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A Dual Model of Reciprocity in Organizations: Moral Sentiments and Reputation

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Abstract and Keywords

In this chapter, I develop a dual model of reciprocity in organizations that brings together mainstream reciprocity theory and positive organizational scholarship (POS). Reciprocity theory assumes that people are self-regarding; they give only if doing so builds a reputation for generosity that pays off in the future. Positive organizational scholarship assumes that people are naturally other-regarding, giving to others without regard to self. Moral sentiments, defined as positive emotions such as gratitude, motivate prosocial behavior. I take a middle ground, arguing that most people in organizations have mixed motives, simultaneously concerned for self and for others. The dual model combines the mechanisms of reputation and moral sentiments. I describe examples of this dual model in organizations, focusing on human resource practices and everyday work practices that appeal to people with mixed motives. I conclude with a discussion of future research directions based on this dual model.

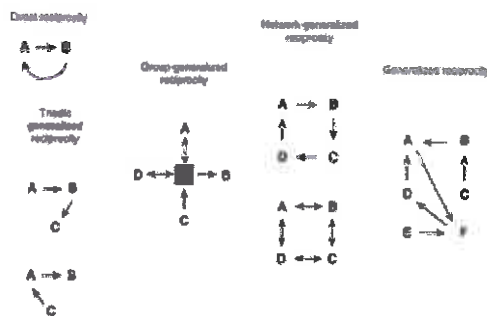
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(p. 412)

How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it.

—Adam Smith, Opening sentence in *The Theory of Moral Sentiments*

Consider the expression of moral sentiments in this story: “On my way [driving] to church I slid into the ditch, buried myself [in snow] and had to rely on a couple of Good Samaritans to help me. Today I had a chance to repay that favor. A couple of ladies were stuck in Grand Rapids [Michigan] and I pulled over, fresh in my mind because I had been helped by someone else. I think a lot of the time, it’s a good reminder. My faith does inform my decisions but on the other hand, there’s nothing quite like being the recipient of a fleshed-out virtue to help you do what’s right.”



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Fig. 31.1 Illustration of direct reciprocity and forms of generalized reciprocity. Sources: Reproduced or adapted from diagrams in Molm, Collett, and Schaefer (2007) Nowak and Sigmund (2005), Takahashi (2000), and Yamagishi and Cook (1993).

This story, told on National Public Radio's *Talk of the Nation* (February 13, 2008), contains all the elements of a common human behavior that remains a theoretical conundrum for evolutionary theory, social exchange theory, and rational choice. The behavior is a form of reciprocity known by several names: indirect reciprocity, generalized reciprocity, or generalized exchange; colloquially, it is called *paying it forward* (Hyde, 2000). Paying it forward is a chain of events that involves at least three parties and two unilateral acts of helpfulness. This three-party chain can take different forms (e.g., look ahead to Figure 31.1). For example, A helps B; B feels positive emotions, which motivate B to help C. In the story above, Good Samaritans (A) helped the storyteller (B) out of a ditch; the storyteller (B) later did the same for the ladies from Grand Rapids (C). (p. 413) On indirect reciprocity, Ekeh (1974, p. 48) said, "an individual feels obliged to reciprocate another's actions, not by directly rewarding his benefactor, but by benefitting another actor implicated in a social exchange situation with his benefactor and himself."

Reciprocity is so widely observed throughout human society that Becker (1956) said our species should be renamed "*Homo reciprocus*." Reciprocity made complex social systems possible (Leakey & Lewin, 1978). Reciprocity is essential for democracy and economic growth (e.g., Putnam, 2000), as well as for the social capital of organizations (e.g., Adler & Kwon, 2002; Baker, 2000; Cohen & Prusak, 2001). Indeed, reciprocity is a key form of positive social capital in organizations when it creates and expands the generative capacity of people and groups (Baker & Dutton, 2007).

Nonetheless, the principle of reciprocity is so powerful that it can be used as a "compliance technique" to create uninvited debts and unfair exchanges, as unscrupulous salespeople, politicians, and fundraisers know quite well (Cialdini, 1993). People can strategically build a (false) reputation for generosity solely to benefit from the generosity of others. That the principle can be misused does not detract from the role reciprocity plays as a positive organizational practice. In this chapter, I develop insights into this positive practice by linking it to the mainstream literature on reciprocity and to positive organizational scholarship (POS).

These two literatures have developed separately, with opposite views of human nature. Reciprocity theory and research assume that selfish interests motivate behavior. Indirect reciprocity is a theoretical puzzle. Self-regarding people are likely to free ride, taking advantage of others and not giving their own resources (e.g., Takahashi, 2000, p. 1105). As a result, indirect reciprocity cannot get started, and if it somehow does, it would be so fragile that it would soon fall apart. Those "who think that others will not give are unlikely to give away their own resources, and generalized exchange [indirect reciprocity] may never be established" (Takahashi, 2000, p. 1107). From this perspective, other-regarding behavior appears to be irrational. Why, for example, did the Good Samaritans help the storyteller out of the snow? It was unlikely that he would repay them in kind (and certainly not with money). Why did he pay it forward? One may cite his religious convictions, but reciprocity is embedded in all moral and religious codes (Gouldner, 1960), and we would have to explain why reciprocity resides in these codes in the first place. And, in this specific case, we would have to explain why it was applied to the ladies from Grand Rapids. After all, no one would have known if the storyteller had failed to stop and help.

Positive organizational scholarship, in contrast, assumes that "unselfishness, altruism, [and] contributions without regard to self" motivate (p. 414) behavior (Cameron, Dutton, & Quinn, 2003, p. 4). Based on these assumptions, the helping behaviors in Grand Rapids are easily explained: People are naturally other-regarding, so indirect reciprocity (such as aiding motorists in difficulty) is commonplace. Indeed, if we assume that people are strongly other-regarding, prosocial behavior such as indirect reciprocity is no longer a puzzle to be explained. In this chapter, I take a middle position. Some people may be very selfish; some may be concerned only for others. But I assume that most people in organizations are between the poles of the selfish and the saintly, motivated both by concerns for self and concerns for others. Given that most people are in the middle, the mechanisms that facilitate indirect reciprocity in organizations must take into account mixed motives. This chapter is a step in this direction. Drawing together theory and research on reciprocity and POS, I propose a "dual model" of reciprocity in organizations that combines the mechanisms of moral sentiments and reputation.

The chapter is organized as follows. First, I provide an overview of types of reciprocity. Second, I discuss the two opposing assumptions about human nature: *Homo economicus* versus *Homo reciprocus*. Third, I propose a dual model of reciprocity in organizations, based on two key mechanisms: reputation and moral sentiments. Fourth, I describe

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several empirical examples of this dual model in organizations, focusing on “enablers” of positive social capital (Baker & Dutton, 2007). I conclude with a discussion of future research directions based on this dual model.

Types of Reciprocity

Reciprocity is a form of cooperation in which two or more people exchange or transfer resources at different points in time. These resources include information, ideas, advice, help, assistance, opportunities, contacts, material goods, services, financial capital, and so on (Baker, 2000). Reciprocity is an implicit understanding between two or more people; it does not involve formal agreements or legal contracts; there is no price or official exchange rate. Expectation of repayment is tacit or vague. As a result, a beneficiary of an exchange may or may not repay the benefactor, and may or may not “pay it forward” to a third party.

Direct reciprocity is an exchange or transfer of resources between two people. As illustrated in Figure 31.1, A provides a resource to B and, at some later time, B provides a resource to A. Indirect reciprocity, also known as generalized reciprocity or generalized exchange (e.g., Takahashi, 2000), occurs in larger systems and involves three or more people. The essence of indirect reciprocity is unilateral resource giving. For example, what I call *triadic generalized reciprocity* involves three people and three unilateral transfers (see Figure 31.1). Nowak and Sigmund (2005) describe two types of triads: “upstream” and “downstream.” Upstream occurs when A provides a resource to B, B feels “positive emotions” as a result, and therefore provides resources to C (i.e., pays it forward). Downstream occurs when A provides a resource to B, C observes A’s generosity, feels positive emotions, and rewards by assisting A when A makes a request or expresses a need. Although Nowak and Sigmund (2005) do not mention it, downstream indirect reciprocity may include paying it forward to a fourth party: A provides a resource to B, C observes A’s generosity and feels positive emotions that motivate C to provide a resource to D.

Nowak and Sigmund (2005) are theorists who posit that “positive emotions” are the mechanisms driving indirect reciprocity, but they do not specify which positive emotions or elaborate how this mechanism might work. Research in positive psychology and POS, however, suggests that gratitude is a key positive emotion at play (and, as I argue later, a key source of moral sentiments). Gratitude promotes prosocial behavior (e.g., Emmons & McCullough, 2003, 2004). People who feel gratitude are more helpful to those in their social networks (McCullough, Emmons, & Tsang, 2002). Gratitude is a stronger motivation for prosocial behavior than feelings of indebtedness (Tsang, 2007). Indebtedness is an uncomfortable feeling of obligation that may or may not lead to reciprocity. For example, indebtedness can lead a recipient of help to avoid her benefactor (Tsang, 2007; Watkins, Scheer, Ovnicek, & Kolts, 2006), and, by implication, not participate in direct or indirect reciprocity.

Another form of reciprocity is group-generalized reciprocity (Yamagishi & Cook, 1993), which occurs when people contribute resources to a resource pool, and people receive or withdraw resources from it. Some may give and receive; others may only give; still others may only receive. Examples include voluntary donations of human blood and organs (e.g., Healy, 2006; Titmuss, 1971) and voluntary participation in rotating savings and credit associations (Biggart & Castanias, 2001). Examples also include involuntary systems of “redistribution” documented by anthropologists (e.g., Polanyi, 1957/1971) and modern taxation. Network-generalized reciprocity (p. 415) (Yamagishi & Cook, 1993), also called *chain-generalized reciprocity* (Molm, Collett, & Schaefer, 2007) follows fixed patterns of exchange, such as one-way and two-way cycles (see Figure 31.1).¹ The classic example is the Kula Ring in the South Pacific Trobriand Islands, in which valuables changed hands from island to island in a fixed circular pattern (e.g., Malinowski, 1922; see, also, Strathern, 1975).

Pure generalized reciprocity does not involve fixed networks of giving or receiving (Takahashi, 2000). Putnam (2000) provides a prosaic definition that captures the emergent and unplanned nature of this form of reciprocity: “I’ll do this for you now, without expecting anything immediately in return and perhaps without even knowing you, confident that down the road you or someone else will return the favor” (p. 134). Aiding a stranded motorist (as in the lead story to this chapter) is a good example. It is difficult to predict when and where one might encounter a stranded motorist; it is difficult to predict when and where one might become a stranded motorist; and direct reciprocity (see Figure 31.1) is unlikely.

Homo Economicus Versus Homo Reciprocus

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Why do people engage in reciprocity? We do not have to go beyond rational self-interest to explain *direct* reciprocity, the exchange of favors between two people. But indirect reciprocity is a puzzle if we assume self-interested behavior. This assumption implies that people cooperate only if forced to do so, or if they are convinced that their seemingly generous behavior will pay off in the future. This is the well-known "*Homo economicus*" or "economic man"—the hyper-rational, coldly calculating, self-interested habitué of classical economic theory.

H. economicus is, of course, a fiction. Some people are quite self-regarding, but few real people live up to this extremely selfish view of human nature. Yet, the fiction contains an important truth: Self-interest is undeniably part of human nature. The problem comes in when theories of reciprocity make the assumption of homogenous social preferences. As Simpson and Willer (2008) note, almost all studies of indirect reciprocity assume that people are self-regarding "egoists." This assumption is at odds with research in mainstream social psychology, which demonstrates that social preferences (or social motives) are heterogeneous. Many people, for example, behave like "*Homo reciprocus*," which I define as a pronounced propensity to reciprocate directly and indirectly with others, engaging in and creating a dynamic network of interactions.²

This propensity to reciprocate is variable. There is a distribution of social preferences in a population, ranging from self-regarding egoists (like *H. economicus*) on one end to other-regarding altruists on the other. Surprisingly, a number of behavioral economists have come to share the view that preferences are heterogeneous, convinced by years of experimental evidence that there is a tendency for some people to behave prosocially (see, e.g., Gintis, Bowles, Boyd, & Fehr, 2005). Neuroscience shows that social preferences are part of human brain circuitry, confirming that they are genuine (e.g., Fehr & Camerer, 2007).

Nonetheless, the social science research on social preferences and reciprocity typically makes simplifying assumptions about the distribution of preferences, placing people into a few discrete categories. Simpson and Willer (2008), for example, divide the subjects in their experiments into two categories: egoists or altruists. Egoists are concerned about their own welfare; altruists balance concern for self with concern for others. Weber and Murnighan (2008) describe "consistent contributors" who "always contribute, regardless of others' choices" (pp. 1340–1341), in contrast to free riders who take advantage of the system when they can and cooperate only if it pays off. And, behavioral economists posit the existence of "strong reciprocators," people with a predisposition to cooperate and to punish those who do not, even at personal cost (e.g., Fehr, Fischbacher, & Gächter, 2002; Gintis, Bowles, Boyd, & Fehr, 2005).

Discrete categories capture important tendencies in a population, but it is more likely that the distribution of preferences is continuous. For example, Baker and Levine (2010) used a continuous measure of social preferences—values—in their study of the mechanisms of indirect reciprocity. The participants in their experiments had values that ranged between extreme self-regarding values and extreme other-regarding values. At one end, people had very strong preferences for achievement (winning in competitive situations) and power (control of people and resources; status and prestige). At the other, people had very strong preferences for universalism (concern for the welfare of people in general) and benevolence (concern for the welfare of members of one's social network).³ Most participants, however, fell between the extremes, having values that mixed concern for self and concern for others. In other words, they combined the motivations of *H. economicus* and *H. reciprocus*. In this chapter, I assume that most organizations are populated with people (p. 416) who have mixed motives, consistent with Baker and Levine's (2010) finding.

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If people embody the spirit of *H. economicus*, then reciprocity occurs only if forced, or as a response to rewards and punishments. If humans embody the spirit of *H. reciprocus*, then reciprocity occurs freely, as long as obstacles do not stand in the way. Since social preferences vary, with most people in the middle, organizations must manage a population of people with mixed motives. Mechanisms, therefore, must elicit moral sentiments and appeal to rational choice. Although POS offers a wide range of possibilities, I focus on mechanisms that have a basis in *both* the mainstream reciprocity literature and POS. As noted above, these fields exist in parallel and separate universes. Linking these fields generates both insights into reciprocity as a key form of positive social capital (Baker & Dutton, 2007) and leads to the future directions for research, which are presented at the end of this chapter.

I propose a dual model of reciprocity in organizations.⁴ The first of two mechanisms is moral sentiments driven by positive emotions. As I elaborate below, gratitude in particular promotes indirect reciprocity. Positive emotions are the domain of positive psychology and POS but have a few links to the reciprocity literature (e.g., Nowak & Sigmund, 2005). The

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second mechanism is reputation, which is the dominant mechanism in the mainstream reciprocity literature, but also has connections to positive psychology and POS.

Mechanism 1: Moral Sentiments

Moral sentiments encourage other-regarding behavior. This mechanism, I argue, operates through emotions. Adam Smith (1759) argued in *The Theory of Moral Sentiments* that “sympathy” motivated other-regarding behavior. This innate human ability enabled one person to understand what another person feels by imagining what one would feel in the same situation. Centuries later, neuroscience confirms the existence of “mirror neurons” (e.g., Rizzolatti & Craighero, 2004) that behave in a similar manner, enabling one person to “sympathize” with another and feel what the other person feels.

The act of giving itself generates positive emotions or what Becker (1974) called a “warm glow” in the giver. That this “warm glow” is a reason for giving has received empirical support (e.g., Andreoni 1989, 1990). Receiving help elicits the positive emotion of *gratitude*. Gratitude is a recognition of the “unearned increments of value in one’s experience” (Bertocci & Millard, 1963, p. 389). Gratitude is one of the “moral emotions.” These are emotions “linked to the interests or welfare either of society as a whole or at least of persons other than the judge or agent” (Haidt, 2003, p. 276). Negative moral emotions, such as guilt, shame, or embarrassment, have received more attention in psychology (e.g., Tangney, Stuewig, & Mashek, 2007) but positive psychologists emphasize positive moral emotions—especially gratitude (e.g., Emmons, 2003; McCullough, Kilpatrick, Emmons, & Larson, 2001).

Feelings of gratitude are the specific positive emotions behind the moral sentiments driving reciprocity. For example, Simmel (1950) observed that gratitude is the “moral memory” that reminds a beneficiary of reciprocal obligations. Generally, gratitude promotes prosocial behavior (e.g., Emmons & McCullough, 2003, 2004; Tsang, 2007), such as helping others in one’s social networks (McCullough, Emmons, & Tsang, 2002). Gratitude for benefits received motivates paying it forward to others, according to evidence from experiments (Baker & Levine, 2010) and field studies (Baker & Bulkley, 2009) of positive organizing and reciprocity.⁵ More generally, successful exchanges generate positive emotions, which, in turn, increase cohesion and commitment to the exchange relationship (Lawler, 2001; see also, Collins, 2004) and social solidarity—feelings of belonging, relational commitment, and mutual trust (Molm, Collett, & Schaefer, 2007). Increased cohesion, commitment, and solidarity all promote future acts of reciprocity.

Mechanism 2: Reputation

Alexander (1987) argued that reputation is necessary to sustain indirect reciprocity. Those who earn a reputation for generosity are more likely to receive help from others, compared to those who have a reputation for stinginess. According to this line of argument, without reputation—that is, without knowing what others have done in the past—a system of indirect reciprocity cannot arise. Alexander’s argument spurred a vigorous program of research on reciprocity, in which reputation is considered to be the dominant mechanism. Evolutionary biologists, for example, operationalize reputation as “image” and propose that “image scoring” is a strategy people use to build a positive reputation (Nowak & Sigmund, 1998). Those who (p. 417) operate with this strategy act generously only to improve their image. Simpson and Willer (2008) found evidence of image scoring in their experiments on indirect reciprocity. The egoists in their studies were sensitive to “reputational incentives,” behaving in ways that are consistent with an image scoring strategy. For example, egoists were more likely to give when their behavior was public than when it was private. Altruists, however, were less sensitive to the presence or absence of these reputational incentives. Other experiments and computer simulations have shown similar results (e.g., Seinen & Schram, 2006; Wedekind & Milinski, 2000). Building on these studies, Baker and Levine (2010) assessed the effects of reputational incentives, using a continuous measure of social preferences rather than an egoist-altruist divide. They found that most people respond to reputational incentives. Only the small minority who had very strong other-regarding values ignored these incentives, behaving generously regardless of the past behaviors of others.

Fairness is the other side of reputation. Building an altruistic image pays off only if others use fairness criteria, rewarding those who are (or appear to be) generous and punishing others who are stingy. Using an agent-based simulation, Takahashi (2000) showed that generalized reciprocity can evolve without social norms, altruism, or central authority as long as each agent (i.e., person) has some sense of fairness and information about other agents. Fairness is an agent’s evaluation of the past behavior of a potential recipient. An agent uses these evaluations to make decisions about giving. In this simulation, an agent gives resources to another agent who satisfies the giver’s criterion for fairness and denies resources to agents who do not. Fairness-based selective giving evolves into a system of indirect reciprocity if each

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agent has information about all other agents or about those in one's neighborhood.

In the only study of the evolution of reciprocity in real groups, Baker and Bulkley (2009) found that people indeed use fairness criteria when they decide whether to help someone. In this setting, people could observe others' behavior, seeing whether they were generous or not in their responses to others' requests for help. When generous people made requests, they were more likely to get a response, and to get more responses, compared to stingy people who made requests. However, as Takahashi (2000) suggested, each person has his or her own fairness criteria. Some people in the groups studied by Baker and Bulkley (2009) reported that they always used fairness criteria; others said that they applied fairness criteria only in extreme cases; still others said they never used fairness to determine whether or not to respond to someone.

The effects of fairness on organizational citizenship behaviors (OCBs), which include reciprocity, are well documented at the individual and group levels. For example, the more people feel they are treated fairly, the more they engage in reciprocity (e.g., Stamper & Van Dyne, 2001). Fairness is a component of the "procedural justice climate" of a group—"a distinct group-level cognition about how a work group as a whole is treated" (Naumann & Bennett, 2000, p. 882). The more the members of a group feel their group is treated fairly, the more they engage in reciprocity and other OCBs (e.g., Dekas, 2009; Mayer, Nishi, Schneider, & Goldstein, 2007; Naumann & Bennett, 2000).

Examples of the Dual Model of Reciprocity in Action

This dual model of reciprocity in organizations—moral sentiments and reputation—is a synthesis of the literatures on reciprocity and POS, highlighting some of the links between these disparate lines of work. This dual model assumes that most (but not all) people are motivated to give by a combination of selfish and unselfish reasons. Effective organizational procedures and practices may appeal to one or both of the mechanisms in this dual model.

Any number of positive organizational practices could encourage the expression of moral sentiments and create opportunities for reputation building. Given the relative lack of POS theory and research about reciprocity, however, I focus on some of the key "enablers" of positive social capital proposed by Baker and Dutton (2007) and describe how they connect to the two mechanisms in the dual model. I consider these connections to be areas of future research, as I discuss in the conclusion to the chapter.

Baker and Dutton (2007, p. 330) define "enabler" as "any practice or condition that makes a process or state more likely to occur." They present several clusters of positive organizational practices. Some are human resource practices, such as selection and socialization; others are everyday work practices, such as the conduct of meetings and collaborative technologies (Baker & Dutton, 2007, pp. 331, 334). These enablers influence motivations and opportunity structures for positive social capital. Applied here, these enablers heighten moral sentiments and create opportunities for their expression; at the same time, these enablers dampen the expression of (p. 418) self-interest, but also provide opportunities for its expression in positive reputation building. These are summarized in Table 31.1.

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Table 33.1 Links between enablers of positive social capital and two mechanisms of reciprocity in organizations

Enabler	Moral Sentiments	Reputation
Selecting on relational skills	Populates an organization with members who have other-regarding social preferences.	
Participatory selection practices	Interactions with a diverse set of current employees helps to identify candidates with other-regarding values and produces positive emotions	Creates opportunities for reputation building with a diverse social networks; increases interpersonal knowledge and more and earlier exposure to others' needs and potential contributions to them
Relational socialization practices	Cultivates conditions of high-quality connections (trusting and respectful engagement) and the positive emotions they come from them; decreases the motivation to misuse the reciprocity principle to trigger unwanted exchanges or create unfair debts	Creates more connections earlier and creates more opportunities for creating high-quality connections, including opportunities to build reputation by helping others. Greater and earlier exposure to others' needs increases opportunities to respond to them and build reputation
Using group incentives	Group incentives link and align self-interest with moral sentiments	Promotes and rewards other-regarding behavior
Relational meeting practices	Cultivates trusting and respectful engagement, which encourages the expression of moral sentiments and dampen self-interest	Provides new and more venues and occasions for reputation building
Using collaborative technologies	Uses technology as a means to express moral sentiments in exchange	Provides means (tools) for building reputation by practicing reciprocity

Source: Modification of Table 2 in Baker and Dutton (2007).

Consider, for example, selecting on relational skills and participatory selection practices. These two enablers populate an organization with members who have desirable social preferences and build positive ties with current employees during the selection process. Both POS case studies and experimental evidence show that selecting on the basis of social preferences influences cooperative behavior. For example, two-part experiments show that selecting participants who demonstrated other-regarding behavior in one experiment and putting them in a second experiment will increase rates of cooperation in the second experiment (Fischbacher & Gächter, 2008). Some companies intentionally search for and hire people with the "right attitude" and "relational competence" to build a population of members with other-regarding values. Examples include Southwest Airlines (Gittell, 2003), along with Zingerman's (Baker & Gunderson, 2005) and the other "small giants" chronicled by Burlingham (2005). (Zingerman's is a family of high-quality food-related businesses in Ann Arbor, Michigan.) Companies noted for high levels of social capital, such as Viant, IDEO, and Russell Reynolds Associates (Cohen & Prusak, 2001, pp. 137-138), employ a long interview process to vet candidates for cooperativeness. A long interview process is a participatory process in which current employees and prospective employees build positive ties with one another; the process helps to screen out candidates who attempt to present themselves as other-regarding when they are not. In addition to a recruitment process that involves many interviews with current employees, companies use other methods to identify candidates with the right attitude. Zingerman's, for example, requires candidates to write several short essays about their good and bad experiences of service, teamwork, and cooperation (Baker & Gunderson, 2005).

Relational socialization refers to "the formal and informal processes that are used to bring new organizational members

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on board in an organization" (Baker & Dutton, 2007, p. 336). Relational socialization practices cultivate conditions of trust and respectful engagement, two components of high-quality connections. High-quality connections generate positive emotions, thus increasing prosocial (p. 419) behavior (such as reciprocity) and decreasing the motivation to misuse the reciprocity principle. Relational meeting practices also enable high-quality connections and provide opportunities for reciprocity. Both enablers are evident in the informal practices used at IDEO, the premiere new product design firm (Hargadon & Sutton, 1997). "Brainstorming meetings" and "Monday morning meetings" socialize newcomers by making visible and reinforcing strong norms of direct and indirect reciprocity.⁶ These are also regular and routine relational meeting practices that build moral sentiments and provide opportunities to enhance reputations. For instance, designers call brainstorming meetings to solicit ideas, suggestions, and solutions from fellow designers. In return, they will participate in the brainstorming meetings held by other designers, whether or not they have received help from them in particular. In Monday morning meetings, designers regularly announce the problems they are working on and elicit potentially useful or helpful ideas (p. 742). "These interactions make visible the norms of asking for help, sharing knowledge, and giving help," note Hargadon and Sutton (1997, p. 742). Other-regarding designers would thrive in this cultural setting, whereas self-regarding designers would find selfish reasons to help: By helping others, they would build a reputation for generosity that would be rewarded in the future. Refusing to help others would earn a reputation for stinginess that would be punished by ostracism.

Reward and incentive systems can inhibit or facilitate positive social capital (Baker, 2000; Baker & Dutton, 2007). When people have mixed motives, reciprocity depends on the application of incentive systems that reward those who build reputations for generosity. However, organizations that hire self-regarding employees typically have incentive systems that measure and reward individual performance, making cooperation even less likely. But even in organizations that recruit and hire other-regarding employees, measuring and rewarding reciprocity elevates it to higher levels. For example, Southwest Airlines gives agent-of-the-month awards to those who enable others to succeed (Gittel, 2003). The winners are determined by fellow employees. These awards make public reputations for generosity, and, by the way they are determined, elevate moral sentiments. Similarly, Zingerman's X-tra Mile program (Baker & Gunderson, 2005) enhances moral sentiments and reputations at the same time. When one employee observes another going the extra mile (e.g., making a big contribution by performing an unselfish act), the observer writes up the episode for publication in the company newsletter. The person who went the extra mile gets public recognition and a "very cool x-tra mile t-shirt." Practices such as these build genuine reputations for generosity, as well as make visible and reinforce strong norms of reciprocity.

Group incentives enable reciprocity because they align self-interest with moral sentiments, and promote and reward other-regarding behavior. Companies known for high social capital develop formal systems linking individual pay to group-level outcomes (see, e.g., Cohen & Frusak, 2001). Firms that utilize open book finance (OBF), such as Springfield Remanufacturing Corporation (SRC), develop hundreds of group-level incentive systems that measure and reward cooperative behavior (e.g., Slack with Burlington, 1994). Open book finance (sometimes also called open book management) is "based on the premise that business is essentially a game"—and, to play it, people must know the rules, get enough information to know what is going on and to keep score, and have the opportunity to win or lose (Baker & Smerek, 2010, p. 1). "Mini-games" are a novel form of group-level incentive systems. These "are small-scale incentive plans designed to fix weaknesses or pursue an opportunity" (Baker & Smerek, 2010, p. 7). Each mini-game includes a common goal, a scorecard, and monetary rewards that are shared equally with members of the group playing the mini-game. For example, the catering department at Zingerman's created the 50/50 Catering Game to increase the number of on-time deliveries. Each person got \$50 when 50 days had passed without a single late delivery. This mini-game forced the players to discover the root causes of late deliveries and to work together to fix problems (such as drivers not getting the right directions). With this mini-game, the catering department went from 10% late deliveries per week to a record-setting 355 days in a row without a single late delivery (Baker & Smerek, 2010, pp. 7–8).

Collaborative technologies use software or web-based tools to enable a dispersed workgroup to share information, exchange ideas, brainstorm, manage projects, and so on. These technologies "ease the difficulties of making contact with other people when physical distance or structural impediments are barriers" (Baker & Dutton, 2007, p. 340). Instant messaging, skill-profiling systems, chat rooms, team rooms, and other systems can enhance the ability of group to work together and build social capital (p. 420) (Cross & Parker, 2004). Using a collaborative technology called the Reciprocity Ring™ to collect data on the evolution of reciprocity in real groups, Baker and Bulkley (2009) found strong evidence of both moral sentiments and reputation, controlling for a variety of other factors.⁷ For example, participants who received help felt gratitude and were more likely to pay it forward by helping third parties. Participants were more

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likely to help those who were generous than to help those who were not. Over time, participants learned the value of reciprocity, especially paying it forward, as ways to get needed resources, contribute to others, and build the solidarity of the group.

Future Directions

The dual model of reciprocity in organizations is a synthesis of two separate literatures and research streams. Thus, future directions for the field include both empirical tests and theoretical refinements of the dual model.

- Positive emotions are the moral sentiments that drive reciprocity. Gratitude, in particular, motivates paying it forward. Do other positive emotions influence reciprocity? For example, what is the role of pride, hope, interest, inspiration, or even love?
- Given that positive emotions, such as gratitude, are the moral sentiments behind reciprocity, what is the role of negative emotions? Do negative emotions have the opposite effect of positive emotions? What is the role, for example, of fear, contempt, anger, or disgust?
- The dual model assumes that most people in organizations have mixed motives, a combination of self-regarding and other-regarding concerns. In other words, the model applies to the middle range of the distribution of social preferences. Does the dual model also apply at the extremes? For example, do moral sentiments play much of a role in organizations populated with extremely self-interested members? Conversely, does reputation play much of a role in organizations with extremely other-regarding members?
- Successful exchanges generate positive emotions that, in turn, facilitate additional successful exchanges (Lawler, 2001). Are there positive (or negative) spirals in the evolution of reciprocity? Are there threshold effects?
- This chapter described a number of human resource practices and everyday work practices that influence moral sentiments and reputation and enable the expression of reciprocity. An important direction of future work is to catalog additional positive practices in organizations, and to determine the relative effectiveness of various positive practices for the emergence and evolution of reciprocity.

Conclusion

This chapter brings together two disparate literatures—reciprocity theory and POS—to develop a dual model of reciprocity in organizations. Two key mechanisms of reciprocity compose this model: reputation and moral sentiments. Reciprocity theorists emphasize the role of reputation in the emergence and evolution of reciprocity. They assume that people are self-interested and will give to others only if doing so builds a reputation for generosity that will be rewarded in the future. In contrast, POS assumes that people are other-regarding and naturally inclined to give generously to others without regard to repayment. For POS, moral sentiments—defined here as positive emotions, such as gratitude—drive the evolution of reciprocity.

Based on a number of empirical studies, I assume that most people in organizations have mixed motives, simultaneously self- and other-regarding. Accordingly, effective enablers of positive social capital in organizations must be designed to motivate people with mixed motives, generating moral sentiments and providing opportunities to build reputations that pay off. I provided several empirical examples of positive practices that facilitate reciprocity, considering both human resource practices and everyday work practices. These positive practices create work environments that foster the moral sentiments at the heart of reciprocity.

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Notes:

(1.) Molm, Collett, and Schaefer (2007) would subsume my triadic generalized reciprocity in their definition of chain-generalized reciprocity, but it is useful to maintain the distinction between three-actor networks and larger networks.

(2.) I borrow *Homo reciprocus* from Becker (1956), although I use it in a more focused way. Becker never provides a formal definition, and uses the term *H. reciprocus* and a synonym “man in reciprocity” in many and diverse ways.

(3.) These values come from Schwartz’s theoretical circumplex model of ten values (e.g., Schwartz, 1994, 2006; Schwartz & Bardi, 2001). This circumplex has two higher-order dimensions, one of which is “self-enhancement” (or self-regarding values) versus “self-transcendence” (or other-regarding values). Achievement and power are self-regarding values; universalism and benevolence are other-regarding values.

(4.) Of course, other factors influence reciprocity. For example, cooperation tends to be high in groups that are small and/or where behavior is easily monitored, effective sanctions operate, and social relations are stable (Coleman, 1990, pp. 300–321). Ethnic rotating savings and credit associations are good examples (Biggart & Castanias, 2001). Institutional and organizational structures influence unilateral giving. For example, differences in the institutions that organize exchange explain the wide variations in rates of donating human blood and organs (Healy, 2006). In the behavioral laboratory, factors outside the specific rules of an experimental game, such as social identities, group size, time pressure, and communication influence cooperative behavior in the game (Cook & Cooper, 2003, pp. 227–231; Ostrom & Walker, 2003). Subjects from different national cultures behave differently in the same experiment (e.g., Yamagishi, 1998).

(5.) Baker and Bulkeley (2009) observed the formation of a norm of reciprocity in real groups that used an online system of making and responding to requests. Those who benefited more from the system paid it forward more often than those who benefited less, controlling for a host of other factors. Indeed, 80% of the almost 3,000 acts of helping were unilateral, rather than direct reciprocity (Figure 31.1). This online system is called the Reciprocity Ring,[™] available from Humax Corporation (www.humaxnetworks.com).

(6.) Generally, many attribute the practice of reciprocity to social norms (Ekeh, 1974; Lévi-Straus, 1969 [1949]; Gouldner, 1960). A norm of indirect reciprocity, for example, means that a recipient of unilateral giving feels morally motivated to continue the practice of unilateral giving and “pay it forward” to some third party. This is the form of paying it forward that Nowak and Sigmund (2005) called “upstream reciprocity” (see Figure 31.1).

(7.) The Reciprocity Ring[™] is provided by Humax Corporation as a face-to-face activity and an online collaboration technology (www.humaxnetworks.com). Other factors included the effects of incentives, costs and risks of helping, and the passage of time.

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