



Social Exchange Theory in Organizational Contexts
Business Studies 2885
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Classtimes:	Thursdays, 3pm–6.00pm	Coursepage:	cp.hbs.edu

Overview

The objective of this course is to introduce you to social exchange theories and their applications in organizational contexts. We begin by examining a long theoretical tradition of social exchange theory in social psychology, sociology and anthropology to establish a coherent framework linking network structures with inequality between social actors. Central to this framework are four principal bases of stratification: resources, power, brokerage, and prestige. As we progress through the course, we will place heavy emphasis on developing research designs that can test the mechanisms discussed in the framework using non-experimental data. We will examine these research designs against some of the key works in the field that have sought to understand the role of networks in structuring inequality between and within organizations.

Mechanics

The enrollment is open to any Ph.D. or DBA student at Harvard University. All other students must petition to register in the course by e-mailing me prior to the beginning of the semester. Auditors are allowed with the condition that they participate fully in the seminar and complete all assignments.

There are three books available for you to purchase at the Coop at HBS:

Coleman, James Samuel. 1990. *Foundations of Social Theory*. Cambridge, MA: Harvard University Press.

Molm, Linda D. 1997. *Coercive Power in Social Exchange*. Cambridge, UK: University of Cambridge Press.

Burt, Ronald S. 1992. *Structural holes: the social structure of competition*. Cambridge, MA: Harvard University Press.

This syllabus is web-enabled, so you can access most of the articles directly from the web with HUID authorization. Papers with substantial methodological component are marked with a 🏠. Readings which are unavailable electronically are in the course packet. You can purchase the packet at the Coop at HBS.

Requirements

There are four requirements for this class. First, you should come to every seminar and actively participate in the discussion. Second, during the course of the seminar you should prepare three response papers no longer than 3 pages. The papers should address the discussion questions listed on the class website under the appropriate session. The papers should be uploaded to the class website before the seminar – late submissions will not be accepted. Third, you will be required to submit a methodological critique of one of the papers listed in session IX.

Finally, you should submit the final paper which should thoroughly explore a theme raised through class discussion. The paper should be no longer than 15 pages. My expectation is that the paper will give rise to *novel* falsifiable propositions that could be tested. You should feel free to incorporate some, all or none of your response papers into your final paper. You will be required to present the basic idea of your paper in Session X to obtain feedback from the class. You should feel free to talk to me about your idea before you present it to the class. You will then present the paper in the final session of the course. Your paper should be uploaded to the class website by 10pm on May 7th.

Your final grade will be calculated as follows:

- class participation: 10%
- response papers: 25%
- methodological critique: 15%
- final paper: 50%

Session: I.
Date: February 2, 2006
Subject: Introductory Class

We will use this session to go acquaint you with the main themes of the course. We will also go through the logistics of the course and its requirements. There is no advance preparation or readings for this class.

Session: II.
Date: February 9, 2006
Subject: What is social exchange?

In this session, we examine early attempts to understand different processes of exchange and their impact on inequality and cohesion between social actors. Ekeh's exposition of this pioneering work serves as a wonderful summary of 50 years of early work. Furthermore, it establishes a basic typology of social exchange – individualistic and collectivistic. The majority of the course will cover the individualist orientation. However, we will examine the collectivistic tradition in Session XI and its re-interpretation through the lens of individualistic orientation in Session XII. The paper by Cook and Whitmeyer will allow you to understand the relationship between our course and network analysis.

Ekeh, Peter P. 1974. *Social exchange theory: the two traditions*. Cambridge, MA: Harvard University Press.

Cook, Karen S., and J. M. Whitmeyer. 1992. "[Two Approaches to Social Structure: Exchange Theory and Network Analysis](#)." *Annual Review of Sociology* 18:109-127.

Session: III.
Date: February 16, 2006
Subject: Resources, power and inequality in exchange systems

In this session, we examine the basic assumptions, mechanisms and predictions of modern social exchange theory. Chapters from Coleman provide the basic model of exchange in sociology. Coleman's discussion of control and interest matrices illustrates the first mechanism of generating inequality. Emerson's paper provides the second mechanism – power. Molm's chapter clarifies everything that may potentially be confusing about Emerson. Casciaro and Piskorski clarify Emerson for organizational theory audiences. Marsden's work takes up Emerson's work, extends it from a dyadic to a network perspective, and applies it to the Coleman's framework to link resources and networks in a single framework.

Coleman, James Samuel. 1990. *Foundations of Social Theory*. Cambridge, MA: Harvard University Press.

Systems of Social Exchange – pp. 119 – 144
The Linear System of Action – pp. 667 – 700
Empirical Applications – pp. 701 – 718

Emerson, Richard. 1962. "[Power Dependence Relations](#)." *American Sociological Review* 27:31-40.

Molm, Linda D. 1997. *Coercive Power in Social Exchange*. Cambridge, UK: University of Cambridge Press. Read *Social Exchange and Power*, pp. 11 – 43 only.

♠ Casciaro, Tiziana, and Mikołaj Jan Piskorski. 2005. "[Power Imbalance and Interdependence: Formation of Inter-Industry Mergers](#)." *Administrative Science Quarterly*, 50:167-199.

Marsden, Peter V. 1983. "[Restricted Access in Networks and Models of Power](#)." *American Journal of Sociology* 88:686-717.

Session: IV.
Date: February 23, 2006
Subject: Power, exchange frequency and inequality

This session extends the basic insights developed last week by analyzing the effect of exchange frequency on the relationship between occupation of a powerful network position and inequality between actors. Kollock and Molm *et al* examine how different types of exchanges and different types of resources engender different frequencies of exchange between actors. Lawler and Yoon examine how structure of power and interdependence in a dyad affects this frequency. Skvoretz and Willer extend this analysis to networks and provide an excellent summary of different mechanisms through which occupation of a powerful network position allows the powerful actor to obtain higher payoffs. The final two papers examine conditions under which the analysis of exchange frequency subverts the basic relationship between powerful position and received rewards. Friedkin suggests why, in certain networks, occupation of a powerful network position is likely to reduce the frequency of exchange so much that the actor is worse-off than she would be if she occupied a less powerful position. Finally, Piskorski and Casciaro suggest why similar processes may occur even in a dyadic context, and test these mechanisms in organizational settings.

Kollock, Peter. 1994. "[The Emergence of Exchange Structures.](#)" *American Journal of Sociology* 100:313-345.

Molm, Linda D., Nobuyuki Takahashi, and Gretchen Peterson. 2000. "[Risk and Trust in Social Exchange: An Experimental Test of a Classical Proposition.](#)" *American Journal of Sociology* 105:1396-1427.

Lawler, Edward J, and Jeongkoo Yoon. 1996. "[Commitment in Exchange Relations: Test of a Theory of Relational Cohesion.](#)" *American Sociological Review* 61:89-108.

Skvoretz, John, and David Willer. 1993. "[Exclusion and Power: A Test of Four Theories of Power in Exchange Networks.](#)" *American Sociological Review* 58:801-818.

Friedkin, Noah E. 1995. "[The Incidence of Exchange Networks.](#)" *Social Psychology Quarterly* 58:213-221.

✧ Piskorski, Mikołaj Jan and Tiziana Casciaro. 2005. "[When More Power Makes You Worse Off: Turning a Profit in the American Economy.](#)" *Working Paper*. Harvard University

Session: V.
Date: March 2, 2006
Subject: Types of dependence

Having examined the basic relationships between resources, power and inequality among social actors, we turn to analyze how these predictions change for different types of dependence examining the difference between the effects of reward power and punitive power.

Dependence power and coercive power

Lawler, Edward J. and Samuel B. Bacharach. 1987. "[Comparison of Dependence and Punitive Forms of Power.](#)" *Social Forces* 66:446-462.

Molm, Linda D. 1997. *Coercive Power in Social Exchange*. Cambridge, UK: University of Cambridge Press. Continue from page 44 onward.

Session: VI.
Date: March 9, 2006
Subject: Types of exchanges and resources

We continue from last week by examining how the relationship between resources, power and inequality among social actors differs for different types of exchanges and different types of resources. In the first part of the session, we examine the differences in the effect of network structure on inequality depending on whether exchanges are negotiated or reciprocal. In the second part of the session, we will focus on power in networks in which actors exchange complementary and substitutable resources. By the time you finish reading these papers, you will know why the same location in a dating network and in an information network will have substantially different implications for its occupant.

Negotiated and reciprocal exchange

Molm, Linda D., Gretchen Peterson, and Nobuyuki Takahashi. 1999. "[Power in Negotiated and Reciprocal Exchange.](#)" *American Sociological Review* 64:876-890.

Complementary and substitutable resources

Cook, Karen S., Richard M. Emerson, and Mary R. Gillmore. 1983. "[The Distribution of Power in Exchange Networks: Theory and Experimental Results.](#)" *American Journal of Sociology* 89:275-305.

Yamaguchi, Kazuo. 1996. "[Power in networks of substitutable and complementary exchange relations: a rational choice model and an analysis of power centralization.](#)" *American Sociological Review*. 61:308-322.

Bonacich, Phillip. 1987. "[Power and Centrality: A family of measures.](#)" *American Journal of Sociology* 92:1170-1182.

Session: VII.
Date: March 16, 2006
Subject: Brokerage

In this session, we examine brokerage – the third main mechanism through which networks generate inequality between actors. Although brokerage, like network power, arises because not all actors in exchange system are able to exchange with each other, the mechanisms through which brokerage generates inequality are very different from those through which power does. The papers by Granovetter and Marsden serve as the basic introduction to these mechanisms. Gould and Fernandez extend these ideas by carefully outlining conditions under occupation of a brokerage position is likely to generate benefits for the brokers. The paper by Gould provides an empirical application of these ideas – specifically, pointing out to the conditions under which the possession of power may undermine one’s ability to be a broker. Burt’s book provides vast amounts of empirical evidence in support of brokerage mechanisms. However, as you read through Burt’s book, pay careful attention to the distinction (or lack thereof) between power and brokerage arguments.

Granovetter, Mark. 1982. "The strength of weak ties: a network theory revisited." in *Social Structure and Network Analysis*, edited by Peter V. Marsden and Nan Lin. Beverly Hills, CA: Sage.

Marsden, Peter V. 1982. "Brokerage Behavior in Restricted Exchange Networks." Pp. 201-218 in *Social Structure and Network Analysis*, edited by Peter V. Marsden and Nan Lin. Beverly Hills, CA: Sage.

Gould, Roger V. and Roberto M. Fernandez. 1989. "[Structures of Mediation: A Formal Approach to Brokerage in Transaction Networks.](#)" *Sociological Methodology* pp. 89-126.

✧ Gould, Roger V. 1989. "[Power and Social Structure in Community Elites.](#)" *Social Forces* 68:531-552.

✧ Burt, Ronald S. 1992. *Structural holes: the social structure of competition*. Cambridge, MA: Harvard University Press.

Session: VIII.
Date: March 23, 2006
Subject: Status

In this session, we turn to the last pillar of stratification in exchange networks – status. As you progress through the papers, you will probably observe that the literature on status and its impact on inequality is substantially less developed than those on power and brokerage. The two pieces by Blau introduce the basic definition of status and seek to apply it in intra-organizational context. Hallpike provides anthropological evidence that sheds further insight into the definition of status perhaps contradicting Blau’s view. Podolny’s work seeks to apply the concept of status to understand inequality in markets. Gould introduces a formal model to establish conditions under which prestige hierarchies may create structural inequality in networks. Finally, Piskorski and Anand attempt to differentiate status from power and show that this delineation has substantial implications for structural inequality between social actors.

Blau, Peter Michael. 1964. *Exchange and Power in Social Life*. New York, NY: Willey.
[Chapter 1 and 5 only](#)

Blau, Peter M. 1963. *The Dynamics of Bureaucracy*. Chicago, IL, University of Chicago Press. [“Consultation Among Colleagues” only](#)

Hallpike, C. R. 1975. ["Two Types of Reciprocity."](#) *Comparative Studies in Society and History* 17:113-119.

✧ Podolny, Joel. 1993. ["A Status-Based Model of Market Competition."](#) *American Journal of Sociology* 98:829-872.

Gould, Roger V. 2002. ["The Origins of Status Hierarchies: A Formal Theory and Empirical Test."](#) *American Journal of Sociology* 107:1143-1178.

✧ Piskorski, Mikołaj Jan and Bharat Anand 2003. ["Resources, Power and Prestige: Formation of Structural Inequality in Social Exchange Networks."](#) Working Paper, Harvard Business School.

Session: IX.
Date: April 6, 2006
Subject: Social Exchange: Review of empirical work

In today's session, we are going to review a sample empirical works that attempt to establish a causal relationship between different network positions and inequality between social actors. Your task will be to pick one of the papers, read it carefully and provide a theoretical and methodological critique of the paper given the framework we have established in this course. You will be required to upload your critique to the class website by Tuesday, March 21, 5pm and then present your critique during the class.

✧ Ahuja, Gautam. 2000. "[Collaboration Networks, Structural Holes and Innovation: A Longitudinal Study.](#)" *Administrative Science Quarterly* 45:425-455.

✧ Brass, Daniel J., and Marlene E. Burkhardt. 1992. "Centrality and Power in Organizations." in *Networks and Organizations*, edited by Nitin Nohria and Robert G. Eccles. Boston, MA: Harvard Business School Press.

✧ Fernandez, Roberto M., Emilio J. Castilla, and Paul Moore. 2000. "[Social Capital at Work: Networks and Employment at a Phone Center.](#)" *American Journal of Sociology* 105:1288-1356.

✧ Ingram, Paul, and Peter Roberts. 2000. "[Friendships among Competitors.](#)" *American Journal of Sociology* 106:387-423.

✧ Obstfeld, David. 2005. "[Social Networks, the Tertius iungens orientation and Involvement in Innovation.](#)" *Administrative Science Quarterly*. 50:100-130.

✧ Podolny, Joel M., and James N. Baron. 1997. "[Resources and relationships: Social networks and mobility in the workplace.](#)" *American Sociological Review* 62:673-693.

✧ Powell, Walter W., Douglas R. White, Kenneth W. Koput, and Jason Owen-Smith. 2005 "[Network Dynamics and Field Evolution: The Growth of Interorganizational Collaboration in the Life Sciences.](#)" *American Journal of Sociology*. 110:1132-1205.

✧ Uzzi, Brian. 1999. "[Embeddedness in the Making of Financial Capital: How Social Relations and Networks Benefit Firms Seeking Financing.](#)" *American Sociological Review* 64:481-505.

✧ Uzzi, Brian, and Jarrett Spiro. 2005. "[Collaboration and Creativity: The Small World Problem.](#)" *American Journal of Sociology* 111:447-504

Session: X.
Date: April 13, 2006
Subject: First presentations of final papers

In today's session, you are going to present your ideas for the final paper. In preparation for this session, please prepare one-page document describing your ideas. It can be as general as specific as you want, as long as it gives us some idea of what you are going to talk about. Please upload this document by 5pm on April 5, 2006.

Session: XI.
Date: April 20, 2006
Subject: Collectivistic Tradition in Social Exchange

In this session, we will read some good old anthropology to acquaint ourselves with the collectivistic tradition in social exchange. Start by re-reading Ekeh's book, Part 2, to get a broad overview of what this literature is about. Excerpts from Malinowski, Levi-Strauss and Sahlins provide you with detailed accounts of mechanisms suggested by the collectivistic tradition. The papers by Uzzi and Ruef provides interesting, and very rare, examples of the collectivistic tradition in modern sociological literature.

Ekeh, Peter P. 1974. *Social exchange theory: the two traditions*. Cambridge, MA: Harvard University Press. Skim Part 2 again to refresh your memory

Malinowski, Bronislaw. 1920. "[Kula: The Circulating Exchange of Valuables in the Archipelagoes of Eastern New Guinea.](#)" *Man* 20:97-105.

Levi-Strauss, Claude. 1969. *The elementary structures of kinship*: Boston Beacon Press.

✧ Uzzi, Brian. 1996. "[The Sources and Consequences of Embeddedness for the Economic Performance of Organizations: The Network Effect.](#)" *American Sociological Review* 61:674-698.

✧ Ruef, Martin. 2003. "Norms of Generalized Exchange in Formal Organizations" Working Paper. Stanford GSB. (this article is not in the reader. Please download from the [class website](#))

Session: XII.
Date: April 27, 2006
Subject: Collectivistic Tradition Through the Eyes of Individualistic Tradition

This session extends our analysis of the collectivistic tradition and examines the emergence of generalized exchange through the lens of individualistic tradition. Coleman's chapters provide the basic statements linking network structure with the emergence of norms and collective trust. Uehara, Yamagishi and Cook, and Bearman give a more precise definition of the network structure through which trust is enforced. Takahashi suggests an evolutionary solution to the problem.

Coleman, James S. 1990. *Foundations of social theory*. Cambridge, MA: Harvard University Press. **Chapters 10, 11 and 12 only.**

Uehara, Edwina. 1990. "[Dual Exchange Theory, Social Networks, and Informal Social Support.](#)" *American Journal of Sociology* 96:521-557.

Yamagishi, Toshio, and Karen S. Cook. 1993. "[Generalized Exchange and Social Dilemmas.](#)" *Social Psychology Quarterly* 56:235-248.

Bearman, Peter. 1997. "[Generalized Exchange](#)" *American Journal of Sociology*, 102:1383-1415.

Takahashi, Nobuyuki. 2000. "[The Emergence of Generalized Exchange.](#)" *American Journal of Sociology* 105:1105-34.

Session: XIII.
Date: May 4, 2006
Subject: Wrap-up and final presentations

In the final session, we will summarize the main themes of the course. You will also present your final papers to obtain feedback from the class before you submit the paper (due May 7th, 2006).