and distance. 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 U.S. is the dichotomy between the South and North, grounded in climatic differences and further reinforced by the historical legacy of the Civil War. For much of U.S. history until the advent of air conditioning, oppressive climatic conditions in the South led to reduced work hours and reduced productivity of southern businesses (Ackermann, 2002). Stinchcombe (2007) further notes that in the context of Siberia, climatological differences have historically influenced how different social groups interrelate, and these styles of relations have become firmly institutionalized.

Further, geographical issues pertaining to distance and travel may underlie some of these cultural differences. For example, some have speculated that the differences in culture between the East and West in the U.S. 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 actions of firms differs as a result of the underlying beliefs of their home regions. Political giving of companies in the West and South, where population is dispersed, are more conservative and reflect a frontier ethic of individualism, while companies from the Northeast and Midwest are generally more moderate. An early theory about how physical conditions of a locale have significant effects on how business is organized is Douglass North's (1961) argument that a tripartite economy developed in the U.S., with different regions specializing in different business activities. In North's formulation, the northern U.S. focused on financial industries such as banking and insurance, the South on cotton because of inexpensive labor and fertile land, and the wide-open West on agriculture. While in the contemporary period these distance and physical geographic effects are not as salient, the fact that earlier periods typically have a greater effect on the culture that is established (Marquis, 2003; Stinchcombe, 1965) means that the legacy of these physical geographic factors are still with us today.

In the above discussion, we have focused on how there are persistent cultural-cognitive differences across communities which in turn influence organizational behavior, and that there are a number of factors that give rise to these differences. 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 places 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 multilayered geographic shape to organizational behaviors.

#### 4. Discussion and conclusions

In this paper, we argue that local communities are institutional arenas that have an enduring influence on organizational behavior through regulative, normative, and cultural-cognitive processes. 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. The social lives and contexts of individuals and organizations are frequently still rooted in one primary locality while being exposed to global trends.

At a time when globalization occupies center stage, it may seem paradoxical to emphasize the importance of institutional pressures stemming from the community level. But as we note above, the process of globalization involves the interpenetration of universalism and particularism (Robertson & Khondker, 1998; Sorge, 2005), and thus, globalization processes may make community features more salient. As local communities come closer together as a result of increased globalization, they may also demarcate the boundaries between themselves even more clearly (Marquis & Lounsbury, 2007; Scott & Storper, 2003; Sorge, 2005). 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. 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.”

There is likely a dialectical relationship whereby the simultaneous influence of the global and the local creates tension for actors (Robertson, 1995; Robertson & Khondker, 1998). Globalization in this formulation is not about either homogenization or heterogenization, but how both of these tendencies have become features of life. Executive decision-makers, for instance, travel in both local and global realms, and they likely have social pressures and reputational concerns stemming from both systems. These environments are thus akin to multiple identities (Kraatz & Block, 2008) or competing logics (Friedland & Alford, 1991; Marquis & Lounsbury, 2007) that create tension and conflict for individuals and organizations.

Further analyzing this tension between the global and the local, Robertson and colleagues have proposed that the recent upsurge in localness is a direct response to the threat that globalization has presented to local ways of life. As this relates to organizations specifically, there is a growing stream of research that identifies the process of resistance to global trends. For example, Marquis and Lounsbury's (2007) research on the founding of local community banks shows how this process was galvanized by community bankers who were resisting U.S. legislative policy designed to promote larger, more universal banks. Thus, while there has been the consolidation that the government has promoted, there has also been a backlash, which has led to the flowering of small banks. As a result, the structure of the U.S. banking industry has transitioned from one where there was a mix of firms at all size levels, to one that resembles a barbell—with the universal and the particular coexisting side-by-side, yet with no firms in the middle. Local communities also show variation in their interpretation and application of global ideas or trends. For example, as Glynn (2008) shows with regard to the global Olympic movement, individual cities significantly customize the experience, creating their own themes for the games and their legacy and conduct.

In addition to articulating the mechanisms that lead to the endurance of community effects, we argue that institutional theory, which accounts for the interaction between actors and their environments, should account for the particularism of the different environments in which organizations are embedded. While many scholars (Battilana & D'Aunno, 2009; Friedland & Alford, 1991; Ocasio, 2002; Palmer & Biggart, 2002; Reay, Golden-Biddle, & Germann, 2006; Strang & Sine, 2002) have called for more multi-level research in institutional theory, thereby echoing a call that pervades the field of organizational studies (Rousseau, 1985), so far most studies have focused only on the organizational and organizational field levels of analysis (Battilana, 2006). There is a need for studies that address the fact that organizations are simultaneously embedded in multiple environments (Schneiberg, 2002; Sewell, 1992), 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 global environments, they almost always face a situation of institutional pluralism; that is, they simultaneously evolve in different institutional spheres (Friedland & Alford, 1991; Kraatz & Block, 2008) that are sometimes competing (Marquis & Lounsbury, 2007). Managing such pluralism may be a challenge but also a resource for organizations, since it may contribute to enhancing their agency. Just as the presence of multiple institutional orders or alternatives within a given field constitutes an opportunity for agency (Clemens & Cook, 1999; D'Aunno, Succi, & Alexander, 2000; Lounsbury, 2007; Seo & Creed, 2002; Sewell, 1992; Whittington, 1992), organizations' multiple embeddedness in local as well as more global contexts may facilitate agency. Thus, considering how the local and global interrelate can be an important research site for understanding the dynamics of institutional change more generally (Battilana, Leca, & Boxenbaum, 2009). The ongoing experience of potentially contradictory institutional arrangements as a result of being embedded in more than one institutional setting can transform actors from passive participants in the reproduction of existing institutional arrangements into institutional entrepreneurs (Seo & Creed, 2002). Having to deal with diverse institutional demands across institutional settings, actors are less likely to take any institutional demand for granted and thereby more likely to take action that departs from existing institutions.

This tension between the local and 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 in which future research can parse the varying institutional dimensions that influence organizations. Community influence, in particular, is likely to be

contingent on 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 then some characteristics of organizations—organizational activities as well as organizational members—that may make them more or less influenced by community pressures. Finally, we discuss how there may be important interactions between these different levels of analysis.

#### 4.1. *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 (Marquis, 2003; Sorensen & Stuart, 2001) 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 also create more systematic underlying cultural and social differences. Further, degrees of isolation can be assessed across linguistic and cultural boundaries, such as, for example, those that exist within Canada between Quebec and the other provinces, the Basque or Catalan regions of Spain, or within some of the Spanish speaking areas of the United States.

*Features of organizations.* Another angle in understanding the influence of community 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) shows 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, as 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, there is 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 hometown of Seattle.

This distribution of organizations' headquarters and production facilities is also an important though relatively unexplored consideration in understanding community effects. Greenwood et al. (2007), for example, shows 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 that there is 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 with 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 may also 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 (2007) 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 underexplored topic.

*Individual features.* Finally, organizational members' degree of embeddedness (Dacin et al., 1999) in the local community is also likely to influence organizations' responsiveness to community pressures (cf. 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, to defend them (Marquis & 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 (Battilana, 2006; Boxenbaum & Battilana, 2005; Emirbayer & Mische, 1998; Kraatz & Moore, 2002; Sewell, 1992).

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 the 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 backgrounds and identities of top managers may have a greater impact on organizational responsiveness to community pressures. In new ventures, the founders would be an important group to consider in understanding the organization's responsiveness to community influence (Baron, Hannan, & Burton, 1999). There is a need for studies addressing these different issues and thereby clarifying the impact of organizational members' and their backgrounds, identities, and interests on organizational responsiveness to community influence.

*Combining levels.* The articulation of community, organizational, and individual-level features that may create variation in how organizational behavior maintains a community variation also suggests that there are numerous interaction effects between these different levels of analysis, which could prove to be promising future research directions. Many of the studies we reviewed above have an implicit multi-level structure as higher-order pressures from the community lead to lower-order effects, typically at the organizational or individual levels. For example, Marquis and Lounsbury (2007) show that it was the arrival of national banks in a community interacting with the level of bankers in the labor force that led to foundings. Heemskerk (2007) describes how the interaction between types of legal tradition in the Netherlands influenced how Dutch corporate elites responded to globalizing trends. As with other multi-level research, some of the most fascinating research opportunities are in understanding the interactions between levels (Hitt, Beamish, Jackson, & Mathieu, 2007), and future researchers should be attentive to these possible opportunities.

#### 4.2. Conclusion

Our goal in the paper was to redirect theoretical and empirical attention back to an understanding of 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 led to a neglect 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 understanding of organizational behaviors, but will also have a broader theoretical pay-off. In unpacking the economic, 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; therefore, by accounting for these different levels, researchers will be able to better understand isomorphism and change dynamics.

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