



Winning the Hearts of Communities

Can companies influence communities to their advantage? The answer is yes, if they engage the community and demonstrate mutual benefits at an early stage.

Many of the world's leading industrial centres – from Silicon Valley (high tech) to Switzerland (watches), Tokyo (consumer electronics) and Stuttgart (autos) – reached critical mass by having individual companies “imprint” local communities with skills and a pioneering spirit. Company influence flowed primarily in one direction – towards the community.

The rewards for companies have been very positive, as communities feed their shared experience back into the marketplace. INSEAD Professor **Henrich Greve** calls Silicon Valley an “engine” for company creation. “Silicon Valley has been imprinted with the ability to create technology ventures with new technologies – it has those skills as a result of it being a pioneer in doing that,” he told INSEAD Knowledge. “For-profit organisations - if there are enough of them - can create these growth engines of their own type so that it results in more for-profit organisations.”

For years conventional wisdom held that the community influenced a local company or organisation. But according to Greve, research demonstrates the opposite is true. In his paper ***Echoes of the Past: Organizational Foundings as Sources of an Institutional Legacy of Mutualism***, Greve studied non-profit organisations in Norway during the 19th century and found they had a profound influence on local communities that still

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exists today.

Most of the big organisations were established in response to critical needs. “Risk-pooling through mutual organisations has been a central element of the development of capitalism,” writes Greve. “Village fire insurance mutually pooled the resources of a community to avert the social costs of fires. Similarly, general insurance mutuals prepared for the financial risk of losing fishing vessels and gear, merchant ships, cargoes, and other assets.”

The Legacy of Success

The success of these organisations instilled a positive group-consciousness that encouraged the founding of other collectives. Civic mindedness was strongest when organisers set up these mutual companies at an early stage in the community's development.

Communities with experience in risk-pooling in the 19th century were more prone to set up retail cooperatives in the 20th century – stores that allow consumers to combine their resources to increase bargaining power.

Greve suggests that mutual organisations embed themselves in the institutional thinking of communities. They train local activists who, in turn,

mobilise resources to solve other community problems. “They acquire a greater accumulation of knowledge, values, and skills for undertaking subsequent organisation building,” Greve concludes.

The Power of Giving

On a much smaller scale, for-profit companies are some of the biggest sponsors of amateur sports teams, hobby clubs and recreation centres. Companies seek positive association with community figures and events. Many for-profit companies even grant communities access to their premises for charitable causes. Greve cites a movement by a group of McDonald’s franchises to collect toys for the poor during the Christmas season. “This is not done by McDonald’s Corporation, this is done by certain franchise handlers – typically young ones who are children of franchise holders,” he says. “They were doing community relations that had nothing to do with the product or what they served. It just had to do with – ‘we want to do this for the community. We just happen to have a place where it’s convenient to deposit toys, or we can have a rally for a library or anything like that.’”

An active Corporate Social Responsibility programme can assist local hiring along with boosting sales. Greve suggests “imprinting” influences communities in a very dispersed way. “It’s not something that benefits the company either – it benefits the community, but to the extent that it’s something that companies want to think about and perhaps also use as a way to strengthen the bond of trust or the emotion for the company in the local community.”

Comparing the Advantages of Communities

Corporate strategists scouting locations for new plants should find Greve’s study immensely helpful. Communities are widely different in terms of civic activity and quality of life. Good communities frequently attract good workers, making it easier to hire in these communities. “You may see differences in those communities now and ask the question: Are those differences going to endure and the answer is most likely ‘yes’, and they might even become greater,” insists Greve. “And that’s an important lesson because you would otherwise think that, well maybe, a slightly blighted community would bounce back. Probably not.”

There are some parallels to online communities and the notion of a “global village”. Cyberspace is full of online charities, crowd financing and sponsorship sites hosted by companies and organisations. But the real advantage is mixing with the community itself. “You can’t volunteer for a soup kitchen, or

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any of those things in an online community,” says Greve. “That difference is quite important to keep in mind because there are very good reasons for anybody, any organisation to be visible in an online community and to be spoken about well there. But in the end, the actual action – having to do it for example in civic life, in the real community, the 3-dimensional community as it were – that requires you to be there in 3D and not on a screen in 2D.”

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