Corporate contributions: an empirical assessment of the underlying factors among small business organizations

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Corporate contributions: An empirical assessment of the underlying factors among small business organizations

Muhwezi, Dan Rubarema, Ph.D.
Iowa State University, 1990
Corporate contributions: An empirical assessment of the underlying factors among small business organizations

by

Dan Rubarema Muhwezi

A Dissertation Submitted to the Graduate Faculty in Partial Fulfillment of the Requirements for the Degree of DOCTOR OF PHILOSOPHY

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DEDICATION

This dissertation is dedicated to my parents, Erinesiti Rubarema and Faisi Kabeera, and to my uncle, Aberl Sabakiga. Their foresight and encouragement remain the most significant in my educational career. It is also dedicated to all those youth whose career goals will be inspired by the completion of this work.
CHAPTER I. INTRODUCTION

In recent years, many profit-making organizations have been pressed by public expectations and government agencies into expanding their roles beyond purely economic functions (Miles 1987; Pfeffer and Salancik 1978; Votaw and Sethi 1973). Although owners of profit-making organizations still demand a return on their investment and creditors want financial stability, there are now many more interests competing for the organization's attention (Connolly, Conton, and Deutsch 1980). Workers want safety, job satisfaction, and good wages; customers are increasingly organized in their attempts to get quality goods and services; and governments and government agencies expect compliance with increasingly complex regulations. In addition, local governments and civic leaders are asking that their resident firms be active and responsive citizens to community affairs (Steiner 1980; Friedlander and Pickles 1968).

How well a profit-making organization will be able to meet the different demands of these groups has considerable implications for its overall effectiveness (Daft 1986). Although most of the literature on organizational effectiveness still focuses on the economic dimension of performance, scholars and practitioners have begun to devote
Increasing efforts and resources to the social dimension of performance (Miles 1987; Steckmest 1982; Post 1978).

Consistent with this expanding view of effectiveness, this study focuses on the relationships between businesses in smaller cities and the communities in which they reside. Specifically, the study examines organizational and community factors that affect the contributions of manufacturing firms to community development efforts. Although contributions of time, money, goods and services reflect only one measure of community-oriented social performance (Andres 1981), they represent perhaps the best measure of the firm's responsiveness to current and emerging problems that small communities face.

The Nature of the Problem

The importance of studying the relationship between profit-making organizations and their host communities is made more urgent by changes that have been affecting communities and their local governments. In recent years, there has been a dwindling of intergovernmental transfer programs (Cigler 1988; Corder 1982; Mescon and Tilson 1987), reduced alternatives for increasing revenues (Cigler 1988), inflation and a growing demand for more and better services (Rubin 1982), and major changes in the rural economy (Murdock et al. 1988).
Stelner (1980) argued that the very success of American private enterprise in meeting the basic needs of most people has created demand for public goods, such as leisure, clean environment, resource conservation, and social justice. In the past, the capacity of smaller communities to promote themselves as attractive places to live in while maintaining their economic base had been subsidized by federal grants and loans (Rubin 1982). However, significant federal cuts in transfer payments to local governments have threatened the existence of many social programs (Stelner 1980; Corderl 1982).

One of the results of declining intergovernmental assistance is pressure for increased contributions from the private sector. Mescon and Tilson (1987) report that drastic federal cutbacks in social funding and return of certain programs to local jurisdictions had increased the number of local organizations seeking help from the private sector. They also report that the number of requests for contributions by social welfare organizations had in many cases tripled.

One of the reasons local governments and social agencies are turning to private enterprises is because they believe that business firms are financially and technologically capable of solving many social problems (McKenzie 1985; Foote 1984). Yet many firms do nothing for their
communities; a recent study noted that only 20 percent of the corporations in the United States contribute to community projects (Andres 1981; Corderi 1982). The contributing firms tend to be larger, relatively profitable and with executives committed to the development of their host communities (Useem 1987; Miles 1987; Parket and Elbirt 1975).

Although tax laws have increased the allowable amount of charitable contributions organizations can make from 5 percent of pre-tax earnings to 10 percent, the national average has remained at about 1 percent (Miles 1987; Corderi 1982; Committee for Economic Development 1971; Steckmest 1982; Andres 1981). One estimate indicated that private giving must grow by 114 percent to keep even with 1980 levels (Corderi 1982). Thus, it does not seem that current legal rules provide sufficient incentives to firms to make contributions. The inertia with which many firms of all sizes have resisted any basic changes in their behavior remains formidable and has created a credibility gap (Steiner 1980; Reuschling 1968).

However, there are limits to what a community can do to coerce organizations into participation in civic and charitable activities. The increasing mobility of corporate headquarters and frequency of plant closings is a constant threat (McKenzie 1985; Bozeman and Bozeman 1987). Competi-
tion between communities for these increasingly mobile firms has made some communities overly cautious in their dealings with the companies they host.

Objectives of the Study

Despite the lack of sufficient legal and economic incentives to the organization, some firms do make contributions to community projects (Corderi 1982; Andres 1981). The first objective of the study is to describe the magnitude and frequency with which certain manufacturing firms in Iowa do make contributions of time, money, and goods and services to civic and charitable projects. The second objective is to estimate the effects of selected organizational and community factors on the differential contributions of profit-making manufacturing firms to community projects.

Organizational and community factors selected as explanatory variables are suggested by previous research and organizational theories. The manufacturing firms selected for the study are agricultural-related, employing between 10 and 500 workers and located in Iowa cities with populations between 2,500 and 50,000.

Theoretical Concerns

This study builds on the current debate in organization theory and business policy. Using an interorganizational
framework (Child 1972; Pfeffer and Salancik 1978; Gray 1985; Galaskiewicz 1985a), the study examines the extent to which organizations or the social environment exercise influence over the firm's outcomes. In this case, corporate contributions are perceived as an outcome of transactions between firms and their host communities. (Crawford and Gram 1978; Levine and White 1961).

Although there are several models of organizational interaction with its immediate environment (Child 1972; Aldrich and Pfeffer 1976; Meyer and Rowen 1977), several theoretical issues remain unaddressed. First, the literature lacks specific sociological models of philanthropic contributions. This deficiency was well noted by Jenks (1987:326):

"If scholars had divided up the study of philanthropy in the conventional way, economists would have concentrated on the effects of income and taxation, sociologists would have studied the effects of race, sex, occupation, and other social influences, and social psychologists would have studied the effects of personal influences and attitudes. In fact, sociologists have hardly studied philanthropic giving at all, and psychologists, although interested in many forms of altruism, have not studied people who give away their money in real life situations.... As a result, we do not know much about the noneconomic determinants of philanthropic giving. What we do know is largely a by-product of economists' work on economic determinants of giving."

Second, available conceptualizations are descriptive (Strand 1983). They do not interrelate variables that affect the development of social demands and organizational
responses. Third, previous research has addressed organization performance within the context of economic variables in large organizations, often in large cities (Burke 1986; Burt 1983; Miles 1987; Steiner 1980). Similar studies of small organizations in smaller communities have not been conducted. Small owner-operated enterprises may have different levels of freedom in dealing with community problems, and different responsibilities to their constituent groups.

Overview

To achieve the objectives of the study, the dissertation is divided into six chapters. In Chapter II, the recent literature on community-business relations are discussed. Chapter III provides a theoretical framework and derived hypotheses based on organizational theories relevant to modeling the firm's decision to contribute to community projects. Chapter IV outlines the design and methods employed in data collection and analysis. It includes the description of the questionnaire, the sampling plan, and it reviews the operational measures of the concepts used in the model.

Chapter V presents the results and tests the hypotheses derived in Chapter III. Chapter VI discusses the implications of the study by putting the results back into the context of larger issues and the general literature.
CHAPTER II: COMMUNITY-BUSINESS RELATIONS: A REVIEW

This study seeks to identify the factors which may account for differences in philanthropic contributions among profit-making firms in their host communities. To achieve this objective, this chapter will first describe the current situation. Secondly, the bases of enduring relationships between a profit-making firm and its host community will be discussed. Finally, the chapter will examine the donors and recipients of the contributions profit-motivated organizations make to their host communities.

The Community

Although the concept of 'community' is basic to sociology, it is not a well-defined term (Wilkinson 1986; Freilich 1963). Hillery (1955) found 94 separate definitions in the sociological literature.

Despite the large number of competing definitions, this research will define the community as "that combination of social units and systems that perform the major functions (most of which have) locality relevance" (Warren 1978:9). Warren's definition is attractive for at least three reasons. First, it uses the "social unit," in our case the organization, as the unit of analysis. This is important because this study assumes that a business firm is one of the social organizations in the community. Second, it
outlines the basic functions of the community, and the roles business firms and all other social organizations are expected to perform. According to Warren (1978:10-11), these locality-relevant functions include:

1. **Production - distribution - consumption**: This function "relates to local participation in the process of producing, distributing, and consuming those goods and services that are part of daily living and access to which is desirable in the immediate locality" (1978:10). All community institutions may provide this function, although it is usually provided by the business firm.

2. **Socialization**: Through this function, the community transmits "prevailing knowledge, social values and behavior patterns" to its members. Schools and families perform this function (1978:10).

3. **Social control**: This function enables the community (or any other unit) to influence the behavior of its members. The police, courts, and other social units such as family, the schools and the church may perform this function (1978:11).

4. **Social participation**: This function may be provided by the church, businesses, voluntary organizations, and local government offices (1978:11).

5. **Mutual support**: At the local level, this function may take the form of "care in time of sickness, exchange of labor, or helping a local family in economic distress" (1978:11). This function may be performed by the family, neighborhood and friendship groups, or local religious groups.

Third, some communities are experiencing difficulties in providing some of these locally relevant functions. As such business firms which traditionally performed only production-distribution-consumption functions are now being asked to assume more supportive roles in the community, either directly or indirectly. Therefore, Warren's defini-
tion is preferred because it specifies what, in addition to their basic roles, profit-motivated organizations could do. Added expectations include social participation and mutual support. This change reflects the extent of the problems that most small communities face.

Problems in Contemporary American Communities

Students of community have long pointed to the economic, demographic, ecological, and social problems emanating from continuous rapid social change (Warren 1978; Levine et al. 1981; Rubin 1982; McKenzie 1985). Dantler (1968) was one of the first to point out that vast social change produces stresses and strains which get magnified at the level of the community. The following three problems are among the most pressing.

Fiscal stress

The presence of fiscal stress is indicated by the increasing gap between the demand for public services and local government capacity to meet the demands (Rubin 1982). For example, rural education systems face decreased revenues at a time when the public expects expanded curriculum offerings (Martin and Luloff 1988). In their study, Martin and Luloff reported an increase in demand for health care services in rural areas as a result of "a changing popula-
tition that is becoming more aware and willing to benefit from such services" (1988:34). Thus, lack of sufficient resources may hinder communities from adapting to these changes.

**Dynamic transitions**

One effect of these changes is that they make particular regions or communities economically vulnerable. One most notable example, in the midwestern farm states is the recent farm crisis (Murdock et al. 1987; Marx 1985). If agricultural producers are forced out of rural areas, rural businesses, service structures, and other community organizations performing locally relevant functions will not endure.

Loss of producers at the community level implies significant ramifications for the community, including related loss in business due to reduction in retail spending, decline in employment opportunities, loss of taxes for rural services, reduced membership and leadership in community organizations, and increased social and psychological problems requiring attention by social service agencies (Murdock et al. 1988). This suggests a need to support and expand the capacity of those community organizations which traditionally performed certain support services that are currently in greater demand.
Changing values

Values are underlying principles which guide people's choices. These values are products of culture. Today, scholarly observers note that there are subtle but gradual shifts in the thinking of people in most communities. People increasingly emphasize quality, resource conservation, social justice, interdependence, and communitarianism (Steiner 1980). Furthermore, communities expect community interests to be taken into account each time a firm makes a decision. Thus, community organizations need to reexamine their traditional roles and adjust to changing public expectations.

Possible Sources of Problems in Contemporary American Communities

The problems just discussed are important because they are becoming more prominent. One possible explanation for this apparent prominence is that the community lacks the capacity to mobilize certain resources to cope with specific problems (Cigler 1988). Warren (1978) suggested three possible explanations for lack of capacity at the local level.

First, some problems manifested at the local level, such as pollution, inflation, and unemployment are problems of the larger society. The community, as part of that
society, is organizationally and financially incapable of resolving these problems.

Second, the structure of the community mitigates against a unified community action (Lloyd and Wilkinson 1985). By its very nature as a "combination of social units and systems" (Warren 1978:9), the community lacks structural and functional control of its component parts, performing locally relevant functions. This limits effective local response.

Third, while the community has a specific physical space, some of its subsystems, such as business firms, are mobile. Mobility enables the firm to search for a better "niche." As a result, it reduces the firm's identification with and commitment to the community. In a sense, immobility reduces the community's resource searching and aggregating potential. Despite these problems, some community organizations have been able to expand their functions beyond their traditional domains.

The Expanding Role of the Firm

A firm does not merely reside in the community. Over a period of time, it becomes part of its host community and develops a view with which it defines its relationship and role in that community (American Institute of Public Accountants 1977). Equally, communities develop certain expectations of the firms they host to justify the firm's
existence and use of community resources (Davis and Fredrick 1984).

Within the context of this symbiotic interdependence, the firm remains the basic economic unit for performing the production-distribution functions of the community (Warren 1978). First, it is the primary supplier of goods and services in the host community (Carroll 1984; Warren 1978). A recent study by the U.S. Small Business Administration found that firms employing fewer than 20 employees generated over 51.8 percent of the new jobs in the United States in 1976 (U.S. Small Business Administration 1980). These jobs make employees, usually community residents, financially and psychologically able to contribute to the social and economic well-being of the community. Second, although some public agencies are large employers, the presence of profit-motivated organizations creates more opportunities for the would-be unemployed by creating demand for child care, transportation, and part-time employment (American Institute of Public Accountants 1977).

Third, business firms are--collectively--the major sources of revenue for other organizations in the community. Through property taxes and user fees, they support various levels of government (Savas 1982). In addition, schools, churches, and hospitals in the community may look up to business firms for various types of support, including
charitable contributions. Fourth, business firms have been instrumental in the development and application of science and technology, and improvement of the community's standard of living.

These functions bestow on the firm considerable but varying degrees of social power. In small communities where one business firm may provide most of the community residents with work, housing, schools, and recreational facilities (so-called company towns), the attitude of the dominant firm may vary from exploitative to philanthropic (Dill 1965). Companies oriented toward exploitation generally have little interest in long-run maintenance of the community.

On the other hand, business firms have provided goods and services to communities at a significant social cost. Environment degradation, high inflation, unemployment, unequal employment opportunities, and inadequate products are indicators of some of these costs (Reuschling 1968). As a result, host communities have requested business firms to help in eliminating poverty, providing good health care, facilitating equal employment opportunities, improving education and training, and reducing pollution (Corderi 1982; Steiner 1980). Implicit in these requests is the underlying assumption that communities originally accepted heavy social costs to provide basic goods and services.
Now, given the current standard of living, unrestrained provision of goods and services cannot be justified. Galbraith’s comments on this point are illustrative:

"To furnish a barren room is one thing. To continue to crowd furniture until the foundation buckles is another. To have failed to solve the problem of producing goods would have been to continue man in his oldest and most grievous misfortune. But to fall thence to proceed to the next task would be fully as tragic" (1958:275).

Not everyone agrees with this emerging role. Classical economists argue that the firm performs its social role when it produces goods and services according to the demands and signals of the market (Friedman 1970). Performing other functions may detract and render the firm inefficient and less profitable (Dill 1965). This creates a rather precarious position, since any individual firm which cannot justify its economic existence may be absorbed by more profitable enterprises. That is, the acid test of whether or not a firm should contribute is the familiar market test of long-run return on capital (Parket and Ellbirt 1975).

Other observers support the primacy of the economic function of the firm but argue that it cannot be regarded as exclusively economic, given its physical, structural, cultural, and social psychological impact on the community (Parsons 1956; Steckmest 1982; American Institute of Public Accountants 1977). For instance, the jobs and incomes that firms control are the basis for establishing and maintaining
social-class distinctions (Dill 1965). Thus, communities expect more from the firm than mere provision of goods and services. The observations by the Chairman of General Electric will further illustrate this point:

"Economic performance is no longer enough. Business is properly expected to act in the public interest and to serve the larger aspirations of society" (Jones 1980:60).

According to Moskowitz (1972:71), some firms "are doing things today that they never dreamed of a decade ago," and that the public "expects them to continue to be sensitive to social needs." This development must be construed within the context of rapid social change in the firm's social environment.

In sociological terms, a business firm must be perceived as a central element of a role set in which new partners of relations (employees, customers, vendors, government agencies, and the host community) are evolving toward relative equilibrium in their expectations of each other. The next section describes the beneficiaries of community contributions in general.

Philanthropic Contributions: Who Gets What?

American foundations and corporations contribute about 6 percent of total contributions to charity (Anderson 1989). These contributions may be classified as tax deductible or nontax deductible.
Among the tax deductible contributions, cash gifts are predominant, accounting for about 90 percent (Troy 1984). Property gifts, such as equipment to education institutions for research, are also common. Companies also make non-deductible contributions, such as use of company facilities, services, and products (Useem 1987). Among the services companies contribute to various organizations in the community are specialized skills such as accounting, administration, and management. Company executives often contribute hours of uncompensated time to community organizations.

These contributions are not equally distributed among the potential list of recipients. Education is the leading beneficiary, receiving about 40 percent of contributions (Committee for Economic Development 1971; Useem 1987). Health and human services, such as hospitals, federated campaigns, such as the United Way, and youth, elderly and family projects account for 31 percent. At the community level, most monetary contributions are channelled through the United Way.

Cultural organizations and the arts, such as museums, public libraries, and culture centers, receive about 11 percent of total contributions. Civic and community activities, such as community improvement, environment and ecology, housing, urban renewal, and public television and
radio receive about 12 percent of total contributions. Contributions in the civic and community activities sector take the form of leadership and financial support for the city, research and technical assistance, cooperation with cities in joint water treatment facilities and participation on various boards (Useem 1987).

Typically, companies contribute about 1 percent of their income to charity. These contributions serve two purposes. To the donor, they are expected to reflect company efforts to serve the community and are among a set of strategies organizations use to control their social environments (Kamens 1985; Burt 1983). Useem (1987) has argued that for some recipients in the community, corporate contributions often account for the margin between submersion and survival. Consequently, the stakes tend to be significant for both sides of this giving relationship.

Despite the importance of corporate contributions, previous research has not paid much attention to the factors that influence small profit-motivated organizations operating in small communities to make charitable contributions. Parket and Ellbirt (1975:6) put this question more succinctly: "What variables would help account for the differences in social responsibility activities among firms?" The next chapter sets the framework for isolating those antecedent factors.
CHAPTER III. THEORETICAL FRAMEWORK

In Chapter II, we described the sociological concept of community and the role of profit-making corporations in the community. The purpose of this chapter is to develop a framework for assessing why some companies contribute to the maintenance and development of their host communities while others do not.

One can approach this problem in several ways (Scott 1981). Perhaps the most fruitful way is to look at the corporation and the host community as part of the general sociological theme of organizations and their environments (Aldrich 1979; Aldrich and Pfeffer 1976; Pfeffer and Salancik 1978; Meyer and Scott 1983).

The environment is infinite and includes everything outside the organization (Daft 1986). However, our analysis will focus on that aspect of the environment in which the organization resides. Viewed in this way, the organization-community interface becomes a special case of the general class of organization-environment relations. This view enables us to examine a set of theories which can be used to organize the research problem and select variables.

Not all organizational theories are equally useful in addressing the organization-community problem. First, some of the early organizational theories, such as scientific
management, administrative management, and Weberian bureau-
cratic theories utilized a closed system’s logic to ensure
determinacy (Thompson 1967; Scott 1981). These theories
provide little insight into the impact of the environment.
Second, some open systems’ perspectives do not have the
organization as the unit of analysis, consonant with this
study. For instance, the natural selection models (Hannan
and Freeman 1984; Aldrich 1979) are useful in describing the
actions of a population of organizations such as an industry
(Aldrich and Pfeffer 1976). These models fail to explain
organizational differences within the same industry.

For purposes of this study, three perspectives about
organization-environment relations appear relevant to
modeling differences in social performance among profit-
making organizations. These perspectives are: the resource
dependency model (Pfeffer and Salancik 1978); the institu-
tional model (Selznick 1948; Meyer and Scott 1983; DiMaggio
and Powell 1983); and the strategic choice model (Child
1972; Romanelli and Tushman 1986; Miles 1982).

This chapter is divided into two sections. In the
first section, the three perspectives will be outlined,
compared and contrasted on the basis of the role each model
assigns to the environment and decision makers in the
organization. Section Two presents the model to be tested
in this study.
Theories of Organization-Environment Relations

The resource dependence theory

The resource dependency theory (Aldrich 1976; Aldrich and Pfeffer 1976; Pfeffer and Salancik 1978) provides a suitable general conceptual framework for analyzing inter-organizational relations and dependencies (Provan et al. 1980) by building on the social exchange (Emerson 1962; Blau 1964) and the voluntary resource exchange (Levine and White 1961) models. In these models, organization action is influenced by the resource conditions of the environment (Pfeffer and Salancik 1978).

The resource dependency model starts with the organization as the unit of analysis, often referring to a specific organization as a "focal organization" to distinguish it from other organizations in the environment. Key elements in the model are, the focal organization, the environment and the owners and managers. All three elements are examined:

"The question of what the environment is, is meaningless without regard to the focal organization which enacts it, or more precisely the individuals who enact it in planning the activities of the organization" (Pfeffer and Salancik 1978:73).

This view has also been reiterated in the works of Scott (1981). According to Scott, the environment, the actors, and the organization are separate, identifiable forces in their own right.
In this perspective, the organization is viewed as active (Aldrich 1979; Hall 1988), adaptive (Scott 1981), and responsive (Pfeffer and Salancik 1978). However, it is neither self-contained nor self-sufficient (Aldrich and Pfeffer 1976). The organization must acquire and maintain needed external resources, political and social support, and information from other organizations in the environment.

The quest for resources has two important implications. First, the organization must enter into transactions with those parts of the environment that can supply valued resources. These transactions, which may result in mergers, joint ventures, or cooptation, are attempts by the organization to reduce vulnerability and uncertainty (Aldrich and Pfeffer 1976; Daft 1986; Hall 1988). Second, since control of scarce and valued resources is potential power (Emerson 1962; Mulford 1984), the search for those resources has the potential to modify the organization’s power relations with other organizations (Mulford 1984). Therefore, the focal organization enters into exchanges cautiously, seeking some interdependencies and avoiding others depending on the power and control possibilities inherent in the situation (Blau 1964). Overall, the organization pursues strategies which maximize the dependence of others on itself.
The environment plays a critical role in the resource dependence model. It is a source of constraints, and at the same time, a pool of valued resources. As a source of constraints, the organization's environment is a "dynamic outcome of the actions of many formal organizations seeking their own self interest" (Pfeffer and Salancik 1978:190). It is also characterized by states of change, complexity and competition (Mulford 1984). Consequently, organizations must constantly change their activities to adjust to new environmental demands. At the same time, the environment is a source of resources. Studies conducted by Richter (1980) and Davis and Fredrick (1984) revealed several community resources desired by businesses, including industrial parks, city services such as water, sewer, fire and police protection, a favorable tax structure, an adequate labor pool, and social and political support.

These resources are a potential source of uncertainty in a complex and rapidly changing environment (Aldrich 1979; Mulford 1984). Their availability to the firm creates a sense of security and optimism about the community's future. The importance of a resource-rich (munificent) environment was emphasized by Carroll:

"Like a good private citizen, business has a responsibility for its community. It is not uncommon today for a business to ask about the success of such community efforts as the United Fund as a barometer of the community's vitality before moving into an area. If such funds are growing and enthusiastically supported
by business and the community, it is a healthy sign of a vital partnership between these two major groups" (1984:23).

This model predicts that organizations with relatively high levels of resources will not be interested in establishing linkages with other organizations in the environment. Aiken and Hage (1968) were among the first to argue that need for resources was important in determining formation of such relations.

The resource dependence model leads to two major predictions about organizational behavior which are particularly relevant for our purposes. First, because of their need for resources from the environment, organizations will need to be viewed as appropriate and respectable transaction partners. Therefore, managers try to portray their organizations as socially legitimate, a strategy that appears more frequently among those organizations that are more visible or those who depend more heavily on social and economic support from the community (Dowling 1975). Second, the environment is not taken as given (Pfeffer and Salancik 1978). Instead, managers seek to establish and maintain a reliable pattern of resource flow to reduce uncertainty (Aldrich 1979). Through the process of attention and interpretation, organizations adjust their responses, even alter their social context, so that they can have an environment which is better for their interests.
Strategic choice

The notion of choice is important in organization theory. It has had a considerable influence on the debate regarding the degree of discretion open to decision makers. Coined by Child (1972) as "strategic choice," this perspective emphasizes the role of managerial choice in "choosing patterns and domains of competitive activity" (Romanelli and Tushman 1986; Keats and Hitt 1988).

The strategic choice perspective proceeds from an assumption that organizations are made up of competing interest groups (Child 1972; Benson 1975; Hall 1987). These groups lack time, resources, and adequate information to make rational decisions. Instead, decisions are made through negotiations among interest groups (Murray 1978) using the best resources available at the time. This view, summarized as "bounded rationality" (March and Simon 1958), is witnessed in organizations by loose coupling and equifinality (Corwin 1987; Weick 1976; Katz and Kahn 1978).

Loose coupling means that organizations are not tightly or rigidly connected to their environment (Scott 1981). Organizations, or sub-units within the organization, can pursue autonomous actions without considerable ramifications from the environment. Loose coupling lowers the need for the organization to respond to every change in the environment. For example, Hinckley and Post (1974) state that the
willingness of a company to contribute to one set of issues is not indicative of its willingness to do so about another set of issues. Lastly, loose coupling enables localized adaptation. That is, organizational actions are continually constructed, sustained and changed by the actors' definition of the situation (Astley and Van de Ven 1983). This characteristic leaves the organization with autonomy over its environment or some aspects of it.

Equifinality means that the same organizational outcomes may be achieved in multiple ways using different resources and various methods and means. Hreblinak and Joyce (1985) state that even in the most constraining case of environmental determinism, organizational choice is possible because a business firm has some control over selection of means by which prescribed outcomes may be achieved.

Organizations in the strategic choice model are not viewed as passive recipients of environmental influence (Aldrich 1979). They have power to create or enact (Child 1972; Weick 1976) or reshape their environment (Hirsch 1975). Organizations decide where to locate, what and how many clients to serve, what markets to enter, and what types of relations to establish with certain elements of its environment (Child 1972).
The strategic choice model leads to several conclusions about the behavior of managers in business organizations. First, the model argues that organizational choice will not be optimal (Child 1972; Benson 1975).

Second, this model predicts that managers will seek to mediate between the environment and the focal organization, bestowing on managers two responsibilities (Miles 1982). First, they are responsible for developing organizational and environmental resources, competencies, and opportunities relative to competitors in order to establish themselves in domains that are congruent with the organization's objectives and overall capacity. Second, managers are expected to create and maintain organization-environment linkages (Thompson 1967; Miles 1982). Strategic managers may implement this latter responsibility by exercising strategic, structural, and performance options (Child 1972). That is, managers can choose domains, adjust structures, or set different standards of performance depending on environmental contingencies.

**Institutional theories**

Institutional theories of organizations proceed from a fundamental proposition that being compatible with legitimate elements in the environment gives the focal organization legitimacy which, in turn, increases the organization's
probability of survival (Corwin 1987; Zucker 1987; Galaskiewicz 1985a).

The environment in this model is an "institutionalized" environment. Broadly defined, the institutionalized environment manifests itself as powerful institutional rules and beliefs which function as highly "rationalized myth" (Meyer and Scott 1983). These rules and beliefs are rational because they identify specific social purposes and, in a rule-like manner, specify what activities are to be performed. They are myths, because their efficacy and reality is dependent on being a widely shared cultural norm (Meyer and Scott 1983). The environment determines organization structure and behavior by influencing the beliefs, norms, rules, and understandings of the organization's boundary spanners. In addition, organizational participants, clients, and constituents are all carriers of cultural norms generated in the external environment (Scott 1981). This environment is external and hierarchically superior to the organization (Thomas and Meyer 1984).

This model locates the organization in an "Iron cage" of institutional rules (DiMaggio and Powell 1983). As a result, the organization is a relatively passive audience because it is driven by rules generated in the community, state, or world system in which the organization operates (Zucker 1987). The organization is a microcosm of society.
socially constructed by the characteristics and commitments of the participants that help maintain its distinctive character and by the environment that constructs the larger reality (Zucker 1987; DiMaggio and Powell 1983).

More specifically, this model expects the organization to resemble its environments structurally and behaviorally through three processes (DiMaggio and Powell 1983; Zucker 1987). First, it may be coerced (coerced isomorphism) by external formal or informal pressures from other organizations on which the organization is dependent. Equal pressure may emanate from cultural expectations in the community within which the organization functions or has network ties (Zucker 1987). These pressures may be felt as forces or mandates, persuasion, or invitations to join a group. Second, the focal organization may imitate other organizations (mimetic isomorphism), especially those it considers legitimate (DiMaggio and Powell 1983). Third, the organization adopts certain norms of the larger society (normative isomorphism) especially from the professions.

Organizations that incorporate procedures and practices of the environment enhance their chance of survival. Corwin states:

"Many (organizational) procedures, even entire programs and units, exist because they happen to reflect prevailing "social myths," not necessarily because they have proved to be effective" (1987:124-125).
However, this view of organization effectiveness often conflicts with efficiency criteria. Where and when the "myths" about the efficacy of the market dominate, technical efficiency is honored and encouraged (Thompson 1967). However, the quest for efficiency may undermine the organization's effectiveness when the normative system honors other effectiveness criteria such as equality, equal opportunity, or contributions of time and money to community projects (Meyer and Scott 1983).

This potential predicament provides another understanding of loose coupling. To act efficiently in the face of competing demands, organizations must often pursue competing goals. In a normative environment, organizations often meet externally legitimated demands, demonstrate good intentions and then proceed as best they can to accomplish their primary goals.

This model predicts that the external institutional influence among organizations will vary according to their internal goals and values, legitimacy of external control and relative power of the organization (Meyer and Rowen 1977; DiMaggio and Powell 1983; Galaskiewicz 1985b; Zucker 1987).

Integration of the Perspectives

Resource dependency, strategic choice, and institutional theories are some of the alternative perspectives for
thinking about the organization-community problem of contributions. In the pages that follow, an attempt will be made to compare and contrast these perspectives along four dimensions: unit of analysis, and the roles of the organization, the management, and the environment.

Unit of analysis

All three theories use the organization as the unit of analysis. In the resource dependency and strategic choice models, focus is on the focal organization in relation to other organizations in the environment (Pfeffer and Salancik 1978; Gray 1985; Ulrich and Barney 1984). Institutional theory analyses an organization in relation to its institutional environment (DiMaggio and Powell 1983). Although these perspectives are consistent on this dimension, resource dependence and institutional perspectives can also be applied at higher levels of analysis, such as a collectivity merger, or an organizational field.

The organization

Resource dependence, strategic choice, and institutional perspectives assume that organizations are responsive and adaptive. However, their adaptive responses vary. The resource dependence perspective argues for a reactive organization. The strategic choice perspective assumes a proactive adaptation strategy among organizations. The
Institutional theorists argue for a passive organization that adapts by conforming to institutional rules (DiMaggio and Powell 1983).

All three theories assume that organizations have needs or requirements that must be met by the environment in order to survive. Under resource dependency, organizations attempt to gain favorable exchanges to ensure stable, low-cost transactions. In the strategic choice perspective, decision makers utilize a wide range of discretion over resource mix and methods of achieving certain ends. Because institutional theorists pay more attention to the maintenance of the whole social system, in our case the community, organizations are viewed as even modifying their goals to save themselves (Scott 1981; Selznick 1948).

Consequently, contributions by profit-motivated organizations to community activities may be construed by resource dependency theorists as a way to gain and maintain influence in the community (Galaskiewicz 1979). For strategic choice theorists, contributions are a "marketing tool" (Anderson 1989), a "strategic approach to the bottom-line" (Hescon and Tilson 1987:49), a cost-effective method of coopting various community sectors in order to generate sales, good will and create an image (Kamens 1985; Ermann 1978). Manne observed:
"The advent of...arbitrary devices as zoning, building codes and local economic planning has more and more involved business with political forces. A contribution to a local hospital project can go a long way to prevent access to a plant being cut off by a new express highway or to insure that a new master zoning plan will include sufficient areas zoned for industrial use" (1962:58).

To the institutional theorists, the level of contributions reflect the organization's degree of conformity to externally imposed rules and expectations (Meyer and Rowen 1977; Scott 1981). That is, contributions may not facilitate the attainment of the organization's official goals, but they may enhance the organization's survival by improving its legitimacy (Scott 1981; Steiner 1980; Galaskiewicz 1985b).

Management

All three theories examined in this study emphasize, albeit differently, the role of management. Following strategic choice, the role of strategic managers is to develop both organizational and environmental "resources, competencies and commitments" (Miles 1982:14). Using strategic, structural and performance options often available at their disposal, managers are expected to create and maintain organization-environment alignments (Child 1972).

Resource dependency presents three roles of management: symbolic, discretionary, and responsive (Pfeffer and Salancik 1978). Managers are presented as symbols of the organization's success or failure. In their responsive
roles, they process and react to demands and dependencies confronting the organization. In their discretionary roles, managers are perceived as change agents. This latter role matches with the strategic choice assumptions. In both theories, management can exercise considerable authority (Hall 1988). However, strategic choice gives more authority to the manager (Child 1972).

Like resource dependence and strategic choice, the Institutional theories portray the role of management as that of mediating between the organization and the environment. Unlike the other two theories, where management may enact or condition the environment, the institutional theories state that the role of management is to mold the organization, and facilitate isomorphic processes so that the focal organization can gain legitimacy and resources it needs for the organization to survive (Meyer and Scott 1983).

The environment

The fourth area of possible theoretical integration among the three theories is the role of the environment. Resource dependency and strategic choice theories state that the environment contains scarce and valued resources. It consists of other organizations seeking their own self interests, which may either complement or compete with the focal organization. The environment as a source of
resources is also recognized in the institutional perspective. Resources, located in the environment, are a key to long-term organizational survival (Aldrich 1979; Meyer and Scott 1983; Zucker 1987). This model adds that the environment contains rules, norms, and beliefs which are equally important in shaping organization behavior.

Despite the apparent congruence on importance of resources in the environment, these perspectives offer different explanations about resource acquisition. Resource dependency theorists emphasize power maximization strategies by one or a set of organizations to ensure a steady supply of resources. Strategic choice theorists recognize the use of power but only to the extent that it enables decision makers to make choices that enhance the firm's position in the environment. The institutional perspective notes that the organization's relative power has an independent effect on how the focal organizations will comply to the normative environment. However, organizations obtain a steady supply of resources to the extent that they are isomorphic with the institutional environment.

A Conceptual Model of Levels of Contributions to the Community Among Business Organizations

Three theories which were reviewed in the previous section suggest three broad antecedents of the organization's level of social performance: the organization's
context, the resource condition in the community, and the organization-community linkage. This model is presented in Figure 3.1. Therefore, the purpose of this section is to suggest appropriate concepts and provide a rationale for the hypothesized relationships among them based on previously reviewed theories and empirical studies.

**Organization Context**

Organization context has been measured by several indicators including origin, history, ownership and control, size, charter, technology, location, dependence (Pugh, Hickson, Hinings, and Turner 1969), and dominance (Galaskiewicz 1979). The dominant theme in the literature is that these contextual variables influence variation in linkages between the organization and its environment, and the level of social performance among profit-motivated organizations (Hinkley and Post 1974; Steckmest 1982, Useem 1988).

Several indicators are delineated in this study to sample the domains of organization context based on previously reviewed theories, past research, intuition, and availability. These include organizational dominance (Galaskiewicz 1979), location (Useem 1988), organization history (Scott 1981), and level of dependence on the local community (Kamens 1985).
Figure 3.1. A conceptual model of organization context, community resource condition, organization-community interface and social performance
Resource dependence and strategic choice perspectives state that behavior of social organizations is motivated by self-interest (Galaskiewicz 1979). Social organizations establish and terminate social relations as their own needs vary. Thus, in an effort to maximize their own self-interests, organizations will purposely set up interaction networks to secure needed resources from one another. According to Pfeffer and Salancik (1978), need for interaction networks for resources will vary with the level of organization dominance. Organizations controlling most resources in the community are less likely to initiate interaction but are more likely to be seen as attractive patterners by other needy organizations (Galaskiewicz 1979).

Based on power dependence assumptions (Emerson 1962; Blau 1964), resource dependence theorists argue that those who control money and large numbers of employees in a community have potential influence over a variety of events in the community (Galaskiewicz 1979). That is, the organization's level of influence in the community tends to be proportional to the level of dependence of the community or its organizations, on the focal organization's resources. Therefore, organizations which control resources that are scarce and valued in the community are expected to be more influential.
Several studies have attempted to correlate the level of the organization's dominance in the community and its contributions to community projects (Davis and Fredrick 1984; and Parket and Ellbirt 1975). As the firm grows larger relative to other organizations in the community, its actual and potential contacts and influence on other community institutions expands (Post 1978). Larger size implies greater visibility in the community. It also implies greater interest by the community in the actions of the organization. These actions will be judged according to how closely they conform to popular expectations. Actions that do not conform to community expectations may evoke coerced isomorphism.

Because they control valued resources in the community, dominant organizations have greater capacity to conform to or resist public demands (Pfeffer and Salancik 1978). If the organization's standing in the community is dependent on whether or not it contributes to community projects, and if the focal organization perceives contributions as a strategic gesture for maintaining its position in the community, then in theory, dominance will predict contributions.

Further empirical evidence has been documented by Useem (1988). In his study of 62 Massachusetts firms, Useem found that large firms contribute proportionately more money regardless of profit. They operate more formalized programs
and their policies are more likely to be consistent with the prevailing norms in the business community. Parket and Elibirt (1975) reported a positive association between dominance (as measured by annual sales) and social performance. They concluded that large firms respond to community demands because they are highly visible. The effect of visibility was also confirmed by Aupperle (1984). Highly visible firms were more likely to engage in social activities. From the above, we may draw the following hypotheses:

H1.1. Dominant organizations are more likely to interact frequently with local organizations.

H1.2. Dominant organizations are more likely to be influential in community matters.

H1.3. Dominant organizations are more likely to contribute to community projects.

Headquarter location

Expansion of organizations across communities, regions, and even nations, is a feature of modern complex organizations. This expansion beyond the immediate community provides the organization with new and varied sources of inputs, markets, and social support. The increase in alternatives means a proportionate decrease in the community’s monopoly on the organization’s resource requirements, such as labor, space, and tax structures (Pfeffer and Salancik 1978; Galaskiewicz 1979). From an institutional
point of view, satellite operations (decentralized branches) are expected to experience less pressure to become isomorphic with the community because they have an interest in many communities (Davis and Fredrick 1984). Managers in those branches come and go as they move up the promotional ladder of the organization. This reduces the strength of their attachment to the community.

Although many organizations have several branches, they have only one headquarters where top management can be contacted for support of community projects (Davis and Fredrick 1984). To strategic choice theorists, the community hosting the headquarters is a "center of gravity" which was chosen because it balanced such factors as logistics costs, access to transportation and markets, capital, labor, taxes, public policy, and community resources (Schary 1984). Once the decision is made, the company invests economically, socially, and emotionally in the community. Part of this investment is influenced by self-interest on-the assumption that a healthy community is good for business (Steiner 1980). Overall, headquarter locations bring to a community a concentration of high quality leadership which may be in short supply locally. These new leaders, like other human beings, have altruistic drives to serve the community. They also want their host community to be a better place for their families.
Resource dependence theory suggests that heavy investment in a community will create differences in dependence relations between the focal organization and the local community. A concentration of resources in a community will increase its level of influence relative to other companies who have branches in that community. In addition, two factors suggest a possible increase in the level of interface between the focal organization and the community. First, because the managers of the focal organization possess management and administrative skills, they may seek, or be asked by the community, to participate in civic affairs. Secondly, the company may encourage more community-organization interaction as a strategic posture to be able to monitor the economic and social soundness of a community in which they have invested.

As these dyadic relations are routinized, the organization will become imbued with local values, which as a result of strengthened relationships, may increase its willingness to stay in the community. That is, established relations may limit or shape the individual organization's subsequent interorganizational relations (Galaskiewicz 1979). Based on resource dependence and institutional theories, the focal organization will contribute to needy sectors in the community to defend its domain, convey information to important segments in the community about the nature of its
character (Kamens 1985; Ermann 1978), and finally because it pays to do so (Useem 1988; Carroll 1979).

Empirically, observers have noted that high levels of contributions are targeted at communities where a firm has its headquarters. In Useem's (1988) study, firms gave approximately $40.00 per employee to nonprofit causes near plant locations compared to $200.00 per employee near headquarter locations. The case of Polaroid is also illustrative. Although Polaroid is among companies with a history of relatively strong social performance, as measured by its giving record to charity, the majority of its contributions are concentrated near its headquarters in Boston (Useem 1988). Therefore, the following hypotheses are proposed:

H2.1. Companies are more likely to be influential in communities where they have headquarters.

H2.2. Companies are more likely to interact with local organizations in communities where they have headquarters.

H2.3. Companies tend to be more committed to communities where they have headquarters.

H3.4. Companies will contribute more to communities where they have headquarters.

Organization history

Within the context of organizations, some actors may enjoy certain advantages or exhibit certain behaviors because of their strong ties with the local community. One
Indicator of community ties used in this research is the number of years an organization has operated in the community (Pfeffer and Salancik 1978). Following the liability of newness argument (Stinchcombe 1965), age in the community reflects the level to which the focal organization has been infused with local values (Scott 1981).

Institutional theorists argue that age is an indicator of trust, relatively high levels of legitimacy and ability to develop exchange relations with other significant organizations. According to resource dependence, age reflects the extent to which the focal organization has become central in community interorganizational resource networks and power hierarchy (Singh, Tucker, and House 1986). Long-term association with the community facilitates integration of the organization leadership with the community (Freeman, Carroll, and Hannan 1983). That is, institutional theorists argue that the greater the number of years the organization has operated in the community, the more it will become isomorphic with the local community (Selznick 1948).

Increased isomorphism suggests greater patterns of interaction between the organization and the community, increased levels of shared values and norms, better chances of penetrating the community power hierarchies (Post 1978) and increased institutional support. These resources are
made available to the focal organization because it has demonstrated its ability to cope with institutional rules, in addition to maintaining and defending a domain that provides the organization with critical resources for survival (Pfeffer and Salancik 1978). Thus, if the organization is sympathetic to what the community stands for, it is more likely to foster and encourage various community goals by committing some of its resources to them. Consequently, we hypothesize:

H2.1. The longer the organization has been in the community the greater the interaction with the community.

H2.2. The longer the organization has been in the community, the more likely it will be influential in the community.

H2.3. The longer the organization has been in the community, the greater the level of commitment to the community.

H2.4. The longer the organization has been in the community, the more likely it will contribute to community projects.

Level of local dependencies

Dependence is one of the contextual variables suggested by Pugh and his associates (1969). Organizations depend on the local community for labor, customers, various city services such as water, sewer, fire and police protection, favorable tax structure, and social and political support (Richter 1980; Davis and Fredrick 1984; Kamens 1985).
Resource dependence theorists argue that organizations to whom these community resources are scarce and valued will enter into transactions with those parts of the environment that control those resources (Aldrich and Pfeffer 1976). These transactions will increase interaction between the focal organization and the local community. Because they are dependent on the community for various resources, resource dependence theory suggests that those organizations will be less influential in that community. By implication, organizations located in the community but which sell most of its products outside the community, have access to outside resources relative to other companies for whom the host community is the primary market. The increase in alternative sources of funds means a proportionate decrease in the community's monopoly on the organization's resource requirements. It may also mean an increase in the community's dependence on the focal organization. Thus, resources obtained by selling commodities outside the community may help maintain the focal organization in important community money networks (Galaskiewicz 1979).

In theory, access to resources of more than one community reduces uncertainty by optimizing the advantages in each community. However, it has the potential of minimizing the strength of attachment to that community. Therefore, strategic choice theorists suggest that as the
level of dependence on the community declines, organizations will be expected to stay in that community so long as it pays to do so.

However, no organization can afford to be totally independent of its host community. Institutional theorists suggest that organizations either strive or are coerced to be isomorphic with the external environment. If giving is a recognized and valued strategy of maintaining the focal organization's identity in the community, then organizations will contribute to the community as a strategy for maintaining their name in that community.

Several studies have found that corporations with few local dependencies are less attached to the community. Levine and White's (1961) study of health related organizations found that those organizations which were less dependent upon the local health system for desired resources tended to interact less with local agencies. They also noted that these organizations were more likely to disagree with community residents than those organizations dependent on the local system. Galaskiewicz (1979) showed that organizations receiving a greater proportion of their resources, such as money, information, and moral support from external sources were more aloof and peripheral to the local resource exchange networks.
Therefore, the following hypotheses are proposed:

H4.1. Firms selling most of their products outside the community will tend to interact less frequently with local organizations.

H4.2. Firms selling most of their products outside the community are likely to be more influential.

H4.3. Firms selling most of their products outside the community are less likely to be committed to the community than those selling most of their products in the community.

H4.4. Firms selling most of their products outside the community will contribute less frequently to community projects.

The Community Resource Condition

Community need

There are several reasons to expect an association between community characteristics and company behavior in a given community. First, Schermerhorn (1975) argues that organizations will seek out or be receptive to linkages with other organizations when they are faced with situations of resource scarcity, when the linkage takes on a positive value or when it is mandated by extra local forces. The first two factors are more relevant to this research.

Levine and White (1961) reported that in their research of health and welfare personnel, the interface between these units was motivated by perceived organizational shortages of funds and manpower. Evan (1965) was one of the first to suggest that value expectancy creates a feeling among social units that cooperation is "a good thing to be doing." As a
result, value expectancy tends to pull social organizations in the direction of cooperative activity.

These observations can be seen within the context of community resource needs and the strategic importance of those needs to the focal organization. Fredrick (1983) has noted that many small communities lack capacity to provide health care for the poor and needy, educational opportunities for the youth, recreation programs for the elderly and family support programs. These needs will motivate community leaders to initiate contacts with potential donors (Galaskiewicz 1979). That is, the greater the need for certain resources, the greater the opportunities for organization-community interaction. In addition, based on resource dependence theory, the greater the need in the community for resources controlled by the focal organization, the more dependent the community will be on the organization-community relations. As a result, the more influential the focal organization will be over time.

Rivlin (1983) found that the focal organization's level of awareness of resource needs in community sectors depended on the community's ability to communicate that need. In the context of small communities, business organizations have the greatest potential to respond to community needs (Davis and Fredrick 1984).
Other observers have noted the value or strategic importance of resource needs in the community. Strategic choice perspective perceives existence of resource needs in the community as an opportunity for the focal organization to penetrate the local environment and develop an image for itself and its products (Kamens 1985; Ermann 1978). In either case, self-interest of the focal organization and the community will facilitate interactions.

Arguments have also been made linking the community's resource condition and contributions from business organizations (Fredrick 1983; Anderson 1989; Kamens 1985). Hochman and Rodgers (1973) found that donors tended to give more in cities with a large level of income inequality. Jenks' (1987) study showed that states with a relatively high proportion of poor people had higher levels of contributions. This finding led Jenks to conclude that recipients' needs encouraged giving among profit-motivated organizations.

These empirical findings lend considerable support for resource dependence, strategic choice, and institutional models. Contributions constitute a strategy organizations use to influence their environments to ensure future rewards and reduce penalties and uncertainty (Ermann 1978). Zeitz stated:

"A major activity of organization... is the manipulation of those cultural values and the creation of new"
Thus, organizations operating in unpredictable environments may be expected to be more generous to charitable activities. Other observers echo the following argument:

"It [contributions] is in the stockholder's best interest. By making communities a better place to live, it can entice superior and happier workers to the company who in turn will put out better products and increase profits" (Anderson 1989:10).

Institutional theorists perceive the need for resources in the local environment as a precursor for coerced isomorphism. That is, the greater the need for resources in certain sectors of the community, the greater the pressure on the focal organization to support and uphold community goals. In this case, response to the community resource needs is a behavioral evidence that local companies are responsible social actors. This self presentation buffers the organization's core technology from external interference (Kamens 1985; Pfeffer and Salancik 1978). For resource dependence, giving enhances local prestige and legitimizes the authority and influence of the focal organizations.

The empirical evidence and theoretical arguments suggest the following hypotheses:
H5.1. The greater the community’s indicators of need, the more likely profit-motivated organizations will interact with other community organizations.

H5.2. The greater the community’s indicators of need, the more likely profit-motivated organizations will be influential.

H5.3. The greater the community’s indicators of need, the more likely profit-motivated organizations will make contributions.

Organization-Community Interface

Frequency of Interaction

The evidence on frequency of interaction is fairly persuasive. From strategic choice and resource dependence models, interaction provides linkages which, in turn, provide information and channels for communicating that information. Furthermore, it legitimizes the focal organization, increases manager awareness of dependencies and exchange opportunities, and provides a chance to obtain commitment of support from important elements in the community (Pfeffer and Salancik 1978; Mulford 1984; Aldrich 1979). From an institutional framework, interaction reduces coercive isomorphism since the existence of new needs and demands can be effectively conveyed through this channel (Rivlin 1983). Thus, based on the three theories examined in this study, interaction is important for building a stock of knowledge able to shape and guide action of managers in their environments (Turner 1982). In general, interaction with others will impact the way the organization receives,
Interprets, and processes societal demands vis-a-vis its own interests (Strand 1983).

Several authors (Pfeffer and Salancik 1978; Daft 1986; Mulford 1984) have observed that frequency of interaction is positively correlated with mutual dependence and exchanges. Benson (1975) argues that organizations interact with others to secure adequate supply of two critical resources: money and authority. According to the resource dependency model, control of such resources implies power and influence. Thus, the more the organization interacts, the more likely it will bargain and secure resources which will, in turn, enhance its influence relative to other organizations in the community (Yutchman and Seashore 1967; Pfeffer and Salancik 1978).

Further support can be found in the group dynamics and reference group literature. For example, the contact hypothesis (Nelson 1989), a prominent concept in community and organization studies (Oaker and Brown 1986) states that contact between different social units reduces conflict. Homans (1950) was one of the first to propose that interaction leads to sentiment between the interacting groups. Therefore, increased interaction should facilitate the company’s willingness to stay in that community. Furthermore, institutional framework suggests that increased interaction leads to increased pressure on members to
conform to group norms. If giving is a recognized norm in the community, companies will contribute to community projects to keep within the boundaries of expected behavior. These theoretical and empirical observations lead to the following hypotheses.

**H6.1.** The more the business firm interacts with local organizations, the greater the influence such firm will exhibit over time.

**H6.2.** Firms which interact frequently with local organizations are more likely to develop a commitment to the local community.

**H6.3.** Firms which interact frequently with local organizations are more likely to contribute to community projects.

**Relative Influence**

In small communities, profit-making businesses are the largest employers, sources of personal income and tax revenue, and purchasers of local services. Equally, businesses possess economic and managerial resources that can be used in the community development process. Possession of these resources implies social power and status (Pfeffer and Salancik 1978).

Building on resource dependence and strategic choice, Galaskiewicz (1979) and Hall (1988) state that formal organizations are rational actors who try to establish interorganizational linkages to secure resources for survival. It is argued that the most influential have the greatest interest in maintaining existing resource networks.
and dependencies. At the community level, the functional needs of these organizations make them dependent on others. Over time these linkages develop into social structures which bind organizations into common interdependencies and create in them a commitment to stay in the community and protect their interests.

Post (1978) argues that status creates a set of expectations among the organization's relevant publics. Therefore, based on the arguments of the institutional framework, organization response to community expectations will set the parameters of the organization's overall social legitimacy. Organizations seeking to maintain or acquire influence may be expected to be more responsive. For instance, Galaskiewicz found that public giving was a way for firms to accrue prestige. He states:

"To enhance their image in the eyes of their fellow executives, corporations become the 'patron' of a prestigious cultural organization" (1985b:9).

This finding supports both normative and coerced isomorphism argument proposed by the institutional theories and discussed earlier in this chapter. It also has implications for the strategic choice and resource dependency theories. It may be argued that organizations give to community projects to acquire certain resources such as influence. Once those resources are acquired they give to maintain control; that is, to defend their established
domain. Therefore, the following hypotheses may be proposed:

H7.1. Firms perceived to be influential are more likely to exhibit high levels of commitment to the community.

H7.2. Firms perceived to be influential are more likely to contribute to community projects.

**Organization commitment to the community**

Community commitment is an important behavioral dimension which can be utilized to evaluate the strength of attachment by the focal organization. It is a second stage of attachment, following the first stage, community entry (Steers 1977). Following strategic choice (Child 1972), community entry concerns the manner in which organizations choose which community to enter. In general, commitment by an organization to a community may be perceived by the extent to which it identifies with community goals, values, community membership, and intends to stay (Porter et al. 1974). Institutional theorists suggest that if the organization is strongly attached to the community, it may contribute in order to demonstrate its willingness to go beyond passive loyalty to the community (Galaskiewicz 1985b).

Empirical evidence is scanty at this level of analysis, but some evidence is still suggestive. It has been suggested that top management support will influence the
quality and scale of the organization’s social involvement (Hinckley and Post 1974). These executives determine what to give, to whom, and how much to give, based on the strategic interests of the firm.

A national study of 48 major companies revealed that "commitment" was singled out as an important factor in ensuring continued contributions among organizations (Knauf 1985). Useem’s (1988) study of 219 companies revealed that the percentage of pretax net income allocations to social concerns was significantly higher among highly committed firms. This evidence leads us to the following hypothesis:

H8.1. The greater the organization’s level of commitment to the community, the more likely it will contribute to community projects.
CHAPTER IV: METHODS

This chapter presents an overview of the methods used in this study. Specifically, it outlines the context of the study and reviews the sampling procedures, data collection tools, the measurement of major concepts and analysis strategy.

The Context of the Study

This study was initiated in Fall 1987 to explore relationships between private enterprises and rural communities in which they operate. It is part of a larger ongoing project sponsored by Iowa State Agriculture and Home Economics Experiment Station. The project, entitled "Research on Regional Development Alternatives for Rural Areas" (AES #2781) has the following objectives.

1) To describe and analyze adaptive strategies currently used by communities to improve economic conditions in rural areas through multi-community efforts.

2) To construct a typology of strategic rural regional development alternatives based on available resources and community coordination required.

3) To foster rural regional development activities in selected areas.

4) To monitor the consequences of initiated activities to evaluate alternative regional development strategies.

This study is in support of objective 1 and grew out of the author’s recognition that although much had been written
about community-business relations, the bulk of attention was on large corporations in large cities. Small businesses, though important in determining the local and statewide conditions, are given a cursory treatment in the literature (Davis and Fredrick 1984). Small businesses in Iowa are no exception. The viability of communities in Iowa depends, to a great extent, on actions and conditions of small businesses. The reverse is equally true for businesses (Muhwezi and Ryan 1988).

The sample and its characteristics

Three industry groups with two-digit standard industrial classification codes (20, 28, and 35) were purposely drawn from the 1987 directory of Iowa Manufacturers. Included were food and kindred products, chemicals and allied products, and machinery, except electrical.

In the first category (SIC 20) are the following manufacturing firms: meat and dairy products, canned and preserved fruits and vegetables, grain milling products, bakery products, and sugar and confectionery products. The second category (SIC 28) includes firms engaged in agricultural and miscellaneous chemical products. This category of industries usually includes firms producing industrial inorganic chemicals, plastic materials, synthetic rubber, and other man-made fibers, drugs, soap and detergents, perfumes, cosmetics, paints, varnishes, and indus-
trial organic chemicals. Keeping in line with the objectives and focus of this study, the sampling unit from this category included only firms engaged in production of agricultural chemicals (e.g., fertilizers) and animal health related products.

In the third group of industries (SIC 35) are firms producing engines and turbines, farm and garden machinery and equipment, metal working machinery, general industry machinery, and office, computing and accounting machinery. Only firms engaged in the manufacture of farm and garden machinery and equipment (e.g., livestock mineral feeders) were included. Thus, the study contains only agricultural-related manufacturing firms in Iowa. These firms were selected because Iowa is an agricultural state; their actions directly impact the economic and social conditions of the state. Equally, the social economic conditions of the state impacts the nature of public expectations on existing organizations.

Two other restrictions were imposed on the sample. First, the firms in this survey consisted of small business organizations defined as employing less than 500 employees. Second, the firms included operate in 108 Iowa communities with populations of between 2,500 and 50,000. These two restrictions were imposed to fit the definition of small businesses (U.S. Small Business Administration 1980) and
small communities (U.S. Bureau of the Census 1988) used in this study. The type and size of the firms responding by community size is given in Tables 4.1 and 4.2.

Table 4.1. Type of manufacturing firm responding by community size

<table>
<thead>
<tr>
<th>Community with population</th>
<th>Food and kindred products</th>
<th>Chemical and allied products</th>
<th>Machinery except electrical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,500 to 7,500</td>
<td>45</td>
<td>21</td>
<td>23</td>
<td>89</td>
</tr>
<tr>
<td>7,501 to 15,000</td>
<td>27</td>
<td>9</td>
<td>14</td>
<td>50</td>
</tr>
<tr>
<td>More than 15,000</td>
<td>21</td>
<td>7</td>
<td>3</td>
<td>31</td>
</tr>
<tr>
<td>Total</td>
<td>93</td>
<td>37</td>
<td>40</td>
<td>170</td>
</tr>
</tbody>
</table>

Table 4.1 presents a breakdown of the firms in the study by type of industry group and size of community. The table shows a concentration (52 percent) of all three industry groups in communities with populations between 2,500 and 7,500. Table 4.2 presents a breakdown of firm size by community size. The table shows that most firms in the study employ less than 50 employees. It also shows a heavy concentration of these firms in communities with a population between 2,500 and 7,500.
Table 4.2. Size of manufacturing firms responding by community size

<table>
<thead>
<tr>
<th>Communities with population</th>
<th>2,500 to 7,500</th>
<th>7,501 to 15,000</th>
<th>More than 15,000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm size</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 50</td>
<td>64</td>
<td>31</td>
<td>22</td>
<td>117</td>
</tr>
<tr>
<td>51 to 150</td>
<td>17</td>
<td>11</td>
<td>7</td>
<td>35</td>
</tr>
<tr>
<td>More than 150</td>
<td>8</td>
<td>8</td>
<td>3</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>50</td>
<td>32</td>
<td>171</td>
</tr>
</tbody>
</table>

Data Collection

Questionnaire construction and administration

Two questionnaires were constructed and mailed to: (1) chief executives of selected manufacturing firms and (2) city mayors and presidents of Industrial development corporations. This study is based on responses of the chief executives or managers of manufacturing corporations. Both questionnaires are reproduced in the Appendix.

The items for the questionnaires come from two main sources. Some questions were borrowed from relevant past studies. Others were developed by the author, Vern Ryan, Fred Lorenz, and Charles Mulford. More specifically, questions associated with the measurement of commitment were adapted from Porter et al. (1974) studies of organization commitment (Section 7 of questionnaire in Appendix A). Questions about the nature of community support and business
activities in communities were adapted from Davis and Fredrick (1984) and Troy (1985) (Section 3 of questionnaire in Appendix A). The questionnaire was pretested on 30 manufacturing firms in 15 communities in Iowa with populations between 1,500 and 2,499.

The final questionnaire used to gather data from managers was divided into several sections to tap various issues about social performance raised in the literature. The aim of Section One was to obtain basic information about the firm. The subsequent sections covered specific issues about social performance including external factors that may influence the firm’s decisions, levels of support provided by the community, the firm’s local contacts and general participation in the community affairs, the firm’s philosophy regarding involvement of businesses in community affairs, nature of business activities in the community, the company’s level of commitment to the community and perceived economic conditions in the community.

Eighty-two chief executives and eighty-nine managers of firms classified as corporations responded to this survey. Their responses are taken to represent the organization’s response. Using key informants is typical in interorganization studies (Aiken and Hage 1968). In their review of 35 studies, Morrissey et al. (1982) found that 60 percent were based on data collected from key informants. The advantage
of this approach is that key informants, such as chief executive officers are likely to be more knowledgeable about the organization's policies. However, the shortcoming of this method is that it fails to acknowledge or account for those instances where there may be a significant difference between what the organization purports to do and what it actually does.

Data were collected in early spring of 1988. Questionnaires were mailed to 385 manufacturing firms meeting the specifications discussed in the first section of this chapter. A follow-up questionnaire was sent two weeks later to solicit more responses. Two hundred and fifteen manufacturing firms returned the questionnaires. Of these, only 201 were usable. The initial breakdown of the responding firms according to their legal status revealed the following distribution: 171 corporations, 8 single proprietors, 7 partnerships, and 15 cooperatives. Given the objective of the study to focus on small corporations and the skewness of the distribution, it was decided to exclude organizations of other status and base the analysis on 171 corporations. The distribution of these firms by type and size is presented in Table 4.3. The table shows that there are more firms engaged in production of food and kindred products in this sample at all levels of firm size. Across the three groups most firms employ less than 50 employees.
Table 4.3. Type of manufacturing firm by size (n = 170)

<table>
<thead>
<tr>
<th>Farm size</th>
<th>Food and kindred products</th>
<th>Chemicals and allied products</th>
<th>Manufacturing except electrical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50</td>
<td>63</td>
<td>25</td>
<td>28</td>
<td>116</td>
</tr>
<tr>
<td>51 to 150</td>
<td>16</td>
<td>10</td>
<td>9</td>
<td>35</td>
</tr>
<tr>
<td>More than 150</td>
<td>14</td>
<td>2</td>
<td>3</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>93</td>
<td>37</td>
<td>40</td>
<td>170</td>
</tr>
</tbody>
</table>

Measurement of Major Concepts

The model proposed in Chapter III has several independent variables and one dependent variable. The operational definition of these variables follow:

Size of the community (COMSIZE)

This concept is measured by size of population in the community. This indicator was obtained from 1980 U.S. Census data (U.S. Bureau of Census 1988).

Size of the organization (ORGSIZE)

The size of the organization is measured by the number of full and part-time employees (Gomolka 1975; U.S. Small Business Administration 1980).
Dominance (ORGDOM)

Organizational dominance is the ratio of organization size as measured by number of employees divided by community population.

Headquarter location (HQ)

The respondents were asked whether the firm they represented was headquartered in the city where the respondent was located.

Organization history (HISTORY)

This concept is measured by the number of years the organization has operated in the community.

Level of dependence on local community (ORGDEP)

Level of dependence was operationalized by responses to the statement: "Consider your total products sold in the last calendar year 1987." The respondents were then asked to approximate the proportion sold a) in the community, b) outside the community but within Iowa, and c) outside the state of Iowa.

Community resource condition (COMNEED)

This concept is measured by the percentage of the population in the community over age 65 (Turk 1970; Lorenz 1981). This indicator is from U.S. Census data (U.S. Bureau of Census 1988).
**Frequency of Interaction (INTERCT)**

This concept measures the extent to which the organization is integrated in the community decision-making network. The following question was used to measure this concept:

How often do you or your management team have contacts with the following persons or organizations: local chamber of commerce, city officials and staff, local industrial development corporation and related organizations?

**Scale**: 1 - never  
2 - seldom  
3 - occasionally  
4 - often

The responses were summed to create an index.

**Organization influence in the community (INFL)**

Influence was measured by a single question: How would you rate the influence of this business in this community?

**Scale**: 1 - not at all influential  
2 - somewhat influential  
3 - very influential

**Organization commitment to the community (COMT)**

Commitment to community was operationalized with a 12-item scale. Organizations were asked to state the extent to which they agreed or disagreed with 12 statements about their level of commitment, involvement, and willingness to stay in the community. The response categories were 1) strongly disagree, 2) somewhat disagree, 3) somewhat agree, and 4) strongly agree with each statement. Their responses
were summed to create an index. Table 4.4 presents the items in the scale and their corrected item-total correlations. The reliability of this scale as measured by Cronbach’s (1961) coefficient alpha was 0.800. Questions that were negatively stated (questions 2, 3, 7, and 12) were recoded so that higher values reflect higher levels of organization commitment.

Level of contributions (CONTRI)

This variable refers to the organization’s level of contributions. Organizations were asked to indicate the extent of their contributions to several community projects. The response categories were 1) never, 2) seldom, 3) occasionally, and 4) very often. Table 4.5 presents the items of this variable, the inter-item correlations, Chronbach’s alpha and standardized item alpha. The frequency distribution of the computed variable (CONTRI) is presented in Table 4.6. The summated scale has values ranging from 12 to 48. Finally, Table 4.7 provides a summary of all the variables just discussed, their measures and basic statistics.

Analysis strategy

Two strategies will be used in this study. First, correlational analysis will be used to assess the hypothesized bivariate relationships in the model. Second,
Table 4.4. Items of the Likert scale measuring the organization's level of commitment (COHT)

<table>
<thead>
<tr>
<th>Item</th>
<th>Corrected item-to-total correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. This business is proud to be part of this community.</td>
<td>.601</td>
</tr>
<tr>
<td>2. Our business has very little loyalty to this community.</td>
<td>.483&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>3. Our business does not have much to gain by remaining in this community.</td>
<td>.623&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>4. This community really cares about the fate of our business.</td>
<td>.563</td>
</tr>
<tr>
<td>5. Our business really cares about the fate of this community.</td>
<td>.649</td>
</tr>
<tr>
<td>6. This community really inspires our business.</td>
<td>.596</td>
</tr>
<tr>
<td>7. We often find it difficult to agree with policies made by this community that have a direct effect on local businesses.</td>
<td>.346&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>8. We talk up this community to other companies as a great place to locate a business.</td>
<td>.647</td>
</tr>
<tr>
<td>9. We would accept almost any responsibility on issues of significance to this community.</td>
<td>.424</td>
</tr>
<tr>
<td>10. Our business is willing to expend resources beyond that normally expected in order to help the community economically.</td>
<td>.506</td>
</tr>
<tr>
<td>11. For our business, this is the best of all possible communities to locate.</td>
<td>.497</td>
</tr>
<tr>
<td>12. It would take very little change in our present circumstances to cause us to leave this community.</td>
<td>.463&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

Chronbach's alpha: .799
Standardized item alpha: .800

<sup>a</sup>Variables recoded to make scale consistent.
Table 4.5. Items of the Likert scale measuring organization’s level of contributions (CONTRI)

<table>
<thead>
<tr>
<th>Item</th>
<th>Corrected item-to-total correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Assistance to less advantaged residents.</td>
<td>.403</td>
</tr>
<tr>
<td>2. Support for air and water pollution control.</td>
<td>.424</td>
</tr>
<tr>
<td>3. Support for artistic and cultural activities.</td>
<td>.531</td>
</tr>
<tr>
<td>4. Employment and advancement of women and/or racial minorities.</td>
<td>.428</td>
</tr>
<tr>
<td>5. Technical and financial assistance in community planning and development.</td>
<td>.529</td>
</tr>
<tr>
<td>6. Support for local health care programs.</td>
<td>.646</td>
</tr>
<tr>
<td>7. Financial donations to local schools.</td>
<td>.406</td>
</tr>
<tr>
<td>8. Support for local bond issues to finance community improvement projects.</td>
<td>.434</td>
</tr>
<tr>
<td>9. Aid to community hospital drive.</td>
<td>.612</td>
</tr>
<tr>
<td>10. Leadership support to local United Way.</td>
<td>.402</td>
</tr>
</tbody>
</table>

Cronbach's alpha: .800

Standardized item alpha: .798
Table 4.6. Frequency distribution of level of contributions
(CONTRI)(N = 169)

<table>
<thead>
<tr>
<th>Value</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.00</td>
<td>10</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>11.00</td>
<td>8</td>
<td>4.7</td>
<td>10.7</td>
</tr>
<tr>
<td>12.00</td>
<td>3</td>
<td>1.8</td>
<td>12.4</td>
</tr>
<tr>
<td>13.00</td>
<td>9</td>
<td>5.3</td>
<td>17.8</td>
</tr>
<tr>
<td>14.00</td>
<td>9</td>
<td>5.3</td>
<td>23.1</td>
</tr>
<tr>
<td>15.00</td>
<td>10</td>
<td>5.9</td>
<td>29.0</td>
</tr>
<tr>
<td>16.00</td>
<td>19</td>
<td>11.2</td>
<td>40.2</td>
</tr>
<tr>
<td>17.00</td>
<td>12</td>
<td>7.1</td>
<td>47.3</td>
</tr>
<tr>
<td>18.00</td>
<td>5</td>
<td>3.0</td>
<td>50.3</td>
</tr>
<tr>
<td>19.00</td>
<td>9</td>
<td>5.3</td>
<td>55.6</td>
</tr>
<tr>
<td>20.00</td>
<td>9</td>
<td>5.3</td>
<td>60.9</td>
</tr>
<tr>
<td>21.00</td>
<td>12</td>
<td>7.1</td>
<td>68.0</td>
</tr>
<tr>
<td>22.00</td>
<td>12</td>
<td>7.1</td>
<td>75.1</td>
</tr>
<tr>
<td>23.00</td>
<td>9</td>
<td>5.3</td>
<td>80.5</td>
</tr>
<tr>
<td>24.00</td>
<td>8</td>
<td>4.7</td>
<td>85.2</td>
</tr>
<tr>
<td>25.00</td>
<td>6</td>
<td>3.6</td>
<td>88.8</td>
</tr>
<tr>
<td>26.00</td>
<td>4</td>
<td>2.4</td>
<td>91.1</td>
</tr>
<tr>
<td>27.00</td>
<td>3</td>
<td>1.8</td>
<td>92.9</td>
</tr>
<tr>
<td>28.00</td>
<td>4</td>
<td>2.4</td>
<td>95.3</td>
</tr>
<tr>
<td>29.00</td>
<td>3</td>
<td>1.8</td>
<td>97.0</td>
</tr>
<tr>
<td>31.00</td>
<td>1</td>
<td>.6</td>
<td>97.6</td>
</tr>
<tr>
<td>32.00</td>
<td>1</td>
<td>.6</td>
<td>98.2</td>
</tr>
<tr>
<td>34.00</td>
<td>1</td>
<td>.6</td>
<td>98.8</td>
</tr>
<tr>
<td>35.00</td>
<td>2</td>
<td>1.2</td>
<td>100.00</td>
</tr>
</tbody>
</table>
Table 4.7. Summary of variables, their measures, range of values, mean and standard deviation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measure of variable</th>
<th>Range of values</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>contributions</td>
<td>Frequency of contributions to community requests</td>
<td>12.00 - 48.00</td>
<td>18.79</td>
<td>5.62</td>
</tr>
<tr>
<td>Community variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>population</td>
<td>Population in 1980</td>
<td>2,706 - 45,775</td>
<td>10,236.69</td>
<td>9,185.76</td>
</tr>
<tr>
<td>Percent</td>
<td>Proportion of population in 1980 above 65 years old</td>
<td>2.70 - 1,000.00</td>
<td>3.50</td>
<td>2.64</td>
</tr>
<tr>
<td>Organization variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dominance</td>
<td>Company staff per 1,000 population</td>
<td>0.01-16.75</td>
<td>1.12</td>
<td>2.77</td>
</tr>
<tr>
<td>Headquarters</td>
<td>Headquarter location</td>
<td>0-1</td>
<td>.66</td>
<td>.47</td>
</tr>
<tr>
<td>Size of staff</td>
<td>Full and part-time employees</td>
<td>2.00 - 1,000.00</td>
<td>74.60</td>
<td>136.16</td>
</tr>
<tr>
<td>Organization history</td>
<td>Years in the community</td>
<td>1.00 - 120.00</td>
<td>33.92</td>
<td>22.39</td>
</tr>
<tr>
<td>Level of dependence</td>
<td>Percent of output sold in the community</td>
<td>0.00 - 100.00</td>
<td>13.57</td>
<td>26.97</td>
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<tr>
<td>Variable</td>
<td>Measure of variable</td>
<td>Range of values</td>
<td>Mean</td>
<td>Standard deviation</td>
</tr>
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<td>---------------------</td>
<td>-----------------</td>
<td>------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Percent outside sales</td>
<td>Percent of output</td>
<td>0.00 - 100.00</td>
<td>52.08</td>
<td>37.08</td>
</tr>
<tr>
<td></td>
<td>sold outside town</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Community-organization</td>
<td>Interaction</td>
<td>3.00 - 12.00</td>
<td>8.71</td>
<td>2.34</td>
</tr>
<tr>
<td>variables</td>
<td>Frequency of</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>interaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Influence</td>
<td>Perceived influence</td>
<td>1.00 - 3.00</td>
<td>1.96</td>
<td>.63</td>
</tr>
<tr>
<td></td>
<td>in the community</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>Company commitment</td>
<td>12.00 - 48.00</td>
<td>18.25</td>
<td>2.77</td>
</tr>
<tr>
<td></td>
<td>to community</td>
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</table>
multiple regression will be used to test the theoretical model. The next chapter applies these strategies and reports the results.
CHAPTER V. ANALYSIS AND RESULTS

This chapter presents the results of the data analyses. These results are organized into three sections. The first section presents and discusses the zero-order correlations. Section Two presents the results of the empirical hypotheses and evaluation of the model. The third section presents and evaluates the indirect effects in the model.

Zero-Order Correlations

Correlations in Table 5.1 provide an introduction to the relations among the variables in this study. The data suggest very little multicollinearity among exogenous variables. Community need (COMNEED) correlates .217 with community size (COMSIZ) and -.205 with organization size. In addition, organization size (ORGSIZ) correlates significantly (.842) with organization dominance (ORGDOM). All other correlations among the three variables are lower. Whether or not the focal organization is located in the community (HQRs) and its length of time in that community (HISTORY) are correlated .255. Other correlations of these two variables with other exogenous variables are smaller.

Some of the correlations do suggest some support for the hypotheses formally tested in the next section. For example, higher levels of organizational interaction with the community (INTRCT) are more likely among dominant
Table 5.1. Zero-order (Pearson) correlation coefficients (N=169)

<table>
<thead>
<tr>
<th>Correlation</th>
<th>COMNEED</th>
<th>CONSIZE</th>
<th>SIZE</th>
<th>HQR</th>
<th>HISTORY</th>
</tr>
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<tr>
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<td>1.000</td>
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<td></td>
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<td>-.012</td>
<td>1.000</td>
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<td></td>
</tr>
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<td>HQR</td>
<td>-.09</td>
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<td>-.081</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
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<td>.007</td>
<td>.093</td>
<td>.255</td>
<td>1.000</td>
</tr>
<tr>
<td>ORGDEP</td>
<td>-.013</td>
<td>-.014</td>
<td>.307</td>
<td>-.128</td>
<td>-.164</td>
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<tr>
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<td>-.209</td>
<td>.842</td>
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<td>.001</td>
</tr>
<tr>
<td>INTRCT</td>
<td>.035</td>
<td>-.069</td>
<td>.323</td>
<td>.130</td>
<td>.092</td>
</tr>
<tr>
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<td>-.042</td>
<td>-.044</td>
<td>.438</td>
<td>.074</td>
<td>.153</td>
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<tr>
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<td>.053</td>
<td>.122</td>
<td>.06</td>
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<td>.098</td>
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<td>.309</td>
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<tr>
<td>.197</td>
<td>.214</td>
<td>.532</td>
<td>.407</td>
<td>.324</td>
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</table>
organizations (.288). Among organizations with higher levels of dependence (ORGDEP), influential organizations are more likely to be dominant (.366) and have higher levels of interaction (.342). Organizations which are committed to the community are among those with higher levels of interaction (.309) and with high levels of influence (.278).

The dependent variable in this study, contributions (CONTRI) is correlated significantly with organization dominance .214, and moderately with organization dependence .197. The variables of interaction, influence, commitment, and responsiveness together form a matrix of moderately strong correlations, ranging from a low of .278 between influence and commitment to a high of .532 between responsiveness and commitment.

Multiple Regression Analysis

The previous section presented a bivariate analysis of the variables in the model. This section tests the hypotheses which are restated as paths in Figure 5.1, and examines the overall model.

Table 5.2 presents the direct effects implied in Figure 5.1. The direct effect of an independent variable on a dependent variable is that part of the effect that is not mediated by any other variables. An independent variable is a sum of the mediated and nonmediated effects (Pedhazur 1982). The betas presented in this tables are standardized
Figure 5.1. A model of community contributions
Table 5.2. Regressions of the variables in the model associated with T-value and $R^2$

<table>
<thead>
<tr>
<th>Explanatory variables</th>
<th>INTRCT</th>
<th>Beta</th>
<th>T-value</th>
<th>INFL</th>
<th>Beta</th>
<th>T-value</th>
<th>COMT</th>
<th>Beta</th>
<th>T-value</th>
<th>RESPO</th>
<th>Beta</th>
<th>T-value</th>
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<td>.000</td>
<td>4.30*</td>
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<td>-.60</td>
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<tr>
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<td>.145</td>
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<td>.010</td>
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<td>.14</td>
<td>.108</td>
<td>- .037</td>
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<td>-.037</td>
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<tr>
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<td>3.02*</td>
<td>.114</td>
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<td>-1.26</td>
<td>-.038</td>
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<td>.163</td>
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<td>-.64</td>
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<td>-.054</td>
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<td>.266</td>
<td>.380</td>
<td>3.56*</td>
<td>.285</td>
<td>3.61*</td>
<td>.5.21*</td>
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<td>.240</td>
<td>2.19*</td>
<td>.240</td>
<td>3.33*</td>
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</tr>
<tr>
<td>COMT</td>
<td></td>
<td></td>
<td></td>
<td>.142</td>
<td></td>
<td>2.02*</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total $R^2$</td>
<td>14.05%</td>
<td>22.64%</td>
<td>20.28%</td>
<td>37.35%</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

*Significant at 0.05 level.
regression coefficients. The $R^2$s shown in Table 5.2 represent the amount of variation explained by the independent variables in the equation. The criterion for statistical significance is set at a $t$-value equal to, or greater than two (Lewis-Beck 1980).

Several models are presented in Table 5.2. First, level of interaction with local community organizations (INTRCT) was regressed on several organizational and community variables.

As implied in Figure 5.1, four hypotheses link organizational variables to interaction and one hypothesis links community resource need to interaction. Organization history in the community (HISTORY) did not predict the level of interaction in the community ($\beta = .082$). Headquarter location (HQR), organization level of dependence (ORGDEP), and level of dominance (ORGDOM) predicted interaction. The data provide support for the hypothesized difference in interaction with local organizations between headquarter and plant locations in the community ($\beta = .145$, $t = 2.00$). In addition, the data show that interaction varies with level of dependence ($\beta = .189$, $t = 3.02$), and dominance ($\beta = .239$, $t = 3.11$) as hypothesized. The hypothesis linking need of resources in the community (COMNEED) with increased interaction between the focal organization and the community was not supported, although the observed relationship is in the
expected direction ($\beta = .044, t = .07$). This shows that resource need, as measured by the proportion of the community population above 65 years, by itself may not provide sufficient motivation for business organizations to initiate interaction in their local community. Overall, this model predicts 14.05 percent of the variance.

Several hypotheses link organizational variables to the focal organization’s level of influence. Only dominance (ORGDOM) predicts influence as expected ($\beta = .324, t = 4.30$). The level of the organization’s dependence on the community (ORGDEP), the headquarter location (HQR), and organizational history in the community (HISTORY) do not predict the organization’s level of influence. Respectively, their beta coefficients are .114, .010, and .108. It was also hypothesized that interaction (INTRCT) with local organizations would predict influence. The data support this hypothesis ($\beta = .266, t = 3.56$). Overall this model explains 22.6 percent of the variance.

Seven hypotheses link organizational and organizational-community interface variables with commitment (COMT). The data do not support the hypothesized relationship between commitment and headquarter location ($\beta = .042$), organization history ($\beta = -.037$), dependence ($\beta = -.038$), and dominance ($\beta = .000$). The predicted relationship between organization history and level of dependence is not
only insignificant, it is in the opposite direction. In addition, the data show no relationship between dominance and commitment. This model predicts 20.28 percent of the variance.

The organization's level of contributions (CONTRI) is the overall dependent variable in the model. As portrayed in Figure 5.1, eight hypotheses link contributions (CONTRI) to organizational, community, and organization-community linkage variables. The data support the hypothesized relationship between dependence (ORGDEP) and contributions ($\beta = .163$, $t = 2.00$). The data do not support the hypothesized relationship between contributions and headquarter location ($\beta = .034$), organizational history ($\beta = .033$), organization dominance ($\beta = .043$), and community need ($\beta = .053$). It should be noted that the predicted relationship of dominance and community resource need on contributions is not only insignificant, but it is in the opposite direction. Finally, the data significantly support the predicted relationship between the organization's level of contributions and its level of interaction (INTRCT), $\beta = .380$; influence (INFL), $\beta = .240$; and commitment (COMT), $\beta = .142$. Overall, the model predicts 37.75 percent of the variance. These results are summarized in Figure 5.2.

The following observations can be made from the analysis thus far: (a) Although commitment has a direct effect on
Figure 5.2. A model of contributions to community projects and the associated direct effects.
the organization's level of responses to the community, other exogenous and endogenous variables also have direct effects on the dependent variable (CONTRI); (b) The direct effects of organization-community variables on the organization's level of contributions are weak. The exception to this observation is the significant effect of organization's level of dependence. This lack of significance suggests an examination of possible indirect effects of exogenous variables on endogenous variables; (c) The organization's history (measured in number of years the firm has operated in the community) neither predicts commitment nor its own level of contributions to community needs as expected from an institutional point of view; (d) The organization-community interface variables provide the strongest prediction for the organization's contributions to the community; and (e) The model explains nearly 38 percent of the variance in the organization's level of contributions to its host community projects.

**Decomposing the total effects of the model**

The previous section focussed on the direct effects. This section focusses on decomposition of the total effects. Indirect effects are that part of the total effect of the independent variable on the dependent variable that is mediated by another variable or other variables.
Table 5.3 presents regressions needed to do a complete decomposition of effects. Total effects are represented by the magnitude of the coefficient at the first time it is introduced into the equation. The direct effects are represented by each of the final equations. The information in Table 5.3 is used to produce the estimates of the direct and indirect effects as outlined by Pedhazur (1982).

As specified in Table 5.4, the total and direct effects of organization dominance, headquarter location, organization history, organization dependence, and community need on interaction are the same. Respectively, the beta coefficients are: .239, .145, .082, .189, and .044.

The total effects of organization and community variables in the model on the firm's level of influence (INFL) is both direct and indirect through the firm's interaction. Judged from the weight of the beta coefficients (.078, -.038, -.022, .177, and -.063), only the indirect effect of dependence (ORGDEP) on influence via interaction is substantial (β = -.177). Other indirect effects are not substantial. However, it should be noted that the indirect effect of headquarter location on level of influence through interaction is greater than its direct effect on organization's level of influence (β = .038).

The total effects of community and organization variables in the model on the firm's level of commitment are
Table 5.3. Total and direct effects and associated changes in $R^2$ (N=169)

<table>
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<tr>
<th>Predictor variables</th>
<th>INTRCT</th>
<th>INFL</th>
<th>INFL</th>
<th>CONT</th>
<th>CONT</th>
<th>CONT</th>
<th>CONTRI</th>
<th>CONTRI</th>
<th>CONTRI</th>
<th>CONTRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORGDOM</td>
<td>.239</td>
<td>.387</td>
<td>.324</td>
<td>.137</td>
<td>.057</td>
<td>.000</td>
<td>.160</td>
<td>.043</td>
<td>-.043</td>
<td>-.043</td>
</tr>
<tr>
<td>HQR</td>
<td>.145</td>
<td>.048</td>
<td>.010</td>
<td>.092</td>
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</tr>
</tbody>
</table>

$R^2$ (%)  
14.05  16.54  22.64  8.43  17.9  20.28  10.03  30.72  36.15  37.75

Change in $R^2$  
6.10%  9.47%  2.38%  20.69%  5.43%  1.6%
### Table 5.4. Direct and Indirect effects

<table>
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<th>Response variable</th>
<th>Predictor variable</th>
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<th>Indirect effects</th>
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<th>Direct effect</th>
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</tr>
</tbody>
</table>
mediated by the firm's level of interaction and perceived level of influence. Of particular interest in this model is the effect of the organization's level of dominance on commitment. The data show no direct effect (.000). The effect of organizational dominance on level of commitment is indirect. It is mediated by levels of interaction (.080) and influence (.057). Although both are not substantially different from zero, they are larger than the direct effect.

The total effects of community and organization variables on the organization's level of responses is mediated by levels of interaction, influence, and commitment. The effect of interaction is mediated by influence and commitment. Finally, the effect of influence is mediated by commitment. The data in Table 5.4 show a significant indirect effect of the organization's level of dominance on contributions through interaction (.117). This effect is not only substantial, it is considerably greater than the direct effect (β = .043) of dominance on contributions. It should also be noted that the organization's level of interaction and influence show stronger direct effects than indirect effects.

In conclusion, the indirect effects of exogenous variables on contributions are strongest through interaction, moderate through influence, and weakest through
commitment. The next chapter develops a discussion of this analysis and provides conclusions of the overall study.
CHAPTER VI: DISCUSSION, IMPLICATIONS AND CONCLUSIONS

This chapter discusses the results and implications of the analyses presented in the last chapter. The chapter is divided into three sections. Section One discusses the results within the context of the theoretical model proposed in this study and previous research. The policy implications of the results are examined in the second section. The third section provides a summary and conclusions of the study.

Discussion

This study had two main objectives. The first objective was to describe the magnitude and frequency with which certain manufacturing firms in Iowa have made contributions to community projects. Upon examination of the cumulative percentages of Table 4.6, about 10 percent of the organizations in this sample have never contributed to community projects as defined in this study. On average, 51 percent of the organizations have seldom made contributions on various community projects. Thirty-six percent have made at least occasional contributions. Finally, the data show that only three percent of the sample has made contributions to their communities regularly.

The nature of the data used in this study does not permit a trend analysis of the social performance of these
companies. However, past national data show that in 1970 only 20 percent of the nation's 1.7 million corporations reported any charitable contributions at all (Andres 1981). Our data suggest that this trend has changed. About 90 percent of the corporations in our sample reported a contribution to the community. This finding lends support to Moskowitz's observation:

"Companies are doing things today that they never dreamed of doing a decade ago, and...the public expects them to continue to be sensitive to community needs" (Moskowitz 1981:101).

The second objective of this study was to estimate the net effects of organizational and community factors on different contributions among profit-making organizations. Analyses of corporate contributions to community projects have tended to focus on organizational, societal, market, and community factors as the major antecedents. However, there is lack of agreement as to which set of factors provides a better explanation of corporate contributions to their host communities.

Proponents of organization factors (Strand 1983, Miles 1987, Pfeffer and Salancik 1978, Child 1972) emphasize technology, ownership, structure, and company products or services. To these researchers, the interplay of the above factors helps account for differential contributions among firms.
Other analysts focus on societal and community factors. Carroll (1979) and Steiner (1980) are among those who suggest legal and ethical factors as antecedents of contributions. Research on immediate community factors (Galaskiewicz 1985b; Davis and Fredrick 1984) has focused on changing values in the community, the level of need in the community and the strategic importance of the community to the company. Those who focus on market factors (Useem 1988; Carroll 1979; Parket and Ellbert 1975) emphasize profitability and level of public contact.

This research builds on recent works of Useem (1988) and Miles (1987) to argue that the organization context as defined by Pugh et al. (1969) and community factors contribute to the explanation of corporate contributions in small communities. However, this study goes a step further to suggest that the interaction of organization and community factors provides an additional or unique contribution toward the understanding of company contributions in their host communities. This view provides a framework within which the findings of this study can be discussed.

Organizational Context and Contributions to the Community

Organization dominance

The effect of level of organization dominance on organization behavior has been documented in the literature
The data in this research revealed that organization dominance predicts the level of interaction and influence in the community. It did not predict commitment. Furthermore, its direct effect on contributions is not only not significant, it is negative. However, two observations are germane. First, its indirect effect through interaction is significantly different from zero. Second, its indirect effect through the level of organizational influence is greater than its direct effect on contributions.

The significant indirect effect of organization dominance through interaction, and a somewhat moderate indirect effect through influence has support in the literature. Galaskiewicz (1979) was one of the first to point out that it was the organization's position in the community resource network and not its individual characteristics that determined organizational behavior in that network. Consequently, the findings in this research suggest that those organizations controlling more resources relative to other organizations in the community can be responsive to community needs if they interact with other organizations in the local environment or if they perceive themselves to be relatively influential. In the first place, interaction with other organizations will increase
the focal organization's awareness about existing demands in the community, their expectations, and the strategic importance of the community. Thus, interaction becomes a strategic tool through which those who control critical resources retain their status in the community. Secondly, perceived influence may be an important intervening variable where dominant organizations may want to maintain their attained level of dominance in the community.

Headquarter location

A positive relationship between headquarter location and contributions has been reported in the literature (Useem 1988). Davis and Fredrick (1984) and Steckmest (1982) argued that companies have a stake in helping to make the community in which they are headquartered a viable place for conducting business and for their employees to live in. Useem found that companies contributed more to communities where they have headquarters than where they have plants by a ratio of 5:1 (Useem 1988).

The data in this research do not support the above research findings. The initial correlation (.114) did not show a significant association between headquarter location and contributions to the community. Headquarter location showed a moderate and positive direct effect on interaction (b = .145). However, its indirect effect on contributions through interaction is not significantly different from
zero. That is, within the parameters of the model, headquarter location has neither direct nor indirect effect on company contributions to community projects.

The apparent lack of significance of this variable may be explained by the size of the companies under study. To date, research findings on corporate contributions focus on large corporations in large communities (Useem 1987; Corder 1982; Miles 1987). The data in this research suggest no statistically significant difference between contributions made by companies headquartered in small communities and companies with plants in those communities but headquartered elsewhere. Most companies headquartered in small communities are small, one-location companies. Although they may have attachments to the community, they lack resources often called "slack" resources with which to respond to community issues that impinge upon business policies and practices (Miles 1987). In addition, small companies are largely preoccupied with their own survival rather than the survival of the whole community. Shuman and Seeger (1986) put this point more succinctly. They stated:

"Smaller businesses are not smaller versions of big businesses. Although both sizes of companies deal with many of the same issues, smaller businesses also deal with unique size related issues as well and they behave differently in their analysis of and interaction with their environments" (1986:8).

Therefore, to the extent that the community may not be on the brink of total collapse, headquarter location of small
firms may have no significant effect on community contributions.

Organization history

Miles' (1982) study of the "big six" tobacco firms was one of the first to chronicle the importance of organizational history in shaping corporate character and overall organizational behavior relative to the prevailing or emerging values in society.

In this study, organizational history was conceptualized in terms of the number of years the company had operated in the community. Based on the institutional theory, this research assumed that the definition of the proper role a company should play in a community would be influenced by the fundamental values, embedded in the company's social context (Miles 1987; Galaskiewicz 1985b) and the strategic choices of the management (Miles 1976).

Holding other contextual factors constant, and if contributions are consistent with values in the social context and strategies of the organization, the history of the company in the community should predict its contributions to the community projects. In this research, however, organization history does not show a significant direct or indirect effect on contributions.

According to institutional theory, age in the community reflects the extent to which an organization has been
Infused by local values (Scott 1981). Therefore, it was expected that organizations which have stayed longer in the community should be more sympathetic to what the community stands for than newly established companies. The results of this research suggest that differences in age in the community do not provide an explanation for differential contributions among organizations.

Two possible explanations can be offered for why there is no relationship between organizational contributions and the length of time in the community. At one level, age in the community predicts adaptation to institutional rules. Newly established organizations are expected to be less responsive to the community because they are still learning its rules—they are still undergoing socialization. At the same time, however, older organizations acquire an inertia that inhibits their adaptation to the local social environment (Reuschling 1968). Older organizations that started business in an era when social contributions were not expected may now not be able to adjust quickly to new expectations.

A second explanation given by Reuschling (1968) is that corporations have resisted basic changes in their traditional economic role. This observation is confirmed by Andres (1981) and Steckmest (1982). Their studies found that only 20 percent of the nation's 1.7 million corpora-
tions make any charitable contributions. They also found that companies contribute about 1 percent of their income to charity. Given this low response to societal needs, it could be argued that, holding the size of the firm constant, organizations typically resist contributions to their communities irrespective of age.

**Organization dependence**

The positive relationship between low level of dependence and contributions in the community has been reported in the literature (Pfeffer and Salancik 1978). If giving is a valued and recognized norm in a community, then organizations operating in that community are expected to contribute to community projects (Galaskiewicz 1985b). However, one may expect the propensity to contribute to vary according to organizational slack (Miles 1982). According to resource dependence, organizations which have access to resource networks outside the community have greater slack resources. Consequently, they are expected to contribute more.

The initial bivariate analysis showed moderately significant correlations between the level of the organization's dependence on the community with interaction and contributions. The analysis showed no significant relationship between this variable and influence, and commitment. The multivariate analyses revealed the same pattern. The level of the organization's dependence on the community
showed a significant direct effect on contributions. The indirect effects through interactions, influence and commitment were not significant.

Several previous studies lend support to this finding. Levine and White (1961) found that organizations with few local dependencies are less attached to the community. Galaskiewicz (1979) observed that organizations receiving a small proportion of their resources from the community would be more aloof and peripheral to the existing local resource networks. However, these studies do not infer directly the effect of level of resource dependence on contributions in the community. The findings in this study suggest that where the nature of the organization's operations may limit the direct community-organization interface, the focal organization will use contributions to maintain a link between itself and the local community. In this case, contributions perform an important legitimizing function identified by strategic choice theory: that of maintaining the name of the focal organization in the community.

**Community Resource Condition and Contributions**

Community analyses have shown a consistent gap between demand by residents for services and the community's resource capacity to satisfy those demands (Cigler 1988; Rubin 1982; Savas 1982). Where there may be need for
resources, community leaders can be expected to initiate contacts with organizations to increase awareness among business organizations of existing needs (Galaskiewicz 1979; Rivlin 1983). Other researchers argue that community needs are motivating factors in their own right (Useem 1988). Organizations which may perceive community need for resources as an opportunity to penetrate the local social environment are expected to make contributions (Steckmest 1982; Post 1978).

In this study, community need did not show a significant direct or indirect effect on contributions. Interestingly, however, the direct effect of community need on contributions is negative. Although this coefficient is not significant, this finding alludes to the self-interest that guides corporate contributions (Preston 1981; Steckmest 1982; Troy 1985). For example, Mescon and Tilson (1987:49) observed that "business does best in communities that are healthy, alive and secure." Although this observation builds a case for corporate contributions, it may also suggest that it pays to contribute to economically viable communities. That is, as community need for resources increases, business organizations will be less willing to invest in the community in the form of contributions.
Organization-Community Variables and Contributions

Interaction

The importance of interaction in community resource networks as an antecedent of organizational decisions favorable to the local community is well grounded in institutional theory (Nelson 1989; Pfeffer and Salancik 1978; Daft 1986). According to resource dependence, interaction is a significant variable because it facilitates social exchanges.

The initial bivariate analysis showed strong correlations between the organization's level of interaction, influence, commitment and contributions. The multivariate analysis showed a very strong total effect. The decomposition of this effect coefficient still showed that the strongest effect was directly on level of contributions, with relatively insignificant indirect effects through influence and commitment.

The strong direct effect of the organization's level of interaction on contributions lends considerable support to the literature and demonstrates the relevance of organization participation in community resource networks. Organizations that participate in such networks are more likely to be receptive to local needs and demands.
Influence

The expected effect of the organization's perceived level of influence in the community on contributions was based on the assumption that those who are influential will contribute more to community projects to maintain their positions. The results of this study show a positive significant direct effect of perceived influence on contributions, and a positive insignificant indirect effect through commitment. This finding supports arguments by Post (1978), who asserted that status in the community generates certain public expectations. However, it could be argued that response to community requests will tend to be short-lived because it is aimed at reducing localized uncertainty (Kamens 1985) rather than building a commitment to the organization's relevant public.

Commitment

Commitment has been used to measure the organization's strength of attachment to the community (Porter et al. 1974). Current literature suggests that commitment demonstrates the extent to which the focal organization identifies with the local environment. As such, it was expected to be an important antecedent of contributions.

The findings indicate a positive significant effect on contributions. However, the strength of association between level of commitment and the contextual variables in the
model is contrary to our expectations. Two possible explanations can be suggested. First, commitment may be a product of interaction, and as such, it cannot be predicted by individual characteristics of organizations. The second possible explanation focuses on the construct validity of this variable (Carmines and Zeller 1979). It is possible that organizations being rational actors do not develop commitment to any specific community in a manner analogous to the way individuals do in their work places (Porter et al. 1974).

Policy Implications

Research of this nature provides a basis for understanding business-community relations. The findings in this study suggest that organization-community interface variables provide the strongest prediction of organization contributions. Variables such as organizational dominance and dependence explain a significant proportion of the variance in the model.

On the basis of these findings, a case can be made that communities can benefit from closer cooperation with the business organizations they host. The community is already "a focal point for action on economic development and other issues of social concern" (Muhwezi and Ryan 1988:6). If communities are to sustain current efforts or build greater local capacity to deal with some of the problems documented
In this study, local institutions must reexamine their roles and responsibilities. Business organizations seem to be the most flexible and most able in assuming broader functions in the community.

From the perspective of the community, the results in this study build a case for closer interaction between dominant business organizations and local organizations in the community. To do so, the communities must move beyond merely attracting businesses. They must include business organizations in the process of planning and programming community activities as a first step in motivating private enterprises to make contributions of money, skills, time, leadership, and equipment.

The data also revealed that those organizations which are less dependent on community resources do make significant contributions to community projects. This means a community can benefit from organizations that seemingly appear to use community resources to serve clients in other communities. In this emerging organization-community relationship, the community must note that to stay in business, business organizations must make a profit. At the same time, business organizations must realize that profits are better in healthy and secure communities. In short, both must pursue policies that recognize their symbiotic interdependence.
General Conclusion

The purpose of this study has been to contribute to the general theory of business-societal relations by looking at some unexplored elements of this relationship. The findings in this study suggest that the relationship between small businesses and small communities is governed by different dynamics when compared with relations between large corporations and large cities. However, this study has not been without limitations.

First, the observed associations in this study should be taken as tentative. The cross-sectional data used in this research do not permit researchers to make firm inferences. Future research should use longitudinal designs to reduce this deficiency. Second, the data used in this study were collected from agricultural related manufacturing firms in the state of Iowa. Future research should broaden this coverage to incorporate various industries in different states and cities with varying population sizes. Third, many variables in the model were suggested by the literature based on research in large corporations. In addition, their conceptualization and measurement tends to vary from one researcher to another. More research is needed to bring conceptual unity to the measures used in this area.

Finally, we know that a firm's external relationships are much more complex than we have shown in this study.
However, the community has been one of the neglected constituencies in analyses of this nature. This study provides an initial framework on which more complex analyses incorporating all the firm's constituencies can be built.
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Iowa Community - Business Relations Survey

Proposed Research

The Department of Sociology is conducting a Community - Business Relations Survey of 110 communities and 400 businesses located in those communities. The survey assesses the relations between the businesses and the communities in which they are located to better understand how communities could attract and retain businesses.

Subjects

The subjects that will be contacted for this survey will be adult male and female owners/managers of businesses and city managers/mayors and community leaders.

Method

(1) The data for this survey will be gathered with the attached questionnaires. The questionnaires will not include names of respondents.

(2) Modified informed consent is implied when respondents complete the questionnaire. The modified informed consent information is found in the letter attached to the cover of the questionnaires.

(3) Questionnaires will be mailed to businesses and cities. Respondents will return the questionnaires in the stamped, self-addressed envelope provided. All questionnaire responses will be kept confidential by the principal investigators.

(4) The data released to anyone interested in the results of this survey will be aggregated in such a way as to prevent identification of any business or community response.
INFORMATION ON THE USE OF HUMAN SUBJECTS IN RESEARCH
IOWA STATE UNIVERSITY
(Please follow the accompanying instructions for completing this form.)

1. Title of project (please type): Iowa Community - Business Relations Survey

2. I agree to provide the proper surveillance of this project to insure that the rights and welfare of the human subjects are properly protected. Additions to or changes in procedures affecting the subjects after the project has been approved will be submitted to the committee for review.

   Dan Muhwezi 10/26/87
   Typewritten Name of Principal Investigator
   421 East Hall
   Campus Address

3. Signatures of others (if any) Date Relationship to Principal Investigator
   Kern
   10/26/87 Co-Principal Investigator

4. ATTACH an additional page(s) (A) describing your proposed research and (B) the subjects to be used, (C) indicating any risks or discomforts to the subjects, and (D) covering any topics checked below. CHECK all boxes applicable.

   □ Medical clearance necessary before subjects can participate
   □ Samples (blood, tissue, etc.) from subjects
   □ Administration of substances (foods, drugs, etc.) to subjects
   □ Physical exercise or conditioning for subjects
   □ Deception of subjects
   □ Subjects under 14 years of age and/or □ Subjects 14-17 years of age
   □ Subjects in institutions
   □ Research must be approved by another institution or agency

5. ATTACH an example of the material to be used to obtain informed consent and CHECK which type will be used.

   □ Signed informed consent will be obtained.
   □ Modified informed consent will be obtained.

6. Anticipated date on which subjects will be first contacted: Month Day Year
   Anticipated date for last contact with subjects: 12 15 88

7. If applicable: Anticipated date on which audio or visual tapes will be erased and/or identifiers will be removed from completed survey instruments:

8. Signature of Head or Chairperson Date Department or Administrative Unit
   Signature of Committee Chairperson Date

9. Decision of the University Committee on the Use of Human Subjects in Research:
   □ Project Approved □ Project not approved □ No action required
   Name of Committee Chairperson Date Signature of Committee Chairperson
Dear

As we all know, Iowa is a state of many communities--956 of them to be exact. With the possible exception of our eight Standard Metropolitan Statistical Areas, most of these communities depend on small to medium-sized businesses for survival. The opposite is also true, however, where the viability of any business is only as strong as the community in which it is located. To date, we know little about the precise nature of this dependence.

As a business person, you have been selected as one of 400 manufacturing firms in Iowa to participate in a study that is attempting to delineate strategies to improve community-business relations for the benefit of both parties. (A companion survey is also being conducted of community leaders.) This survey is being conducted by Iowa State University to be used in economic development efforts.

Please complete the enclosed questionnaire and return in the self-addressed envelope. While you are under no obligation to complete this questionnaire, the accuracy of the survey depends on your cooperation since only a sample of firms were selected for participation.

We guarantee that your responses to the survey will never be associated with your firm or you personally. In fact, as soon as the surveys are returned, all identifier codes will be removed from the questionnaires. The only reason that a code is used is for recordkeeping, and to assure that participants receive a summary of the survey results.

Thanks in advance for your participation. Should you have any questions about the survey, or the forthcoming summary of the results of this study, please let us know.

Sincerely,

Vern Ryan  
Professor of Sociology  
(515) 294-5011

Dan Muhwezi  
Research Assistant  
(515) 294-4612

Enclosures
A STUDY OF BUSINESS AND COMMUNITY RELATIONSHIPS IN IOWA

SPONSORED BY
IOWA STATE UNIVERSITY
SECTION 1. BUSINESS PROFILE

1. What is the legal form of organization for this business? (Please circle the appropriate number.)

   1. Single proprietorship
   2. Partnership
   3. Limited Partnership
   4. Corporation
   5. Other, please specify ____________________________

2. Do you have more than one plant? (Please circle the appropriate number.)

   1. No
   2. Yes

       (a) Is this the headquarters? 1. No
                                             2. Yes

       (b) How many plants (including the headquarters) are
           maintained by this business?

           Inside the state of Iowa ______ plants
           Outside the state of Iowa ______ plants

3. As of January 1, 1988, how many employees of the categories listed below worked at this plant? (Please circle the appropriate number.)

   (a) Full-time employees ______
   (b) Part-time employees ______

4. About what percent of these employees are:

   (a) city residents ______%  

   (b) county residents ______%  

   (c) residents of other counties/states ______%  

   100%  

5. Do you anticipate that in the next 3 years you will have: (Please circle the appropriate number.)

<table>
<thead>
<tr>
<th>Fewer</th>
<th>About</th>
<th>More</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

   (a) full-time employees 1 2 3
   (b) part-time employees   1 2 3

6. Have you or your business team closed operations in any communities in the last 3 years?

   1. No
   2. Yes Please describe reasons for closing.

__________________________________________________________________________
__________________________________________________________________________
SECTION 2: EXTERNAL INFLUENCE

(A) Below is a list of eleven factors that may influence decisions made by this business. How important of a consideration do you feel they are in influencing this firm's major decisions?

1 = NOT AT ALL IMPORTANT  
2 = SOMewhat IMPORTANT  
3 = IMPORTANT  
4 = VERY IMPORTANT

(B) How certain are you of how each of the factors will affect the success or failure of your business?

1 = NOT AT ALL CERTAIN  
2 = SOMEWHAT CERTAIN  
3 = CERTAIN  
4 = VERY CERTAIN

<table>
<thead>
<tr>
<th>A</th>
<th>How Important?</th>
<th>B</th>
<th>How Certain?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Changes in community expectations of your business</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2. Policies set by your business headquarters</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3. Your business' relationship with unions</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4. Competition for the supply of labor</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5. Competition for your customers</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>6. Your business' relationship with the community</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>7. Community population trends affecting demand for your products</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>8. Entry and exit of other businesses into and out of this community</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>9. Government regulations controlling industries related to agriculture</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>10. Growth and decline of the local market for your products</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>11. The public's political views and attitudes toward your business</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
SECTION 3. COMMUNITY SUPPORT: IMPORTANCE AND SATISFACTION

(A) Below is a list of services/factors often considered by businesses when making decisions on where to locate. How important were they in attracting your business to this community?

1 = NOT IMPORTANT  2 = SOMEWHAT IMPORTANT  3 = IMPORTANT  4 = VERY IMPORTANT

(B) How satisfied or dissatisfied are you today with the same factors in this community?

1 = VERY DISSATISFIED  2 = SOMEWHAT DISSATISFIED  3 = SOMEWHAT SATISFIED  4 = VERY SATISFIED

<table>
<thead>
<tr>
<th></th>
<th>Importance</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Quality of educational institutions</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>2. Access to interstate highway</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>3. Quality of public services (e.g., fire protection, water, and sewage, etc.)</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>4. Cost of public services</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>5. Tax rates for businesses compared to personal property taxes</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>6. Tax rates for businesses compared to taxes in other communities</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>7. Quality of local leadership</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>8. Quality of work force</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>9. Cost of labor</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>10. Local government's fiscal condition</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>11. Planning and zoning regulations</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>12. Quality of retail sector</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>13. Future outlook of the community</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>14. Other (Specify)</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
</tbody>
</table>
C. At the time when this business opened in this community, to what extent did you or someone else negotiate with the community for the following:

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>Very Little</th>
<th>Some Extent</th>
<th>Great Extent</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Building(s) and/or space</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Tax abatements</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Cost of public services (e.g., water, sewer)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. Access roads</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Rezoning of land for industrial use</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

SECTION 4: BUSINESS CONTACTS AND COMMUNITY PARTICIPATION

A. During the past 3 years, has any member of this business served as a member of Planning and Zoning, School Board, City Council and other elected public positions in this community?

1. No
2. Yes

B. What is this business' position on employees running for public office?

1. Actively discourage it?
2. Have an unwritten policy that discourages it?
3. Have an unwritten policy that encourages it?
4. Actively encourages it?
5. Other (Specify)

C. How often do you or your management team have contacts with the following persons/organizations?

<table>
<thead>
<tr>
<th></th>
<th>Never</th>
<th>Seldom</th>
<th>Occasionally</th>
<th>Often</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Local Chamber of Commerce</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2. City officials and staff</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3. Local Industrial Development Commission and related organizations</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

D. How would you rate the influence of this business in this community?

1. Not at all influential
2. Somewhat influential
3. Very influential

E. How would you rate the influence of this community on decisions made by this business?

1. Not at all influential
2. Somewhat influential
3. Very influential
SECTION 5: BUSINESS - COMMUNITY RELATIONS

Below are ten statements that represent possible reasons why businesses should or should not be interested in community affairs. Please indicate your degree of agreement or disagreement with each statement.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Somewhat Disagree</th>
<th>Somewhat Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. A business helps itself when it supports the local community...</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2. A firm best serves the local community by-sticking to business...</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3. The primary objective of business in society should be to maximize profits...</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4. A business should remain neutral in local issues where it has no stake in the outcome...</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5. Business needs are becoming more important when making community decisions...</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>6. Increasingly, community needs are becoming more important than economic competition when businesses make decisions...</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>7. A community helps itself when it supports local businesses...</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>8. It is appropriate for a community to expect local businesses to make financial donations to community improvement projects...</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>9. It is appropriate for communities to expect local businesses to actively participate in community improvement projects...</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>10. The community's expectation of any business should be limited to economic concerns...</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
SECTION 6: BUSINESS ACTIVITIES IN COMMUNITY AFFAIRS

Below is a list of community requests that are sometimes made of local businesses. Looking back over the last 3 years:

(A) How often have the following requests been made of your business?

1 = NEVER  2 = Seldom  3 = Occasionally  4 = Very Often

(B) How often has your business contributed to these requests?

1 = NEVER  2 = Seldom  3 = Occasionally  4 = Very Often

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requests To Your Business</td>
<td>Contribution</td>
</tr>
<tr>
<td>1. Assistance to less advantaged residents</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>2. Support for air and water pollution control</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>3. Support for artistic and cultural activities</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>4. Employment and advancement of women and/or racial minorities</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>5. Technical and financial assistance in community planning and development</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>6. Support for local health care programs</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>7. Financial donations to local schools</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>8. Support for local bond issues to finance community improvement projects</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>9. Aid to community hospital drive</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>10. Leadership support to local United Way</td>
<td>2 3 4 1 2 3 4</td>
</tr>
</tbody>
</table>
SECTION 7: COMMUNITY COMMITMENT

Listed below are twelve statements that represent views which businesses may have about the community in which they are located. With respect to your business' views about the local community, indicate your agreement or disagreement with the following statements.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Somewhat Disagree</th>
<th>Somewhat Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. This business is proud to be part of this community</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2. Our business has very little loyalty to this community</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3. Our business does not have much to gain by remaining in this community</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4. This community really cares about the fate of our business</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5. Our business really cares about the fate of this community</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>6. This community really inspires our business</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>7. We often find it difficult to agree with policies made by this community that have a direct effect on local businesses</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>8. We talk up this community to other companies as a great place to locate a business</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>9. We would accept almost any responsibility on issues of significance to this community</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>10. Our business is willing to expend resources beyond that normally expected in order to help the community economically</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>11. For our business, this is the best of all possible communities to locate</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>12. It would take very little change in our present circumstances to cause us to leave this community</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
SECTION 8: ECONOMIC CONDITIONS

1. How would you rate the economic condition of this business? Would you say it is:
   1. Poor
   2. Shaky
   3. Reasonably Sound
   4. Very Strong

2. How would you compare the financial health of this business with other businesses in the community? Would you say it is:
   1. Much worse
   2. Somewhat worse off
   3. About the same
   4. Slightly better
   5. Much Better

3. How has the economic condition of this business changed in the last 3 years?
   1. Deteriorated significantly
   2. Somewhat worse off
   3. Remained about the same
   4. Somewhat better off
   5. Improved significantly

4. Over the next 3 years, do you expect economic conditions of this business to:
   1. Deteriorate significantly
   2. Be somewhat worse off
   3. Remain about the same
   4. Be somewhat better
   5. Improve significantly

5. How would you rate the current economic condition of this community? Would you say it is:
   1. Poor
   2. Shaky
   3. Reasonably sound
   4. Very strong

6. How has the economic condition of this community changed over the last three years?
   1. Deteriorated significantly
   2. Somewhat worse off
   3. Remained about the same
   4. Somewhat better off
   5. Improved significantly

7. Over the next 3 years, do you expect the business climate in this community to:
   1. Deteriorate significantly
   2. Be somewhat worse off
   3. Remain about the same
   4. Be somewhat better
   5. Improve significantly

8. Consider your total products sold in the last calendar year (1987). Approximately what percentage was sold:
   (a) in this community? %
   (b) outside this community but within Iowa? %
   (c) outside the state of Iowa? %
9. How many years:
   (a) has this business been operating in this community? ____ years
   (b) have you been its owner/manager in this community? ____ years

10. What is the position of the person completing this questionnaire?
    (Please circle.)
    1. Owner
    2. President
    3. Owner/President
    4. Manager
    5. Plant Manager
    6. Other, Please specify __________

Do you have any suggestions or comments regarding the importance of community conditions to business success and vice versa?

If you would like a summary of the results of this study, please check:

   ____ Yes   ____ No

THANK YOU FOR YOUR COOPERATION
SECTION 1: COMMUNITY - BUSINESS RELATIONS

Below are ten statements that represent possible reasons why communities should or should not be interested in local business affairs. Please indicate your degree of agreement or disagreement by circling the appropriate number for each statement.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Somewhat Disagree</th>
<th>Somewhat Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The community helps itself when it supports local businesses...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. It is appropriate for a community to expect local businesses to make financial donations to community improvement projects...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. It is appropriate for a community to expect local businesses to actively participate in community improvement projects...</td>
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<td></td>
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<td>4. The community's expectation of any business should be limited to economic concerns...</td>
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<td>5. Business needs are becoming more important when making community decisions...</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>6. A business helps itself when it supports the local community...</td>
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<tr>
<td>7. A firm best serves its local community by sticking to business...</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A STUDY OF BUSINESS AND COMMUNITY RELATIONSHIPS IN IOWA

SPONSORED BY

IOWA STATE UNIVERSITY
SECTION 2: COMMUNITY SUPPORT FOR BUSINESSES

(A) Below is a list of services/factors often considered by businesses when making decisions on where to locate. How important have they been to businesses operating in this community?

1 = NOT IMPORTANT  2 = SOMEWHAT IMPORTANT  3 = IMPORTANT  4 = VERY IMPORTANT

(B) What are the strengths and weaknesses of this community when competing with neighboring communities for prospective businesses? Please rate your community on each service/factor.

1 = VERY WEAK  2 = WEAK  3 = NO DIFFERENCE  4 = STRONG  5 = VERY STRONG

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importance</td>
<td>Strength</td>
</tr>
<tr>
<td>1. Quality of educational institutions</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>2. Access to interstate highway</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>3. Quality of public services (e.g., fire protection, water, sewage, etc.)</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>4. Cost of public services</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>5. Local tax rates</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>6. Tax incentives to businesses</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>7. Quality of local leadership</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>8. Quality of work force</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>9. Cost of labor</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>10. Local government's fiscal condition</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>11. Planning and zoning regulations</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>12. Quality of retail sector</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>13. Future outlook of the community</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>14. Other (Specify)</td>
<td>1 2 3 4</td>
</tr>
</tbody>
</table>
SECTION 3: RESPONSE OF BUSINESSES TO COMMUNITY CONCERNS

Below is a list of community requests that are sometimes made of local businesses. Looking back at the last 3 years:

(A) How often have the following requests been made of local businesses by your community?

1 = NEVER 2 = SELDOM 3 = OCCASIONALLY 4 = OFTEN

(B) How satisfied or dissatisfied are you with the responses of businesses to these requests?

1 = VERY DISSATISFIED 2 = SOMewhat DIssatisfied 3 = SOMEWHAT SATISFIED
4 = VERY SATISFIED

<table>
<thead>
<tr>
<th>Requests By Your Community</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Assistance of less advantaged residents</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>2. Support for air and water pollution control</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>3. Support for artistic and cultural activities</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>4. Employment and advancement of women and racial minorities</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>5. Technical and financial assistance in community planning and development</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>6. Support for local health care programs</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>7. Financial donations to local schools</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>8. Support for local bond issues to finance community improvement projects</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>9. Aid to community hospital drive</td>
<td>2 3 4 1 2 3 4</td>
</tr>
<tr>
<td>10. Leadership support to local United Fund</td>
<td>2 3 4 1 2 3 4</td>
</tr>
</tbody>
</table>

(C) How would you rate the influence of local businesses on decisions made by this community?

1. Not at all influential
2. Somewhat influential
3. Very influential

(D) How would you rate the influence of this community on decisions made by local businesses?

1. Not at all influential
2. Somewhat influential
3. Very influential
SECTION 4: ECONOMIC CONDITIONS

1. How would you rate the current economic condition of your community?
   1. Poor
   2. Shaky
   3. Reasonably sound
   4. Very strong

2. How would you compare the economic condition of this community with other communities in this area? Would you say it is.
   1. Much worse
   2. Somewhat worse off
   3. About the same
   4. Slightly better
   5. Much better

3. How has the economic condition of this community changed in the last 3 years?
   1. Deteriorated significantly
   2. Somewhat worse off
   3. Remained about the same
   4. Somewhat better
   5. Improved significantly

4. Over the next 3 years, do you expect the economic condition of this community to.
   1. Deteriorate significantly
   2. Be somewhat worse off
   3. Remain about the same
   4. Be somewhat better
   5. Improve significantly

5. How would you rate the current economic conditions of businesses in this community?
   1. Poor
   2. Shaky
   3. Reasonably sound
   4. Very strong

6. How has the economic conditions of businesses in this community changed in the last 3 years?
   1. Deteriorated significantly
   2. Somewhat worse off
   3. Remained about the same
   4. Somewhat better
   5. Improved significantly

7. Over the next 3 years, do you expect the economic conditions of businesses in this community to.
   1. Deteriorate significantly
   2. Be somewhat worse off
   3. Remain about the same
   4. Be somewhat better
   5. Improve significantly
SECTION 5: COMMUNITY PROFILE

1. What is your form of government?
   1. Mayor Council
   2. City Manager
   3. Other (Specify) _______________________

2. What is the bond rating of this city? _______________________

3. At the time when businesses open in your community, to what extent do you or some other official(s) negotiate with businesses for the following?

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>Little</th>
<th>Some Extent</th>
<th>Great Extent</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Building(s) and/or space</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Tax abatements</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Cost of public services (e.g., water, sewer)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. Access roads</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Rezoning of land for industrial use</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

4. (a) Approximately how many business start-ups occurred in this community in the last 3 years? ____________

   (b) Briefly describe types of new businesses.
   ________________________________________________________________

   (c) Did this community offer these businesses any incentives to locate here?
   1. No
   2. Yes→Please describe type of incentives used _______________________
   ________________________________________________________________

   (d) In your judgment, do you feel that the incentives that were offered by this community to attract these businesses were... 
   1. Too little
   2. About right
   3. Too much
   4. Don't know
5. (a) Approximately how many businesses closed their operations in this community in the last 3 years? _____

(b) Briefly describe types of businesses closed.

________________________________________________________________________

(c) Did the community offer any incentives in an attempt to retain these businesses?

1. No
2. Yes—Please describe type of incentives used _______

________________________________________________________________________

(d) In your judgement, do you feel that the incentives offered by this community to retain these businesses were . . . .

1. Too little
2. About right
3. Too much
4. Don't know

Do you have any suggestions regarding the importance of business conditions to community success and vice versa?

If you would like a summary of the results of this study, please check:

_____ Yes  _____ No

THANK YOU FOR YOUR COOPERATION