

Community-based Strategy in a Postmodern Society*

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Abstract

In recent decades, a new social condition has emerged, in which human beings increasingly seek to strengthen their identity by belonging to communities. The role of these communities as providers of identity may offer a powerful construct for explaining and interpreting a vast array of firm activities and actions, as well as evaluating their potential for creating and sustaining competitive advantage. We develop a framework in which firms implement strategies to interact with communities. The framework provides insights that apply to various domains of the organization literature, ranging from corporate identity to supplier relationships and from human resource practices to corporate social responsibility.

Keywords: *communities, competitive advantage, firm strategies*

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There's a sense of community, a feeling we're all in this together.... With the Dead, you go to six shows in seven nights at the Boston Garden and see the same people wearing the same clothes talking about the same things. That was the big draw for me, the sense of community.

—testimonial from a “Deadhead,” a fan of the Grateful Dead (Rifkin 1997).—

Introduction

The Grateful Dead, an American rock band formed in the 1960s in California, was known for its unique and eclectic style, as well as for live performances that featured long musical improvisations. The Grateful Dead constantly toured throughout their long career, promoting a sense of community among their fans, who became known as Deadheads and many of whom followed the tours for months or years on end. Deadheads developed their own idiom, slang, dress code, touchstones, and rituals, such as the free recording of live concerts for later enjoyment, sharing, and exchange (Rifkin 1997).

Although Deadheads constitute a rather peculiar community, they also may be exemplars of an increasingly widespread phenomenon in society: the propensity of individuals to come together in communities primarily to satisfy their needs for sense and identity. As prominent philosophy, sociology, and psychology scholars suggest (Gergen 1991; Kumar 2005; Lyotard 1984; Vattimo 1992), this tendency has accelerated in recent decades—an epoch sometimes labeled “postmodernity”—characterized by greater incredulity about “big values” (such as religion, family or science) as sources of identity to human beings. Postmodern times are associated with more identity options, more tolerance of identity diversity, and more frequent identity changes over a person’s lifetime (Bauman 1992; Featherstone 1988; Rose 1991). These trends have led to a foundation of social life, based on communities that attempt to provide sense and identity to their members (Penn and Zelesne 2007; Wegner 1998; Wegner et al. 2002). Examples of communities as providers of identity are so disparate as the surfing community with its own slang, dressing code and values; car clubs in German-speaking Europe

(Algesheimer et al. 2005); La Leche League, an international community that actively promotes breastfeeding; or, the Harley-Davidson's Harley Owners Group (Fournier 1998).

Such communities also might be important sources of value for corporations. In the early 1990s for example, the Grateful Dead Productions generated about \$90 million in revenue annually, mostly from concerts and merchandising. Its catalog included more than 500 Grateful Dead items—from golf balls to CDs, baby clothes to toothbrushes. Benefits from interactions with communities are not only channeled through potential customers though; for example, until recently, Google suffered relatively low rates of job poaching, despite competing in an industry in which labor mobility is extremely high. Part of the explanation involves the efforts undertaken by the company in creating a community among its employees, informally known as Googlers, which makes them less willing to switch to other employers. The increasing awareness among corporations of the importance of interacting with the communities they affect or are affected by also is well documented by the ubiquity with which the word “community” appears in any sort of firm communications in recent times.

Inspired by these observations, we attempt to address the following research questions: How do corporations interact with communities? How can community-based strategies be a source of competitive advantage? What backlashes face the firms that adopt community-based strategies? To narrow the scope of our investigation, we focus on a specific type of communities, namely, those characterized primarily as a source of identity for their members. Such communities represent groups that share a sense of identity and built on a shared set of values (Dunham et al. 2006); they are widespread in the current social configuration (Ger and Belk 1996; Inglehart 2000; Smith Speck and Roy 2008). Our focus is not designed to deny the importance of other types of communities, such as those characterized by geography (Marquis et al. 2007) or by the presence of a common interest or goal among its members (Walker 1983; Webber 1963), which might have important effects on the nature and level of corporate actions (Calvano 2008; Dunham et al. 2006). Most importantly, the theoretical framework and the implications we develop in this paper would apply straightforwardly to all communities insofar they are a source of identity to their members.

This article makes three main contributions to management literature. First, we contribute to stakeholder theory literature (Freeman 1984) by bringing the concept of communities to the central stage. Stakeholder theory recognizes the importance of communities but treats them as “a default, a sort of error term containing all sorts of interests and externalities that fail to find homes with customer, supplier, employee, or shareholder groups” (Dunham et al. 2006: 24). In our proposed framework, the community represents a level of analysis, unique from customers, employees, or suppliers, though it might overlap with those levels in some conditions. For instance, customers of a company might belong to different communities, which have little to do with the company itself, but they also might be part of a community of customers built around and sustained by the focal firm (Muniz and O’Guinn 2001). Scholars recently have focused on the interaction between firm social actions and community pressures using institutional theory (Calvano 2008; Levy 2008; Marquis et al. 2007), but none of these contributions leverages communities’ identities as tools for explaining firm strategies that might have social content. Instead of a defensive posture that adapts to institutional forces, we propose a proactive approach in which firms invest to create competitive advantage through their interactions with communities.

Second, traditional business research focused on human resource management, total quality management, consumer culture, managerial practices, organizational behavior, accounting, or marketing has been inspired by postmodern ideas (for a review, see Calás and Smircich 1999). Yet, business strategy and postmodern analysis have never interacted. To fill this gap, we seek to connect firms’ business strategies with a societal configuration based on postmodern parameters. If the search for identity and sense through communities provides a basis for actual movements in society, it becomes imperative for firms to adjust and respond to these challenges. To be precise, we do not attempt to adopt a poststructuralist or deconstructive posture to analyze firms’ strategic behavior; rather, we assume that firms implement community-based strategies to achieve a competitive advantage.

Third, our approach enables us to derive insights that apply to several domains of the organization literature, ranging from corporate identity to supplier relationships and from human resource practices to corporate social responsibility (CSR). In the context of CSR, researchers debate whether

profit-maximizing managers should engage in actions that fall outside their traditional business aims, such as supporting gay rights parades, organizing social events, supporting the environment, investing in improving education and literacy, or pouring money into local communities (Margolis and Walsh 2001). Jennings and Zandbergen (1995), Campbell (2007), and Marquis et al. (2007) resort to institutional theory to explain the rationale for CSR actions, whereas Donaldson and Davis (1991), using stewardship theory, assert that managers might feel a moral imperative to do the right thing, even if it negatively affects firm performance. Our work falls more in line with Baron (2001) and McWilliams and Siegel (2001), who argue that CSR actions might be profit maximizing. In particular, we propose that such actions represent part of a general strategy to interact with communities to establish a competitive advantage. Thus, our framework also provides a new, complementary lens through which to consider this important debate in management literature.

We begin by defining the term “community,” as used in our analysis, and highlighting some social conditions that have turned the community into a focal provider of identity. We then present three constructs that are necessary to understand the interaction between communities and firm strategy: values, symbology, and reciprocity. Next, we develop a taxonomy to guide our analysis of how firms interact with communities, classifying community-based approaches as neutral, identity-enhancing, or identity-building. We discuss how firms can apply community-based strategies to three areas of potential value creation: relationships with suppliers, employees, and customers. We then analyze the optimal choice of community-based strategies according to the level of identity heterogeneity faced by a firm i.e. the degree of diversity across the values of those communities with which a focal firm is associated. We also propose that the organization structure is an important moderator of the optimal choice. Finally, after discussing the potential backlash to community-based strategies, we conclude with some implications of our framework for researchers and practitioners.

Identity-based Communities in Postmodern Society

The concept of community has been the subject of a great deal of exploration by scholars in different disciplines, ranging from philosophy to psychology to sociology to anthropology, who have generated an array of meanings attached to the term. The typical usage of the term encompasses any group in which members share some common conditions. Scholars classify communities according to the intensity of three factors: geography, interaction, and identity (Calvano 2008; Hillery 1955; Lee and Newby 1983). Communities primarily characterized by geography represent those people living in a common location, typically in physical proximity (Altman 1998; Marquis et al. 2007), whereas those identified primarily by interactions undertake a set of social relationships that may not be geographically bounded. Finally, communities primarily characterized by identity represent a group who share a sense of belonging and built on a shared set of values (Dunham et al. 2006). These three factors – geography, interactions and identity – can interact with different intensities, and are not mutually exclusive; for instance, it is possible that some communities are localized, show high levels of interactions and provide strong identity to their members. In other cases, communities may display only one or two of these factors. For instance, a political pressure group can be constituted by members located in different geographic areas and may not provide any identity; it obviously requires a set of interactions in order to achieve the common goal or interest.

We focus our attention on those communities primarily characterized by identity, that, to sharpen our exposition, we refer to as “identity-based communities”. The relevance of identity-based communities has intensified in current social configurations, because postmodern people demand new forms and more varied options of identity (Gergen 1991; Inglehart 2000). Identity fragmentation is thus an empirically more relevant phenomenon, and firms are beginning to experiment with new ways to gain competitive advantage from their interaction with identity-based communities.

Throughout human history, different values and models have provided identity for human beings. Ancient society was configured around so-called big values, such as family, city, and religion. During the period designated as modernity, this identifying role was played by reason and science. However, during the second half of the twentieth century, faith in scientific efficacy began to fade away, and a new period,

postmodernity, started to emerge slowly. Influential postmodern thinkers such as Jean François Lyotard (1984) and Gianni Vattimo (1992) concur that the refusal of big and coherent stories, or cosmovisions, and the consequent proliferation of “local” visions represent the essence of a postmodern society. Lyotard (1984) sustains that incredulity toward large-scale theories, values, and philosophies of the world (e.g., society, progress of history, faith in science’s power of explanation, the possibility of absolute justice) means that they can no longer act as sources of identification. In turn, the collapse of cosmovisions has obliged human beings to search for new sources of meaning and create new social spaces, which have spurred the emergence of new identity providers (Lipovetsky 1994). Society thus erupts in a plurality of local rationalities and ethnic, sexual, religious, cultural, and aesthetic minorities with ephemeral and contingent parameters who share the responsibility and role formerly held by cosmovisions.

These trends have led to a foundation of social life, based on communities that attempt to provide sense and identity to their members (Penn and Zelesne 2007; Wegner 1998; Wegner et al. 2002). When an actor participates in community activities, he or she verifies, either implicitly or explicitly, associations with the community and thereby derives identity (Rowley and Moldoveanu 2003). These current social conditions not only attract theoretical thinking but also are well documented in empirical research from sociology and psychology perspectives (Ger and Belk 1996; Inglehart 2000; Smith Speck and Roy 2008). Marketing scholars have been particularly successful in identifying as a key trait of postmodern consumer culture the increasing role of the brand both as a source of identification and as a pillar for the foundation of the so-called “brand communities” (Arnould and Craig 2005; Muniz and O’Guinn 2001; Fournier 1998; Bhattacharya and Sen 2003).

We should mention that the terms postmodernity and postmodern society are controversial. Many scholars offer extensive analyses of contemporary transformations in Western cultural and social life, and some of them do not consider postmodernity an appropriate description of an epoch (Kumar 2005; Parker 1993). This controversy notwithstanding, we use the term “postmodern” herein as a shortcut to a description of a new societal configuration based on the dissolution of metanarratives and the emergence

of theories of multiplicity and heterogeneity, which explain the upsurge and proliferation of new local sources of identity, such as communities.

Key Traits of Identity-Based Communities: Values, Symbols, and Reciprocity

Three elements are essential for understanding identity-based communities. Values are the kernel of communities, symbols are the expression and manifestation of those values, and reciprocity is the mechanism that sustains their cohesion. We focus on these three constructs because they represent critical building blocks in the design of community-based strategies. In this context, firm strategies attempt to strengthen values and leverage both reciprocity and symbology as sources of competitive advantage. Although these three features might be present in other types of communities as well, their role is not as prominent as in identity-based communities. Figure 1 synthesizes the causal relationships between these three constructs and identity.

[FIGURE 1 ABOUT HERE]

Values. Research in values is disparate; it spans social science disciplines that tackle the conceptualization of values from diverse perspectives (see Hitlin and Pilavin 2004). For the purpose of this article, we draw on Schwartz's (1994: 21) conceptualization of values as "desirable transsituational goals, varying in importance that serve as guiding principles in the life of a person or other social entity." These goals synthesize "affective and cognitive elements to orient people to the world in which they live" (Marini 2000: 2828).

Values also are central to the development and preservation of identity (Hitlin 2003; Taylor 1989) and represent the primary dimension that configures identity-based communities. In the current social configuration, the values provided by the communities are plural, weak, and changeable, but their role has gained greater relevance because they are the substitutes for traditional cosmovisions.

These communal values, which are socially patterned, are experienced by people as unique to themselves, which implies both a sense of individual autonomy and a communal involvement. People incorporate socially shared values into their personal identity through their individual interpretation of these shared values (Smith 1991). In other words, people participate in communities because they recognize the community's values as personal values and internalize them to shape their individual, personal identity.

Symbology. Communities manifest their core values through their symbols, which facilitate and articulate the transmission of identity to the members. The symbology of each community consists of slogans, rituals, policies, products, or behaviors shared by its members; each element configures and manifests a specific identity, based on a set of given values. Sharing symbols means sharing certain values and increasing community cohesion, because the symbology of the community is instrumental for defining its boundaries and thus differentiating it from non-community members and/or other communities. Symbology also plays a crucial role in expressing the values and identity of a given community, which is especially important in the current societal configuration with its various congregations around emblematic symbols of sports, music, fashion, or culture.

Generally speaking, symbols are important for organizations at large. In recent decades, several studies have investigated the presence of symbols in organizations as part of corporate culture and asserted that symbols are the language of organizational relationships (Allaire and Firsirotu 1984; Pondy et al. 1983). Managers seek to establish a distinctive corporate culture based on certain values to unify employees' behaviors. Rituals, codes, organizational symbols, institutional jargon, corporate discourse, and specific products provide basic organizational tools of control and reinforce the sense of belonging to an organization.

Reciprocity. The most traditional form of reciprocity refers to mutual reinforcement by two parties of the other's actions, characterized by a "quid pro quo" mentality (Gouldner 1960). Reciprocity also refers broadly to situations in which people feel obliged to reciprocate others' actions indirectly by benefiting other actors, not their benefactors directly. In this case, the opportunity to benefit from the

system provides the primary motive for contribution. Moreover, when an actor has benefited from the system without yet contributing, reciprocity gets triggered by a sense of obligation to “repay the debt” (Wade-Banzoni 2002).

Within the context of identity-based communities, reciprocity means that members of a specific community make a personal effort and engage in non-stipulated actions to reciprocate the community’s provision of identity. A community in this sense is a system, and identity represents the benefit that each actor can obtain from that system. Because identity is a function of the actions, efforts, investments, and commitments by all community members, the parallelism with the concept of reciprocity seems clear. That is, community members’ reciprocal behavior results from either an indirect, *quid pro quo* mentality (i.e., members reciprocate because they expect other actors to take actions that will reinforce community identity) or a sense of obligation (i.e., members reciprocate because they feel they have to reward other actors for having contributed to reinforcing community identity). Several authors (e.g., Heckathorn 1996; Turner and Tajfel 1986) stress that when a person identifies her- or himself with a community, she or he voluntarily cooperates with and commits to the community, especially when the group represents the main source of individual identity formation (Anthony 2005).

As a final consideration, these arguments imply that those communities providing greater identity (through values and symbols) to their members are also characterized by a higher degree of reciprocity. In turn, reciprocity triggers effort, participation, and commitment by community members, which ultimately contribute to strengthen the values of the community and thus to feedback into the shared identity. See Figure 1. For instance, members of the surfing community reciprocates the community’s provision of identity with non-paid efforts in the organization of events, diffusion of weather, sea and tide conditions, help to other surfers, and so on. These actions contribute to increase community’s cohesion and reinforce the set of shared values.

Identity-based Communities and Strategy

In this section, we first establish a taxonomy of strategies that firms can implement to interact with identity-based communities. We then illustrate how these different approaches might provide a source of competitive advantage. An understanding of the role of communities as providers of identity may offer a means to explain and interpret a large array of firm activities and actions, which were analyzed and rationalized separately in prior management approaches.

Taxonomy of Community-Based Strategies

We classify firms' strategies aimed at interacting with identity-based communities into three categories: neutral, identity-enhancing, and identity-building (Table 1). Respectively, these strategies imply greater degrees of firm involvement with the target community, as well as greater support and tighter control over the community's values and symbols. Thus, the firm's contribution to the identity that the community provides its members grows progressively more important, which implies that community members reciprocate more intensively in response to firm actions.

[TABLE 1 ABOUT HERE]

Neutral strategies attempt to establish a connection between the firm and an existing community, without significantly contributing to reinforce its shared identity. Neutral strategies are isomorphic strategies that simply signal that a corporation shares the values and symbols of the target community but do not contribute actively to expand and/or strengthen them. Firm actions are aimed at fine-tuning its image with those values and symbols that provide identity and sense to community members. In turn, the firm gains a perception as a member of a given community or at least is not deliberately excluded from or discriminated against by that community (Hess et al. 2002). Neutral strategies thus consist of investments in empathic behavior and postures that align with the values and symbology of a given community. This approach is akin to the notion that stakeholders impute values—some of them moral—to organizational action. Some scholars (Gardberg and Fombrun 2006; Godfrey 2005) argue that firms attempt to build

moral reputational capital through actions that are consistent with community values. Because neutral strategies do not contribute to increase community identity, the level of reciprocity triggered by firm actions is low.

Identity-enhancing strategies reflect a deeper integration between the firm and a preexisting target community than do neutral strategies. Identity-enhancing strategies consist of a set of actions and investments aimed at expanding and/or strengthening the values and symbols of the target community. The firm thus becomes a positive contributor to the identity provided by the community to its members. Meetings and social events organized by the firm might be instrumental to instill enthusiasm and a sense of belonging, which can refresh in members' minds the role of the community as a provider of identity and sense (Fireman and Gamson 1979). These activities make both the perception of shared values and the power of symbols stronger because values are evoked across a larger set of situations, while symbols become more visible (Laraña et al. 1994). Alternatively, the firm might increase community identity by providing products and services that act as elements of its symbology and representations of its values. Finally, because community members perceive that the firm helps construct their personal identity, they are likely to reciprocate through efforts or other types of supportive behavior.

Identity-building strategies attempt to create and nurture a given community from the outset. The firm thus becomes the main source of values and symbols for the community, and the level of integration between the company and the community is maximal. Theories of social identity and organizational identification provide a coherent, comprehensive articulation of the conditions in which people are likely to identify with or feel a sense of belonging to a company (Bergami and Bagozzi 2000, Bhattacharya and Sen 2003; Turner and Tajfel 1986).

Firms might be able, through a set of well-synchronized actions, to create a community with a core of values and an established symbology, which provide identity and trigger reciprocal actions. A feature of identity-building strategies thus is the centrality of the firm in providing a vehicle for the connection among community members, for example, by organizing and sponsoring meetings and events in its facilities, stores, or public spaces. Thus, the firm acts as a pivotal element of the community, which

would lose its identity-providing role if the firm were to withdraw. Because the firm is the key source of identity for community members, reciprocation should be very intense.

Competitive Advantage through Interactions with Identity-Based Communities

How can community-based strategies provide a source of competitive advantage? We posit that these strategies create a unique avenue for building relationship-based intangible assets, because they depend on the interaction the firm has with a target community (Wood and Jones 1995). The resulting relationship-based intangible assets are idiosyncratic to the particular relationship between the firm and the community, which suggests that they represent a useful construct for explaining the heterogeneity of performance across firms (Zucker 1986), in that they are valuable, rare, and difficult to replicate.

The channels for gaining a competitive advantage depend on how the firm interacts with a target community and thus its stance with respect to the values and symbols of the community. Neutral strategies attempt to generate relationship-based intangible assets by leveraging the empathic behavior of the firm. Then community members assess and evaluate firm actions, subject to a process of value imputation. By conforming to and respecting the values of a target community, the firm can build a positive image among community members, akin to the idea of reputational capital (Dutton et al. 1994; Gardberg and Fombrun 2006). Reputational capital induces community member support and provides insurance-like protection (Godfrey 2005), enabling the firm to secure critical resources (Frooman 1999).. In addition, reputational capital disposes community members to hold beliefs about the firm that can influence their actions. For example, reputational capital might act as insurance that allows firms to buffer themselves against negative shocks (Godfrey 2005).

When we consider identity-enhancing and identity-building strategies, two additional mechanisms contribute to value creation because the firm contributes partially (or fully) to the identity provided by the community by strengthening (or creating) its values and symbols. First, community members are held captive because some (or most) of these shared values and symbols depend on the firm, so they will not switch even if other firms offer better deals. Thus, the firm enjoys greater bargaining

power in relation to community members, which it can exploit in different forms depending on the role of the members as resource suppliers (customers, employees, suppliers). Second, as the firm adopts its crucial role as a reservoir of values and symbols, which enhances and guarantees the identity provided by the community, community members feel obliged to reciprocate. This reciprocal behavior is again exploited by the firm to establish competitive advantages, depending on the level of interaction between community members and the locus of value creation. Community members are likely to feel positively about being associated with the firm and thus be more willing to reciprocate by providing intangible resources like information, trust, commitment, and fidelity (Wang et al. 2008).

Community-based strategies further are instrumental for a sustainable competitive advantage (Barney 1991), because the firms develop intangible, relationship-based assets that are difficult to reproduce or copy. When a firm has established itself as central to a given community, it is very difficult for other firms to displace it (or even access the same community members). Finally, given the fragmentation of identity, it is much easier for competitors or imitators to develop their own relationship-based intangible assets with other communities rather than attempting to attract community members linked to the focal firm, which reinforces differentiation across firms. In turn, competition declines and the competitive advantage is more sustainable.

Below we shall analyze how different community-based strategies create competitive advantage when the interaction between the focal firm and the community occurs at the level of customers, employees and suppliers - the three most relevant categories for community-based strategies according to Howard Schultz of Starbucks (Kleinrichert 2008). It is important to recall that our level of analysis remains the firm-community; that is, we analyze how community-based strategies create value when some (or all) of the members of a community are customers, employees, or suppliers. In the subsequent section, we also address the case in which the firm confronts a plurality of communities.

Customers. Neutral strategies generate value because they favorably dispose community members toward the firm. These customers perceive the firm as aligned with the values and symbols of their community. In turn, the firm becomes insulated from consumer boycotts and discrimination and can maintain valuable goodwill, even after events that may create negative publicity (Barnett and Salomon 2006). Godfrey (2005) and Wang et al. (2008) suggest that corporate philanthropy can generate such positive reputational capital when the philanthropic activity is consistent with a community's values. For instance, Whole Foods Market relies on the communities of customers who value healthy, organic food and are willing to pay a price premium for quality. The company donates, on three days a year, 5% of the day's net sales to non-profit organizations within the geographical scope of each store. The typical Whole Foods Market's customer is also very much concerned with the welfare of its neighborhood, so these donations are fine-tuned with the values and symbols of its target community of customers.

When the firm contributes to supply (identity-building strategies) or strengthen (identity-enhancing strategies) the values and symbols of the community, community members, as customers, feel obliged to reciprocate by purchasing products and services. Such products and services also might constitute a key element of the community's symbology, which should strengthen the firm's ability to charge premium prices without causing consumers to switch to competitors. Although this situation resembles a classic differentiation strategy, it occurs through the interaction with an identity-based community and thus offers a new twist in terms of value creation. Differentiation is based on values and symbols, and this approach leverages the reciprocity of community members.

O'Neill, a US surf-wear and equipment brand, provides a good example of identity-enhancing strategy aimed at customers. The company targets the surfing community and routinely invests in support of surf events, contests, and beach parties. The company also provides some of the key symbols of the community through its product portfolio. Examples of identity-building strategies are widespread in the marketing literature. Some authors focus on the concept of "brand communities" as "specialized, non-geographically bound communit[ies] based on a structured set of social relationships among admirers of a brand" (Muniz and O'Guinn 2001: 412). In such communities, identity depends primarily on either

brands or consumption activities, and their meaningfulness gets negotiated through the symbolism of the marketplace (see McAlexander et al. 2002; Schouten and McAlexander 1995). More recently, Bhattacharya and Sen (2003) have suggested that consumers might identify with the company—not only the brand—and that such identification helps consumers satisfy one or more important self-definition needs (Ashforth and Mael 1989). In this case, consumers become champions of the companies with which they identify. Owners of Harley-Davidson, Vespa, or Ducati motorcycles are often fanatical devotees of those products, joining clubs with fellow owners, attending regular gatherings to swap stories and product information, and buying related paraphernalia such as jackets, hats, and coffee mugs.

Employees. Neutral strategies are instrumental to create reputational capital that the firm can leverage to attract and retain employees who want to work for a company that shares the values and ethos of their community. Thus, actions that help establish a corporate image consistent with the values of the community fall in this category, such as many CSR activities (Turban and Greening 1996). Reputational capital also can buffer bad contingencies, such as a plant closure that leads to employee layoffs (Wang et al. 2008).

When the firm enhances the values and symbols of the community to which some or all firm employees belong, it can both expect greater employee retention and greater commitment to supplying effort and human capital (Dutton et al. 1994). Actions aimed at developing an empathic firm culture constitute a good example of identity-enhancing strategies. Some corporate cultures reflect values consistent with those embraced by existing communities of employees; therefore, these members may be attracted by some recognizable values in the firm's corporate culture that also contribute to strengthen their identity. In turn, this alignment encourages reciprocal actions by employees. For instance, Ben & Jerry, a US ice-cream producer, explicitly embedded their corporation in the local community (it only used milk from Vermont cows, supported local education and helped local farmers) from which most of its employees were coming.

Finally, identity-building strategies are aligned with the idea of organizational identification (Ashford and Mael 1989); according to social identity theory (Turner and Tajfel 1986), organizational

identification occurs when a person's beliefs about a relevant organization become self-referential. A firm can create the core values around which an employee community develops, such that firm values become community values. Google's human resources practices constitute a good example; by creating outward work informality, organizing ski trips, commuting employees on biodiesel shuttle buses equipped with wireless broadband, and building the Googleplex (which features volleyball courts, swimming pools, free restaurants, massage rooms, and so forth), Google has created the community of Googlers. These Googlers tend to reciprocate their employer's actions with greater dedication, increased effort, and significant creativity. Symbology also plays a role. Googlers understand that some of the values of their peculiar community are intelligence and creativity, which map onto the ability to suggest new ways of doing things, fostering progress and innovation. Thus, these behaviors become symbols of the community, and doing more of them creates greater sense and identity.

Suppliers. The preceding ideas seem to apply more directly to individuals than to firms; it seems less straightforward to extend them to identity-based communities of suppliers. Indeed, the natural member of a community is an individual and not an organization. However, especially for small firms localized in geographically bounded areas, it could be possible to apply this framework (Kleinrichert 2008). Neutral strategies can help firms avoid boycotts by suppliers that might perceive the focal firm's actions as contrary to the values of some of their communities. For instance, Starbucks has invested substantially in supporting Fair Trade initiatives. These investments help establish better relationships with its coffee suppliers, typically small-scale farmers, around the world. Identity-enhancing and identity-building strategies can reinforce and create communities of suppliers from whom the firm can anticipate greater supplier responsibility, trustworthiness, and willingness to make specific investments that increase efficiency. A good example of identity-enhancing strategy is the way in which Domenico DeSole managed the relationship with its suppliers during the great turnaround of Gucci, an Italian producer of luxury goods, in the mid-1990s. He invested large amounts of money in training and providing technology to mostly small, pre-existing, artisan companies located in the Tuscany region of Italy. Suppliers then responded with greater effort, trust, and commitment. Puma, a German multinational

company of sport-wear and shoes, offers an example of identity-building strategy with suppliers. Puma has empowered its suppliers to engage in corporate social responsibility themselves and to report according to the Global Reporting Initiative (GRI) criteria. By giving them the status of preferred suppliers, Puma has created a community of partners who share the same approach to human rights and environmental sustainability. In exchange, Puma does not need to control and audit them as companies typically do with their suppliers,

Choice of an optimal community-based strategy

As we discussed previously, one of the key traits of the current societal configuration is pluralism; that is, postmodern society comprises a great deal of diversity and differentiation and therefore can be represented as a colorful collage of multiple communities (Lyotard 1984). Pluralism rests at the very heart of identity-based communities, because the process of identity formation requires differentiation. Any given identity-based community provides identity, insofar it can make a distinction between itself and other communities and between members and non-members (Rowley and Moldoveanu 2003). Mehra and Kilduff (1998) also argue that individuals employ distinctiveness and rarity criteria to select particular groups as sources of identity. Thus, the greater the distance between the values of a given community and the rest of the world, the greater is the identity that the community provides to its members. Similarly, the power of symbology is greater when the distinction between the rituals, codes, and symbols of a community, versus those of other communities, is sharper.

In short, pluralism implies a potentially large number of identity-based communities. Such communities impinge on values that sometimes overlap, sometimes are neutral (neither consistent with nor opposed to), or sometimes conflict with those of other communities. In addition, the stronger the identity of any given community, the more likely it is that its values might be in conflict with those of other communities.

These considerations suggest that firms might have to deal with a set of heterogeneous communities. We define *identity heterogeneity* as the degree of heterogeneity across the values of those

communities with which a focal firm is associated. It is worth noting that when we move to strategy issues, the unit of analysis becomes the firm, not the community. We thus say that a focal firm faces greater identity heterogeneity when a larger number of diverse identity-based communities, with potentially orthogonal values, characterizes the locus of its strategy (customers, employees, or suppliers).

In a context characterized by high levels of identity heterogeneity, a focal firm can either align with a particular set of values (i.e., those of a given target community) or adhere to multiple diverse values associated with different, heterogeneous communities. In both cases, the firm would be better positioned if it implemented a neutral community-based strategy.

First, when the degree of identity heterogeneity of a focal firm is high, actions with strong identity content for a particular community inevitably conflict with the values of other communities. Therefore, other communities' members might react with discriminatory behaviors that could negatively affect the focal company. The firm instead would be well advised to take a community-based approach that does not stress the values of any particular community too much—similar to a neutral strategy. For example, a firm that attempts to control pollution might be perceived sympathetically by many communities, including environmentalists, organic food supporters, and many others. In contrast, a motorcycle producer like Harley Davidson that positions itself very aggressively as aligned with the community of “easy riders” undertakes actions and activities that do not constitute a source of values and symbols for other communities of potential bikers, which might instead value them negatively.

Second, when firms try to conform to two or more values that would not normally be expected to go together (Albert and Whetten 1985), the average distance between the organization's perceived values and individuals' expectations of the “ideal” values increases. As Foreman and Whetten (2002) empirically show, this gap reduces commitment to the focal company. A hybrid-identity organization cannot efficiently strengthen the values on which its associated communities anchor their identities (Albert and Whetten, 1985), so the returns on an identity-enhancing or identity-building strategy are likely small. In addition to generating clashes of values across communities, they are unlikely to elicit strong reciprocal behavior because of their lack of commitment.

In contrast, firms with low identity heterogeneity should increase its competitive advantage by adopting more community-committed types of actions, which help establish identity-rich values that ensure cohesion in the community. As we explained previously, relationship-based intangible assets that are generated from an identity-enhancing or identity-building community-based strategy are solid pillars on which base a sustainable competitive advantage. In turn, we propose that all else being equal, as the degree of identity heterogeneity of a focal firm increases, the more likely the firm will implement a neutral strategy rather than an identity-enhancing or identity-building strategy.

The optimality of the community-based strategy also depends on the underlying organizational form. Firms might differ in the degree of autonomy and independence that they confer on each subsidiary or division (Chandler 1998). Firms organized into subsidiaries/divisions with different names, markets, and reputations and more autonomy are better positioned to perform identity-enhancing or identity-building strategies, other things equal. Different subsidiaries/divisions might target different identity-based communities, without being perceived as parts of the same organization. For instance, Kiehl's follows an identity-enhancing community-based strategy and is an independent subsidiary of one of the largest firms in the cosmetics sector, L'Oreal. A firm thus might be able to commit aggressively to diverse and divergent communities, without triggering discrimination or adverse reactions due to conflicting values.

Firms organized in autonomous and independent subsidiaries/divisions might be able to host multiple identities without weakening commitment, insofar as these identities remain separate and are not simultaneously visible to community members. Conversely, if the firm is organized monolithically, the arguments developed previously apply. This means that the negative relationship between the level of identity heterogeneity and the potential returns of an identity enhancing or an building strategy is moderated by the level of autonomy of the subsidiaries/divisions of the firm.

Backlashes of community-based strategies

Although we argue that community-based strategies constitute a source of sustainable competitive advantage, we also acknowledge potential backlash to such an approach, which warrants full consideration and close scrutiny.

Reputational backlash and retaliation might be ignited, for example, if a firm's behavior openly contradicts some community values. Commitment to a core of shared values represents the pillar that sustains the firm–community relationship, and as corporate branding literature shows (Palazzo and Basu 2007), when a firm violates its commitment to some fundamental values through its actions, it damages community trust. This violation can trigger activist movements, which translate into hostility and discrimination toward the firm. That is, community-based strategies can generate reputational capital that helps the firm buffer negative events (Gardberg and Fombrun 2006), but this positive effect vanishes if the negative events include an open violation of the community's core values. Moreover, the higher the level of community–firm identification, as results from identity-building strategies, the stronger is the potential backlash.

The effective implementation of community-based strategies requires community members to perceive the focal firm's actions as genuine manifestations of its identity (Gordon 1996). If the firm's for-profit motives are too apparent, any firm action might produce mixed effects or even hostility from the targeted identity-based community. Over time, commitment in the form of a stable pattern of actions and interventions usually offers a good signal that the focal firm is not simply acting opportunistically (Godfrey 2005). Nevertheless, when profit-oriented firm actions come in conflict with some basic values of the community, community trust and support could be in danger, and the firm might lose its privileged position within the community. The Deadheads offer a good example. As mentioned in the introduction, the Grateful Dead always encouraged their fans to share tapes of their concerts. Over the years, this activity became a key element of the symbology of the community. However, after the death of Jerry Garcia, the band's leader, the remaining members altered their intellectual property management in an

attempt to profit from selling downloads of the live concerts through the official Grateful Dead Web site, at prices that ran from \$8 to roughly \$16 a copy. At the same time, they ordered Live Music Archive (the Web's largest repository of live Grateful Dead MP3s) to stop offering downloads of soundboard recordings. This decision generated outrage among the community, which called for a boycott of Dead merchandise (Leeds 2005).

Identity-building or enhancing strategies imply the greatest involvement of the focal firm with any given identity-based community, so the firm is well advised to maintain tight control over the actions and activities that provide a source of identity for community members. Greater direct control should reduce the likelihood that errors, misunderstandings, or simply opportunism undermine the emotional link between the focal firm and the community. Any discrepancy between community values and the actions and activities of the firm might provoke a potential backlash to community-based strategies. Furthermore, transaction cost literature suggests that when activities are outsourced, there is a greater probability that problems (i.e., discrepancy) arise (Williamson 1985). For example, Lululemon, a Canadian clothing company that embraces the yoga community, holds very tight control over all its points of sales but not its supplier network. When media reports indicated that tests had failed to find any trace of seaweed fiber in Lululemon's products, despite its claims, fanatical yoga customers started questioning their devotion. By fully controlling actions and activities, the firm also can reinforce its role as a provider of identity. It offers proof of its strong dedication to community values and thus supports its role as identity provider when it tightly controls the steps of the value chain that are most important for sustaining community values. For example, rather than using external catering services, Google has fully integrated its canteen by hiring renowned chefs and selecting high-quality ingredients for its daily menus. However, not only control is a costly task, but sometimes efficiency reasons might suggest the adoption of less vertical integrated structures and more market-based arrangements. Indeed, community-based strategies could constrain firms to opt for no-optimal structures of production.

Community-based strategies characterized by a higher commitment to a target identity-based community also might "lock in" the focal firm to the faith or dynamics of the community, which the

company cannot control fully. For instance, Godfrey (2005) argues that support for the Boy Scouts of America (BSA) was for many years considered a commitment to core American values. When in 2000 a Supreme Court decision allowed BSA to continue to ban gay scout leaders, the group became a symbol of specific community values, such as religious conservatism. Thus, supporting BSA could generate negative reactions from those communities that favor the value of tolerance. This passive role implies that the focal firm bears the risk of undertaking some actions, sharing some values, and assuming some behaviors that are required by the target community but are not aligned with the firm's other interests. Actions undertaken by the members of the target community might damage the company's reputation and image and cause negative reactions from other resource providers (e.g., customers, employees, suppliers). In some cases, firms actively fight this potential backlash; Harley-Davidson excludes the Hell's Angels from its community-based strategy, aware of the risk that the association with that gang would imply for its image and reputation.

Finally, community-based strategies that entail a strong commitment to a target community might limit the focal firm's growth options. Indeed, the arguments developed so far suggest that smaller, more focused firms (thus, with low degrees of identity heterogeneity) appear naturally better suited to pursue community-based strategies characterized by higher levels of commitment, such as identity-building strategies. These strategies are also more prone to generate relationship-based, intangible assets that provide the basis for a sustainable competitive advantage (Barney 1991). Competitive advantage triggers growth that might conflict with the community-based strategy, because firm growth usually is associated with higher levels of identity heterogeneity. Larger firms are more likely to manage diverse customer bases, in both physical location and product categories; multiple and heterogeneous suppliers; and more employees. Such growth increases the probability of conflicting values across the different communities or a hybrid-identity organization. The firm is then facing two options. First, the optimal community-based strategy might need to change, or else it might constrain the focal firm's growth options. Second, the focal firm could fine-tune its organization structure according to the new level of identity heterogeneity, with the caveat that the organizational changes could be costly and time-consuming to implement. The

experience of Ben & Jerry's effectively exemplifies this type of backlash. Initially, the company only used milk from Vermont cows, supported local education, and engaged in community-based interactions with local farmers. When it became a large, multinational corporation, the firm lost part of its special relationship with the Vermont community. After it was bought by the global consumer products giant Unilever, it continued to rely on an identity-enhancing strategy to appeal to its customers, but it changed the focus from local connectedness to global responsibility. Nevertheless, some of the relationship-based assets built through its initial approach inevitably were lost.

More generally speaking, higher levels of commitment to identity-based communities generate path dependence in the process of the strategy formation. Compared with a competitor that does not follow a community-based approach, a firm with either an identity-enhancing or an identity-building strategy suffers from a limited array of strategic tools, because it must exclude all actions that generate conflicts with the values and symbols of its target community. This concern is especially problematic in environments characterized by strong dynamism and high uncertainty, where it is relatively more important to include a vast sample of potential strategic options (Kogut and Kulatilaka 1994). For example, a focal firm cannot perform R&D in profitable technological areas if some of its community's political and religious values conflict with such research efforts, and it might not be able to enter alliances and joint ventures with potential partners that are perceived as contradictory with community members' values.

Concluding Remarks and Implications

Starting from a postmodern societal configuration structured around identity-based communities, we study what business opportunities firms might seize and the challenges they must face to build and sustain competitive advantage. Our article thus lies at the crossroads of philosophical literature that uses a postmodern description of society (Lyotard 1984; Vattimo 1992) and strategy research into competitive advantage (Barney 1991); these disparate approaches provide a new lens through which to analyze

community-based strategies. We describe three fundamental traits of identity-based communities—values, symbology, and reciprocity—and propose a taxonomy of community-based strategies. Our analysis explains how firms establish and maintain a competitive advantage by fine-tuning their interactions with those identity-based communities they affect or are affected by. Our study has important implications for theory development, empirical research, and practice. From a theoretical point of view, we have proposed an interesting and novel way to understand the traditional strategic behaviors of firms. Our hybrid approach opens the field to a plethora of applications that we have only touched on in our work, including CSR, organizational identity, brand communities, and networks of suppliers. Our perspective also complements and integrates with existing studies on these different and diverse literature streams; in so doing, our article provides a broader approach to address these phenomena and rationalizes, in a unified framework, different literature that tackle these issues from various, independent angles.

Our propositions also might inspire empirical research into (1) the efficacy of community-based actions for generating identity through commitment to community values and symbols; (2) the relationship between firm characteristics and resources, as well as their effect on the choice of the type of community-based strategy; (3) the relationship between firm performance and the type of community-based strategies, contingent on firm characteristics (e.g., size, organizational structure); and (4) the relationship between firm growth and community-based strategies.

In this respect, a potential empirical approach would be to structure ad hoc surveys of top managers and executives with specific questions related to the intensity of firm commitment to community-based strategies (e.g., Likert scale); the intensity of this commitment across the categories of customers, employees, and suppliers; the total number of communities that the firm targets or deals with; the frequency of community-based actions and activities; and other potential control variables (e.g., size, age, performance, market concentration). A challenging task for such research would be to develop a meaningful proxy of the degree of identity that the community provides, which itself might be endogenous to the actions and activities of the focal firm. Internet-based blogs, workplaces, and Web

pages could be fruitful sources of data, such as the number of members, participants, level of commitment, or contributions.

Secondary data sources also could provide tests of our propositions, especially panel data. Researchers could relate firm financial performance, based on accounting and market value data, to the type and level of firm commitment to community-based strategies, while controlling for standard covariates. For example, an event study methodology could estimate how financial markets respond to positive and negative events associated with a firm's actions toward identity-based communities. Information about the firm's community-based actions might come from both well-known data sets pertaining to the social performance of corporations (e.g., KLD Stats, which collects data about community-based measures for the 500 S&P list) and press article data sets, such as Factiva or Infotract's Promt. Pertinent news events might include sponsorships, human resource interventions, donations, investments in philanthropic causes, community-oriented advertising campaigns, or conflicts between firms and communities, such as strikes, boycotts, or public statements. Variables from other fields might provide assessments of the intensity of community-based strategies. For example, patents, specifically environmental patents, or trademarks that reflect a community orientation, such as Lululemon's "work less" and Starbucks' "commitment to origins," could be good indicators.

In summary, in this article, we present a first step toward a better understanding of firm strategies through their relationship with identity-based communities. This contribution notwithstanding, we are aware that we probably have created many more questions than answers. Needless to say, we hope that this work triggers further research along similar lines to fill the remaining gaps.

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FIGURE 1

The relationships between identity, values, symbols and reciprocity

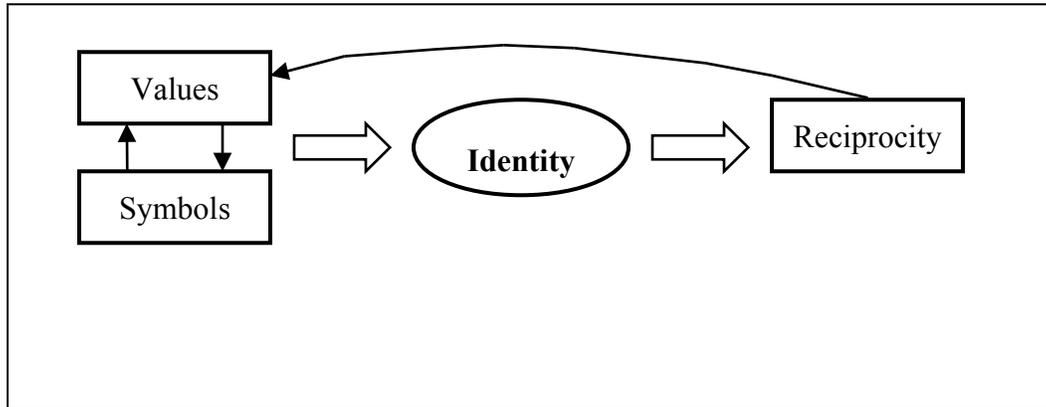


TABLE 1

Taxonomy of Strategies to Interact with Postmodern Communities

<i>Type of Community-Based Strategy</i>	<i>Relationship with Target Community</i>	<i>Intensity of Reciprocity to Firm Actions</i>
<i>Neutral</i>	Community exists independently of the firm	Scarce
<i>Identity-enhancing</i>	<p>Actions aimed at fine-tuning with the values and symbols of the community</p> <p>Community exists independently of the firm, but firm actions strengthen its identity</p>	Medium
<i>Identity-building</i>	<p>Actions aimed at interacting with the community by strengthening values and symbols (e.g. meetings)</p> <p>The firm is a key element of the community that would disappear if the firm withdraws</p> <p>Actions create the community by supplying its values and symbols</p>	High