

Generalized Social Exchange and Its Relevance to New Era Workplace Relationships

Version June 2018

Accepted for publication in Journal of Industrial and Organizational Psychology.

Copyright © Katsuhiko Yoshikawa, Chia-Huei Wu, and Hyun-Jung Lee.

All rights reserved. Do not cite or quote without permission from the author.

Katsuhiko Yoshikawa

Department of Organization Management
Antai College of Economics and Management
Shanghai Jiao Tong University
1954 Hua Shan Road, Shanghai, 20030
People's Republic of China
katsu_y@sjtu.edu.cn

Chia-Huei Wu

Durham University Business School
Durham University
Mill Hill Lane, Durham DH1 3LB
chiahuei.wu@gmail.com

Hyun-Jung Lee

Department of Management
London School of Economics and Political Science
Houghton Street, London WC2A 2AE
h.lee@lse.ac.uk

Generalized Social Exchange and Its Relevance to New Era Workplace Relationships

To critically evaluate the relevance of social exchange theory (SET) to the contemporary workplace, Chernyak-Hai and Rabenu point out a number of factors that reshape work relationships and suggest how to apply and extend social exchange theory to understand the new era work relationships. However, in their discussion, they focus mainly on reciprocal exchange (RE) in dyadic relationships. The discussion completely overlooks another important form of social exchange, namely, generalized exchange (GE), which is increasingly relevant to contemporary organizations exactly because of the changes indicated by Chernyak-Hai and Rabenu. In this commentary, we briefly review prior investigations into GE across various social science disciplines and then point out its increasing relevance to organizations. Finally, we will discuss implications for future research in the industrial/organizational psychology (IOP) literature.

Generalized exchange

SET (e.g., Blau, 1964) conceptualizes human behaviors as exchanges of resources among actors. Individuals exchange resources, such as help, recognition, approval and rewards, with one another, and they seek to balance the value and quality of the resources they exchange. GE is a collective and indirect form of social exchange that takes place in a social group with three or more members. A participant gives resources to other participants without receiving direct reciprocation from the recipients; however, as others also engage in the same behavior, one eventually receives reciprocation indirectly from someone in the group (Yamagishi & Cook, 1993). This form of exchange is distinct from the other two forms of social exchange, RE and negotiated exchange (NE), which take place in dyadic relationships and involve direct exchange between two actors following negotiated rules (for NE) or acting contingently upon the partners' behaviors, following the norm of reciprocity (for RE; Mom, 2000; Flynn, 2005). We further highlight the distinctive regulatory principles

of GE, *the rule of collective reciprocity*. In contrast to the norm of reciprocity which involves two individuals who directly reciprocate resources to each other (Gouldner, 1960), *the rule of collective reciprocation* includes three or more individuals in the equation. For instance, if person A receives resources from person B, person B might give resources to person C (i.e. paying-it-forward). Alternatively, if person A observes that person B gives resources to person C, the person A provides resources to person B (i.e. rewarding reputation; Baker & Bulkley, 2014). The key differences between RE and GE thus lie in their structure (i.e. dyadic & direct versus collective & indirect) and the underlying principles that regulate individuals' behaviors (i.e. the norm of reciprocity versus the rule of collective reciprocity).

Recognizing GE as one of the basic forms of social exchange goes back to the early days of social exchange research in social science. GE was originally found in primitive societies by anthropologists such as Malinowski (1922) and Lévi-Strauss (1949). While Homans (1958) almost solely focused on social exchange in dyadic relationships, Ekeh (1974) emphasized the distinction between GE and dyadic forms of exchange and argued for the importance of GE in bonding individuals in human groups. Emerson (1972) also recognized GE, which he interpreted as a network of dyadic relationships. Furthermore, Blau (1964) recognized the relevance of GE to organizations, stating, "long chains of social transactions occur in complex organizations, in which the work of some members contributes to the performance of others, and which typically do not involve reciprocal exchanges" (p. 260). The concept of GE is adopted and further developed in various disciplines, including sociology, social psychology, economics and evolutionary biology.

Despite these developments, the IOP literature and organizational/management research overall continued to focus on RE by applying it to various workplace relationships such as employee-organization (e.g., perceived organizational support), supervisor-subordinate (e.g., LMX) and individuals-team members (TMX; see Cropanzano & Mitchell,

2005 for a review). Hence, it is not surprising that Chernyak-Hai and Rabenu discussed only RE. However, there is an emerging body of literature that empirically suggests individuals engaging in GE within an organization (e.g., Baker & Bulkley, 2014) and across organizations (e.g., Westphal, Park, McDonald, & Hayward, 2012).

Why is generalized exchange relevant to contemporary organizations?

GE is critical for organizations to utilize organizational social capital—“the goodwill available to individuals or groups”—and to make its effects “flow from the information, influence and solidarity it makes available to the actor” (Adler & Kwon, 2002, p. 25). First, GE facilitates a flexible flow of resources (e.g., knowledge, help) among organization members compared to NE and RE (Levine & Prietula, 2012) because NE requires prior agreement between actors on terms of exchange, and RE relies on higher quality of interpersonal relationships (Cropanzano & Mitchell, 2005). Second, GE promotes a psychological bond between the members and the collective entity in which GE takes place, manifested as high trust, solidarity and identification toward the group (Molm et al., 2007), which in turn serves as a psychological foundation that facilitates exchange among members who may not know each other personally within the collective entity.

Due to these characteristics, GE is important to contemporary organizations, considering the background of technological, political, globalization and economical changes indicated by Chernyak-Hai and Rabenu. For example, today, companies increasingly depend on knowledge workers, and they conduct activities beyond national borders. In other words, it is critical for many organizations to facilitate the flexible exchange of resources (e.g., knowledge) among workers beyond organizational/geographical boundaries and preexisting interpersonal ties. In addition, the trend toward less hierarchical and more autonomous work practices implies that individuals’ work relationships are less restricted by bureaucratic structure, and thus, horizontal exchange relationships (rather than vertical relationships)

across work groups (rather than within the group) play a key role in organizations. As indicated by Chernyak-Hai and Rabenu, for knowledge workers with considerable expertise in their professional domains, it would be more useful to interact with other experts than to interact with the manager, who does not necessarily have deep expertise in the domain. Digital technologies are likely to further facilitate such changes by enabling workers to access individuals beyond the immediate workplace more easily through virtual spaces.

A good example to illustrate the importance of GE is the case of online platforms. GE has been found to facilitate exchange on Internet online platforms (Faraj & Johnson, 2011) and online platforms within an organization (Baker & Bulkley, 2014). Such platforms provide a virtual space in which individuals without prior interaction history can exchange knowledge with one another, thus increasing their chances of accessing non-redundant knowledge (Granovetter, 1973). In such a setting, RE is not likely to facilitate interactions, as it requires high-quality preexisting interpersonal relationships, particularly for the exchange of resources with significant value (Cropanzano & Mitchell, 2005). Furthermore, freeriding (one acquires knowledge but does not contribute) is rife in online knowledge exchange platforms, making it less appealing for those who expect direct reciprocation (Wasko & Faraj, 2005). This example indicates that GE is important when resources such as information and knowledge should be exchanged beyond preexisting interpersonal relationships and direct reciprocation.

It is important to note that while some of the observed changes in the contemporary workplace relationship indicated by Chernyak-Hai and Rabenu will promote the relevance of GE in contemporary organizations, other changes will likely pose barriers for GE. Individuals are more likely to engage in GE when they consider other individuals as members of the same social group (Westphal et al., 2012), as strong identification with a social group facilitates engagement in GE with members of the social group (Willer et al., 2012). Drawing

on this, we argue that contemporary organizations should be aware of the factors that can create fault lines among their members and thus hinder GE. For example, increased use of freelancers, contract workers, and outsourcing might create salient status differences among those working in an organization, which might promote the “us and them” distinction between groups of individuals with different contract/employment statuses and thus prevent individuals from engaging in GE across the organization. In addition, cultural and other diversities, including generational differences in work values, might lead to the formation of subgroups in an organization based on demographic characteristics such as ethnicity, cultural background, gender and age. Geographic dispersion of activities might also provide barriers to GE, as individuals often identify more strongly with immediate sub-units (i.e., subsidiaries) than the entire organization. Hence, changes in work relationships not only promote the relevance of GE but also create barriers against it functioning as a facilitating device for the organization-wide exchange of resources beyond boundaries.

Research opportunities

To date, only a limited number of studies have investigated GE in workplace settings. We repeat the decade-old call by Cropanzano and Mitchell (2005) and Flynn (2005) for researchers to move beyond the narrow assumptions of RE in dyadic relationships. In the following, we highlight some major issues that IOP scholarship can further investigate.

First, the extant literature provides little knowledge about individual differences in GE (Baker & Bulkley, 2014). Research on RE has revealed that individuals' engagement in RE is shaped by personality traits such as conscientiousness (Orvis, Dudley, & Cortina, 2008), extraversion (Bauer, Erdogan, Liden, & Wayne, 2006) and individualism-collectivism (Zhong, Wayne, & Liden, 2016). Furthermore, individuals' orientations to exchange relationships, such as exchange ideology (Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001), reciprocity wariness and creditor ideology (Eisenberger, Cotterell, &

Marvel, 1987) are also found to shape individuals' engagement in RE. Therefore, it is reasonable to expect that individuals might also vary in their tendencies to engage in GE. Moreover, some theorists have suggested individuals' tendencies to engage in GE are likely to be shaped by various factors such as their previous experiences, organizational climate and norms and dispositional tendencies in interacting with people (Ballinger & Rockmann, 2010; Flynn, 2005), which lead to a research question regarding how individuals develop different tendencies in engaging in GE.

Second, scholars might also investigate how contextual factors shape individuals' engagement in GE. As we noted above, individuals are more likely to engage in GE when they consider other individuals as members of the same social group. The high levels of diversity in individual demographics, location and contract status in contemporary organizations provide an ideal situation for researchers to examine how such organizational contexts affect one's engagement in GE. In addition, many organizations try to maintain positive relationships with alumni, as Chernyak-Hai and Rabenu point out, referring to HP-Indigo. Such efforts might create an extended social group, including current and former employees beyond the company's "formal" boundary, and thus facilitate GE among them. In a similar vein, individuals develop identifications not only in their organizations and their sub-units but also in their outside social groups, such as occupational groups. In sum, blurred boundaries of contemporary organizations provide interesting opportunities for researchers to investigate the impact of social structures on individuals' engagement in GE.

Third, there are opportunities to investigate the impact of organizational practices on individuals' willingness to engage in GE. While GE can be beneficial for individuals and organizations, its participants are likely to face a stronger risk of non-reciprocation than participants of other forms of exchange (Molm et al., 2007) because the exchange does not involve explicit negotiations among actors, and the process of reciprocation involves

unspecified multiple individuals. Some conceptual studies have proposed that human resources and other organizational practices might reduce such perceived risks and motivate individuals to engage in GE (Baker & Dutton, 2007; Evans & Davis, 2005); however, to our best knowledge, there is no study that empirically investigated the impact of organizational practices on individuals' engagement in GE.

Finally, we mention methodological challenges to investigating GE. Research on RE largely depends on survey methods: Typically, researchers use self-report surveys to collect information about individuals' perceptions of their exchange partners (e.g., POS, LMX) and supervisor-report surveys to collect information about individuals' attitudes and behaviors (e.g., task performance, OCB). Such approaches might not be very useful for the investigation of GE because GE involves three or more individuals, and resources can flow from any one of them to any other individuals. Moreover, individuals might engage in GE along with RE (Baker & Bulkley, 2014). Hence, the analysis of GE involves the detailed flow of resources among individuals (e.g., $A \rightarrow B \rightarrow C \rightarrow \dots$: person A provides resources to person B, and then the person B gives resources to person C, and so on.) These methodological requirements will push researchers to develop a much more fine-grained way of capturing individual interactions than the common survey-based approaches in existing social exchange research. For example, researchers who investigated GE in online platforms used detailed records of individual interactions on those platforms to capture individual behaviors (Baker & Bulkley, 2014; Faraj & Johnson, 2011). We expect more innovative methodological approaches to emerge from investigations of GE in organizations.

References

- Adler, P. S., & Kwon, S.-W. (2002). Social Capital: Prospects for a New Concept. *Academy of Management Review*, 27(1), 17-40.

- Baker, W. E., & Bulkley, N. (2014). Paying It Forward vs. Rewarding Reputation: Mechanisms of Generalized Reciprocity. *Organization Science*, 25(5), 1493-1510.
- Baker, W. E., & Dutton, J. E. (2007). Enabling Positive Social Capital in Organizations.
- Ballinger, G. A., & Rockmann, K. W. (2010). Chutes Versus Ladders: Anchoring Events And a Punctuated-Equilibrium Perspective on Social Exchange Relationships. *Academy of Management Review*, 35(3), 373-391.
- Bauer, T. N., Erdogan, B., Liden, R. C., & Wayne, S. J. (2006). A longitudinal study of the moderating role of extraversion: leader-member exchange, performance, and turnover during new executive development. *Journal of Applied Psychology*, 91(2), 298.
- Blau, P. M. (1964). *Exchange and power in social life*: Transaction Publishers.
- Cropanzano, R., & Mitchell, M. S. (2005). Social exchange theory: An interdisciplinary review. *Journal of Management*, 31(6), 874-900.
- Eisenberger, R., Armeli, S., Rexwinkel, B., Lynch, P. D., & Rhoades, L. (2001). Reciprocation of perceived organizational support. *Journal of applied psychology*, 86(1), 42.
- Eisenberger, R., Cotterell, N., & Marvel, J. (1987). Reciprocation ideology. *Journal of Personality and Social Psychology*, 53(4), 743-750.
- Ekeh, P. (1974). *Social exchange theory : The two traditions*. London, UK.: Heinemann Educational.
- Emerson, R. M. (1972). Exchange theory, part II: Exchange relations and networks. *Sociological theories in progress*, 2, 58-87.
- Evans, W. R., & Davis, W. D. (2005). High-performance work systems and organizational performance: The mediating role of internal social structure. *Journal of management*, 31(5), 758-775.
- Faraj, S., & Johnson, S. L. (2011). Network Exchange Patterns in Online Communities.

- Organization Science*, 22(6), 1464-1480.
- Flynn, F. J. (2005). Identity Orientations and Forms of Social Exchange in Organizations. *Academy of Management Review*, 30(4), 737-750.
- Gouldner, A. W. (1960). The norm of reciprocity: A preliminary statement. *American Sociological Review*, 25(2), 161–178.
- Granovetter, M. (1973). The strength of weak ties. *American journal of sociology*, 78(6), 1.
- Homans, G. C. (1958). Social behavior as exchange. *American journal of sociology*, 597-606.
- Levine, S. S., & Prietula, M. J. (2012). How Knowledge Transfer Impacts Performance: A Multilevel Model of Benefits and Liabilities. *Organization Science*, 23(6), 1748-1766.
- Lévi-Strauss, C. (1949). *The elementary forms of kinship (English translation published in 1969)*. Boston, MA: Beacon Press.
- Mainowski, B. (1922). *Argonauts of the Western Pacific: An account of native enterprise and adventure in the archipelagoes of Melanesian New Guinea*. London: Routledge.
- Molm, L. D. (2000). Theories of social exchange and exchange networks. In G. Ritzer & B. Smart (Eds.), *Handbook of social theory* (pp. 260-272). CA: Thousand Oaks, Sage.
- Molm, L. D., Collett, J. L., & Schaefer, D. R. (2007). Building solidarity through generalized exchange: A theory of reciprocity. *American Journal of Sociology*, 113(1), 205-242.
- Orvis, K. A., Dudley, N. M., & Cortina, J. M. (2008). Conscientiousness and reactions to psychological contract breach: a longitudinal field study. *Journal of Applied Psychology*, 93(5), 1183-1193.
- Wasko, M. M., & Faraj, S. (2005). Why should I share? Examining social capital and knowledge contribution in electronic networks of practice. *MIS quarterly*, 35-57.
- Westphal, J. D., Park, S. H., McDonald, M. L., & Hayward, M. L. A. (2012). Helping Other CEOs Avoid Bad Press: Social Exchange and Impression Management Support among CEOs in Communications with Journalists. *Administrative Science Quarterly*,

57(2), 217-268.

Willer, R., Flynn, F. J., & Zak, S. (2012). Structure, Identity, and Solidarity: A Comparative Field Study of Generalized and Direct Exchange. *Administrative Science Quarterly*, 57(1), 119-155.

Yamagishi, T., & Cook, K. S. (1993). Generalised Exchange and Social Dilemmas. *Social Psychology Quarterly*, 56(4), 235-248.

Zhong, L. F., Wayne, S. J., & Liden, R. C. (2016). Job engagement, perceived organizational support, high-performance human resource practices, and cultural value orientations: A cross-level investigation. *Journal of Organizational Behavior*, 37(6), 823-844.