Ups and Downs: Communities and Corporate Giving following Events and Disasters

With the Ski World Championship about to end in Schladming, I am reminded of my trip to Hakuba, Japan, last year. It is a great place for alpine skiing that has ski runs and other facilities made for the 1998 Nagano Olympics. I plan to go back there this year. But it also has some facilities that are not used much anymore, and its location in an isolated valley makes me wonder how it handled such a large event as the Olympics. The same could be said for Nagano prefecture, which is far from Japan's center in population and economy.

How does such a mega-event affect a small community? Indeed, how does a big event affect any size community, such as when Los Angeles hosted the Olympics? In recent research in Administrative Science Quarterly, András Tilcsik and Christopher Marquis looked at how mega-events affected corporate philanthropy. They showed that mega-events opened corporate wallets, with firms giving more money overall, including after the event. The continuation of giving after the event matters because it shows that the giving is not just for that event, and that there could be a longer lasting effect on the community. Unfortunately, as they show, the effect seems to peter out into nothing after a few years.

Hosting the Olympics is fun. But there are also negative mega-events, like a hurricane or other natural disaster, and these unwanted events create a need for corporate giving in order to rebuild the community. But they also reduce the resources available to firms. What is the net effect? Tilcik and Marquis found that corporate giving does increase after a disaster but, sadly, only if the disaster is small. For major disasters, corporate giving decreases. It is easy to see why, because the firms that might have given are themselves affected and have fewer resources to spare. This is bad news because it is major disasters (like the recent huge hurricanes in the US) that really call for corporate giving in addition to government and individual efforts.

What about the long-term effects? Tilcik and Marquis did not find any effects on corporate giving. However, in research that I have previously discussed in my blog post Community Imprinting, communities do experience long-term effects of some events. My collaborator Hayagreeva Rao published an article in American Journal of Sociology on how communities become better at founding community organizations after they had done so earlier. However, we also found that a major disaster, the Spanish Flu, had a negative effect on the ability to form community organizations long time after.

That finding is worrying when compared with what Tilcik and Marquis found. If a community devastated by a major disaster is less able to form community organizations for a long time after, and its corporate giving is reduced rather than increased (even if it is only in the short run), it is hard to see how it can recover fully. How disasters affect individuals, communities, and corporations is an important topic for research because learning more about how a community can make a natural recovery corporate giving and collective action can help us better understand the effects of a world that may be increasingly affected by extreme weather events. If there is no natural recovery, it is time to start a discussion about how to help communities overcome the long-term effects of disasters, and whether to start thinking differently about communities that are at risk of disasters in the future.

Greve, Henrich R., and Hayagreeva Rao. 2012. "Echoesof the Past: Organizational Foundings as Sources of an Institutional Legacy of Mutualism." American Journal of Sociology 118(3):635-75.

Tilcsik, András, and Christopher Marquis. 2013."Punctuated Generosity: How Mega-events and Natural Disasters Affect Corporate Philanthropy in U.S. Communities." Administrative ScienceQuarterly 58(1):111-48.

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