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## **Encyclopedia of Industrial and Organizational Psychology**

### **Social Exchange Theory**

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Social exchange theory is one of the most influential conceptual paradigms for understanding behavior. Over the years, differing perspectives on social exchange have evolved, bridging disciplines such as anthropology, sociology, organizational theory, and social psychology. As a result, social exchange theory cannot be thought of as a single theoretical model. Rather, it is a general framework or conceptual point of view about how resources are valued and exchanged. Thus, there is no single social exchange *theory* but many different social exchange *theories*, each meaningfully elaborating on the general paradigm.

Theories of social exchange view social life as a series of transactions. Social exchange transactions involve the exchange of some resource, broadly defined, between two or more parties (individuals or institutions). These exchanges are viewed as interdependent in the sense that the behavior of one party is contingent on the actions of another. A basic tenet of social exchange is that an offer of a benefit generates an obligation to reciprocate in kind. In time, a series of interdependent transactions will generate trust, loyalty, and mutual commitments. Although theories of social exchange differ on particulars, they highlight three central principles:

- Interdependent transactions are defined by rules or norms of exchange.
- Social exchange quality is defined by the attributes of the resources being exchanged.
- Social exchanges evolve into relationships among the parties involved.

## Exchange Rules and Norms

Exchange rules and norms define the expectations or attributes of transactions. In this way, parties of exchange use rules to guide behavior. Over time, these rules may become social norms, or moral standards of behavior. Both exchange rules and norms define how parties should behave and be treated. Within the organizational sciences, the most commonly accepted rule is reciprocity. However, other rules are also important for understanding social exchange.

## Reciprocity

Reciprocity involves repaying like with like. By and large, most social exchange research focuses on the *positive reciprocity norm*, meaning that individuals expect to return a benefit for a benefit. However, exchanges may also involve a *negative reciprocity norm*, meaning that individuals may avenge a harm. Indeed, these felt obligations can be quite strong. For example, in some cultures, individuals will refuse valuable gifts so as to avoid expensive repayment. Likewise, the desire to punish a wrong can cause one to retaliate—even when it is economically costly and there is no hope of future deterrence. Therefore, it is not surprising that human beings have been labeled *homo reciprocus*. Some scholars have gone so far as to argue that reciprocity is an evolutionarily driven predication, whereas others contend that this tendency is learned through socialization.

The give-and-take principles of reciprocity motivate much of human behavior. For example, a tit-for-tat tactic, which begins with unilateral concessions, can defuse serious conflicts. This tactic works because one's concession tends to prompt parallel concessions in the other disputant. Similarly, individuals tend to reciprocate self-disclosing statements. This process of positive reciprocal exchange generally builds closer relationships.

Although reciprocity strongly influences human interactions, not everyone shares this propensity to the same degree. In other words, individuals differ in how strongly they endorse the norm of reciprocity or an *exchange ideology* (sometimes termed *reciprocation ideology*). The more strongly an individual endorses an exchange ideology, the more likely he or she is to “keep score” of what was exchanged and to expect the return of a good deed. For example, just treatment at work tends to have a stronger effect on work attitudes among those who are high in exchange ideology and a weaker effect among those with lower scores. In fact, those who do not strongly endorse an exchange ideology may not care whether obligations are reciprocated.

## Other Rules of Exchange

Although most research emphasizes reciprocal exchanges, other models exist as well. For example, negotiated rules require the parties engaging in joint decision processes to outline exchange arrangements. Negotiated rules differ from reciprocity in that they are explicitly stated. That is, within reciprocal exchanges, individuals tend to coordinate their behavior implicitly and without formal discussion. Within negotiated exchanges, coordination is formally delineated in advance. A good deal of research has compared negotiated exchanges to reciprocal exchanges. Negotiated exchanges tend to be more concrete and have a stricter definition of terms. One specific benefit (e.g., an hourly wage) is exchanged for another (e.g., a certain unit of work completed). In contrast, reciprocal exchanges tend to be more open-ended and flexible. Generally speaking, reciprocal exchanges tend to lead to closer interpersonal relationships, engendering trust, commitment, and equality between the parties.

Other models of exchange rules have also been developed, mainly in the disciplines of anthropology and sociology. These models emphasize rules other than reciprocity and negotiation. At their core, these rules serve to identify the general goal of the exchange. Though a thorough review of this literature is beyond the scope of this summary, it is noteworthy to mention that exchanges can also be based on principles of community (e.g., exchanges based on the common good of a group), rationality (e.g., exchanges based on self-interest), altruism (e.g., exchanges that benefit another), status or authority ranking (e.g., exchanges based on formal or informal position), and market (e.g., exchanges based on market value).

## Types of Resources

Exchange resources include worthy possessions or capabilities. Thus, exchange resources are thought of as potential benefits to the other party. The most common typology divides these benefits into two types: financial and material benefits and socioemotional benefits. Financial and material benefits have economic or direct pecuniary value (e.g., wages, access to company vehicles). Socioemotional benefits hold symbolic value and convey standing or dignity to the recipient (e.g., friendliness, loyalty, invitations to lunch).

Both sets of resources are important, though in some cultures, they are not exchanged by the same rules. For example, American managers prefer to assign financial and material benefits based on performance, whereas socioemotional benefits tend to be assigned equally. An interesting feature of these two types of resources is that successful exchanges of one may lead individuals to exchange the other. Specifically, many workplace relationships begin with simple transactions for financial and material goods (e.g., pay for work). Over time, the involved individuals may build trust by exchanging socioemotional benefits, which builds closer interpersonal attachments.

## Interpersonal Relationships

One of the most popular components of social exchange theory used by management scientists involves the importance of workplace relationships. Accordingly, social exchanges provide for the development of interpersonal connections, referred to as *social exchange relationships*. This research tradition can be traced primarily to the seminar work of Gary Blau. According to Blau, individuals engage in two different types of exchange relationships: economic exchange and social exchange.

Economic exchange relationships are quid pro quo arrangements that emphasize short-term financial and material benefits. The benefits exchanged are clearly specified and bound by contractual obligations. In contrast, social exchange relationships are open-ended and mutually beneficial. The benefits exchanged in so-

cial exchange relations are generally socioemotional in nature. As a result, social exchange relations involve stronger emotional ties between participants. According to Blau, money is only one motivator of effective work behavior. When workers are in social exchange relationships, they tend to have more positive work attitudes and engage in more positive behaviors.

Because social exchange relations involve unspecified exchanges, people in these relationships do not know whether the other party will reciprocate in the long run. Therefore, social exchange relations may initially involve vulnerability and risk. Understandably, this means that social exchange relations are far more risky than economic exchange relations and, as a result, social exchange relations involve a certain level of trust. Mutual, balanced, and beneficial exchanges ultimately enhance trust and build loyalty and commitment among the parties involved. Employers that engender trust are seen as not taking advantage of their employees and caring about their employees; employees who feel their employers take care of them reciprocate by way of positive consequences. In this way, only social exchange relationships create enduring social patterns; economic exchange relations do not.

Indeed, much research has demonstrated the benefits of social exchange relationships. For example, researchers have found that high-quality social exchanges generate higher levels of performance and even encourage employees to perform above and beyond their formal job tasks (e.g., staying late hours, helping others, improving knowledge and skills to help the organization), called *organizational citizenship behaviors* (OCBs). Furthermore, high-quality social exchanges heighten feelings of organizational commitment (or close membership to the organization). These positive attitudes yield beneficial outcomes for organizations, such as higher levels of performance, OCB, and job satisfaction and lower levels of turnover.

Research suggests that employees may form social exchange relationships with their direct supervisor (e.g., leader–member exchange relationship), their work teams (e.g., team support), or their employing organization as a whole (e.g., organizational support). Consistent with the principle of reciprocity, individuals tend to tailor their behavior to benefit the entity with which they have a social exchange relationship. For example, those with close ties to their immediate supervisor tend to target their OCBs so as to benefit that supervisor (e.g., voluntarily assisting the supervisor until late hours), whereas those with close ties to their employing organization direct OCBs so as to benefit the firm as a whole (e.g., promoting the organization to outsiders). Research has produced similar results in terms of social exchange benefits within work teams.

## Conclusion

Social exchange theory has become one of the most influential paradigms for understanding the nature of human interaction. Within organizational science alone, social exchange theory has been integrated into theories of organizational justice, psychological contracts, commitment, OCB, support, leader–member exchange, and networks. In this way, social exchange theory provides a powerful framework for understanding workplace exchanges and relationships. Its explanatory value relies on the basic tenet that social exchanges comprise actions that are contingent on the rewarding reactions of others. Implied is a mutual process whereby transactions or exchanges may foster quality relationships. In sum, social exchanges create interlocking status duties that ultimately initiate, maintain, and stabilize social behaviors both within and outside organizations.

- exchange relationships
- social exchange theory
- exchange theory
- reciprocity
- norm of reciprocity

- workplace relationships
- concession

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See also

- [Contextual Performance/Prosocial Behavior/Organizational Citizenship Behavior](#)

## Further Reading

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