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A R T I C L E

A CONFIGURATIONAL THEORY OF GENERALIZED EXCHANGE IN STAKEHOLDER-ORIENTED FIRMS

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Recent developments in stakeholder theory have refined our understanding of value creation via bilateral reciprocity. Generalized exchange is another important microfoundational mechanism in value creation, but because of the potential for free-riding it is surprising that some stakeholders contribute more resources to a firm's value-creating nexus than would be expected based on contractual obligations, and even beyond what bilateral reciprocity would predict. This paper aims to identify the minimum conditions that promote generalized exchange in a firm's value-creating nexus. Because generalized exchange is causally complex—it can occur in multiple contexts and through various combinations of explanatory factors—a configurational theorizing approach is applied. We identify four combinations of attributes that consistently promote generalized exchange and limit free-riding behavior, such that generalized exchange can make a net positive difference in a firm's nexus: the entrepreneurial logic (high rewards, strong institutional drivers), the conformity logic (powerful sanctions, strong institutional drivers), the influencer logic (powerful sanctions, individual or firm drivers), and the identification logic (high rewards, individual or firm drivers). This work provides an important additional explanation for why stakeholder-oriented firms tend to have higher performance, and can also help managers devise policies for increasing the amount of generalized exchange exhibited among their firm's stakeholders.

Stakeholder-oriented firms—those that treat their stakeholders better than what might be expected in similar circumstances—tend to enjoy high levels of economic performance (Choi & Wang, 2009; Henisz, Dorobantu, & Nartey, 2014; Jones, Harrison, & Felps, 2018). One mechanism that drives high performance is bilateral reciprocity—stakeholders' tendency to respond in kind to the treatment they receive (Bridoux & Stoelhorst, 2014; Harrison, Bosse, & Phillips, 2010). However, bilateral reciprocity alone may not be enough to explain why firms can offset the costs associated with exceptional stakeholder treatment, suggesting that other exchange mechanisms may be at play (Priem, Krause, Tantalo, & McFadyen, 2022). Beyond bilateral exchange is generalized exchange, which occurs when what one party gives to another is not entirely dependent on what it receives directly from the other (Blau, 1964; Lévi-Strauss, 1969). In the stakeholder context, generalized exchange is akin to stakeholders behaving prosocially toward the firm (Bosse & Coughlan, 2016) by making additional contributions to the value-creating nexus that are not

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directly tied to any payment back to those stakeholders by the firm.[1]

Generalized exchange "involves three or more actors who are part of an integrated transaction in which there is no one-to-one correspondence between what they directly give to and take from one another … (and) reciprocations are indirect" (Harrison et al., 2010: 64). While Harrison and colleagues' (2010) work has often been cited in the stakeholder literature for its use of the generalized exchange construct (Martin & Phillips, 2021; Schneider & Sachs, 2017; Soundararajan, Brown, & Wicks, 2019), it did not examine the conditions in which generalized exchange is expected to occur. In the context of bilateral reciprocity, not all stakeholders engage in reciprocity (Bridoux & Stoelhorst, 2014). Similarly, not all stakeholders engage in generalized exchange in all situations. Indeed, why such exchange occurs is a "puzzle" (Takahasi, 2000: 1105) because it carries the potential for free-riding: stakeholders can enjoy benefits without contributing beyond what is minimally expected of them (Bridoux & Stoelhorst, 2020). It is important to examine the conditions under which people contribute more to a nexus even when they do not know who else will contribute more, or how much.

Many factors have been proposed to explain generalized exchange, with often competing explanations that rest on motives (e.g., self-interest, altruism), context (e.g., norms and sanctions or rewards), and information (e.g., observability and reputation) (see Baker & Bulkley, 2014). Research has largely evaluated each explanation in isolation using experiments, simulations, and modeling. Up until now, however, no theory explains how generalized exchange is initiated in a stakeholder network, and how it is subsequently perpetuated such that it has an additive effect on the economic value a firm creates with its stakeholders,[2] where free-riding does not crowd out this generalized exchange effect.

Thus, the purpose of this paper is to address the following research question: What are the minimum conditions required for a noticeable amount of generalized exchange to occur in a firm's value-creating nexus?[3] Because generalized exchange in the context of firms and their stakeholders is a causally complex phenomenon where explanatory factors can combine in different and potentially endogenous and contradictory ways, and there may be multiple contexts in which it can manifest, a configurational theorizing approach is apt to address this question (Furnari, Crilly, Misangyi, Greckhamer, Fiss, & Aguilera, 2020). Configurational theorizing elucidates "how or why multiple attributes combine into distinct configurations to explain a phenomenon, while also recognizing that complex causal explanations may involve more than one configuration of attributes leading to the outcome of interest" (Furnari et al., 2020: 779).

Following the configurational theorizing approach, we first conducted a comprehensive literature review and identified key attributes that influence generalized exchange (referred to as the scoping stage). This was followed by the linking stage, where attributes were grouped into higher-order categories based on whether they logically complement or substitute for each other. This led us to identify two primary dimensions that distinguish configurations where generalized exchange is likely. One dimension explains how generalized exchange is initiated. In any stakeholder nexus that experiences generalized exchange, some individuals must begin providing more value to the nexus without a promise of direct reciprocity. Those individuals who initiate generalized exchange are motivated by their own values and expectations about collective group behavior, or by existing institutional drivers (e.g., norms, shared schemata, rules) that encourage generalized exchange. This first

[1] We consider the firm as a nexus of stakeholder relationships with the purpose of creating value (primarily economic value). We use the word "firm" to refer to the entity that is largely responsible for organizing and managing this nexus, and "stakeholders" to refer to primary stakeholders (Phillips, 2003; Rowley, 1997) that participate directly in the firm's nexus (e.g., employees, suppliers, customers, financiers, and the communities in which a firm operates).

[2] Excellent treatment of stakeholders results in the creation of more than just economic value (Harrison & Wicks, 2013). Like much of the instrumental stakeholder literature, noneconomic value is considered herein, but as a facilitator to the creation of more economic value (e.g., an employee who gets high levels of utility from their association with a firm is more highly motivated to work hard for the firm).

[3] By "noticeable amount," we mean that enough generalized exchange occurs to make a difference in the economic value a firm creates within its value-creating nexus. Not all stakeholders are expected to engage in generalized exchange, regardless of context; however, in some situations generalized exchange behaviors outweigh free-riding effects to the point that a firm and its stakeholders recognize the importance of generalized exchange in the nexus. Researchers have identified generalized exchange through case observation (Baldassarri, 2015), experiments (Molm et al., 2007; Whitham, 2018), and surveys (Yoshikawa et al., 2020). Irrespective of the method, an understanding of the particular context is necessary to assess the degree of generalized exchange occurring.

dimension is not enough to ensure that others reciprocate and sustain such behaviors. Thus, our second dimension explains how generalized exchange is perpetuated through rewards and sanctions that reinforce those triggering values or institutional drivers. Combining these two dimensions using deductive reasoning and illustrative examples results in four configurations or "logics," which we name and describe (i.e., naming stage).

In the identification logic, generalized exchange arises and is sustained if enough stakeholders personally identify with the organization. These individuals pursue their own interests that align with group value creation, and they reward others who do the same (e.g., Harley Davidson). The influencer logic explains how generalized exchange results when influential individuals value generalized exchange behavior and can punish defectors (e.g., Gravity Payments). According to the entrepreneurial logic, generalized exchange emerges during the startup phase of the firm's lifecycle when its survival is still uncertain, or when an existing firm launches a new venture with high uncertainty as to its ultimate success. Institutional drivers associated with an entrepreneurial culture often encourage exceptional effort even before the venture's economic viability is assured (e.g., Google). Finally, when generalized exchange behaviors are established at a firm and reflected in institutional drivers, the conformity logic explains how these behaviors are sustained by an orderly use of sanctions (e.g., Southwest Airlines). These configurations predict that generalized exchange is likely in the presence of individuals or firms with strong motives to engage in generalized exchange, or strong institutional drivers that encourage generalized exchange, as well as the presence of sanctions or rewards. The examples provided in parentheses in this paragraph will be further developed later in this article.

Our configurational theory underscores that there is no one-size-fits-all explanation for generalized exchange in firm–stakeholder relations. Rather, minimum requirements for generalized exchange come in distinct combinations of motives and enforcements, each with its own set of enablers. This recognition has important implications for policy: the effectiveness of any individual initiative—for example, applying sanctions to stakeholders who contravene norms of generalized exchange—is context-dependent. A focal initiative might promote generalized exchange in some contexts and give rise to free-riding behavior in others. Our integrative perspective highlights the equifinal policies for nurturing generalized exchange and for helping managers select strategies for increasing generalized exchange in their value-creating nexuses.

THE GENERALIZED EXCHANGE PHENOMENON AND WHY IT MATTERS IN STAKEHOLDER THEORY

Social exchanges arise in response to resource scarcity (Levine & White, 1961). As Blau (1964: 91) put it, social exchanges are "voluntary actions of individuals that are motivated by the returns they are expected to bring and typically in fact bring from others"—a reciprocal process in which the actions of one actor prompt actions from others (Das & Teng, 2002). Consistent with the definition provided above, generalized exchange exists when at least three actors exchange resources indirectly and without explicit agreement (Molm & Cook, 1995), and one party provides resources to a second party while relying on receiving benefits later from an often unspecified third party or parties over which they have no direct influence (Ekeh, 1974).

While the terms "generalized reciprocity" and "generalized exchange" are often used interchangeably, we refer to generalized exchange as the actual exchange of resources (e.g., goods, services, information) and generalized reciprocity as the force that drives these exchange behaviors. Generalized exchange is distinct from third-party reciprocity in which an actor that is *not involved directly with the firm's value-creating nexus* nonetheless engages in positive or negative behavior vis-à-vis the firm, even if the thought processes of the third-party reciprocator may share similarities with stakeholders that *are* directly involved in the firm's value-creating nexus. Table 1 specifies how generalized exchange relates to, and is distinct from, associated constructs such as reputation, goodwill, negotiated exchange, and nonnegotiated exchange. Our focus is on explaining how a firm can predictably expect enough stakeholders to willingly perform extra-role behaviors, without knowledge of whether or how the additional value they provide to the nexus will be rewarded, such that their collective behavior has a noticeable additive effect on the firm's economic value.

Fundamental Concepts of Generalized Exchange

Whereas early research largely viewed generalized exchange as resulting from altruism (e.g., Sahlins, 1972), generalized exchange is increasingly being recognized as causally complex. Causal complexity implies that, rather than having a single cause, a phenomenon is produced by multiple forces acting simultaneously, combining in distinct, equifinal

TABLE 1
Generalized Exchange and Related Constructs

Construct	Definition	Distinction from (Pure) Generalized Exchange
Reputation	A characteristic ascribed to someone based on prior observed behavior (Raub & Weesie, 1990).	Reputation, through observability of action, may be a mechanism for generalized exchange if actors gain reputations for prosocial behavior. By itself, however, reputation need not produce resource exchange, and any resulting resource exchange need not involve more than two actors.
Goodwill	The (often positive) subjective evaluation of an individual or organization; the standing of an individual or organization in the eyes of others (Shenkar & Yuchtman-Yaar, 1997).	Like reputation, goodwill need not produce resource exchange, and any resulting resource exchange need not involve more than two actors.
Reciprocity	Responses in kind to favorable and unfavorable treatment (Fehr & Gächter, 2000).	Most reciprocity is direct—that is, an actor responds in kind directly to the initiator of an exchange. Generalized exchange occurs when an actor provides resources without expectation or assurance that recipients will reciprocate.
Negotiated exchange	Parties negotiate an explicit agreement about the terms of their exchange (Molm & Cook, 1995).	In generalized exchange, contributions occur separately without agreement about the terms of exchange.
Nonnegotiated exchange	Direct exchange occurs without explicit agreement about how the exchange will unfold (Molm & Cook, 1995).	In generalized exchange, neither the reciprocator's identity nor the terms of the exchange are known *ex ante*, implying potential delays in reciprocation.
Chain generalized exchange	Circling back of resources to the initiator of exchange via fairly predictable patterns of ties in the form "*A* gives to *B* who gives to *C* who gives to *A*" (Simpson, Harrell, Melamed, Heiserman, & Negraia, 2018).	In (pure) generalized exchange, there is no direct or predictable chain of resources that is expected to benefit the initiator of the exchange.
Team production	Stakeholders invest specialized resources in the organization to cocreate value through joint production (Blair & Stout, 1999; Klein, Mahoney, McGahan, & Pitelis, 2019).	Generalized exchange theory is based on team production, but explains why stakeholders invest additional resources to the value-creating process beyond normal expectations.

ways—configurations—to bring about the phenomenon (Misangyi, Greckhamer, Furnari, Fiss, Crilly, & Aguilera, 2017).

Explaining generalized exchange among firms' stakeholders is complicated for two reasons. First, the potential for free-riding is a quandary. Put simply, the risk of free-riding is greater in pure generalized exchange than in any other form of exchange because benefits flow unilaterally.[4] Consequently, actors can free-ride by enjoying benefits from the additional contributions of others while refusing to make their own additional contributions. Whereas generalized exchange is characterized by providing extra value without being directly rewarded for it, free-riding is taking value without providing a fair share of input. When there is no direct and immediate benefit from behaving prosocially, the risk of free-riding increases (Kurzban & Houser, 2005), and this contributes to the puzzle of why generalized exchange happens. Because generalized exchange and free-riding can both be difficult to observe, the resulting uncertainty about the probability that others will contribute additional value by behaving prosocially can dampen the benefits of generalized exchange (Yamagishi, Cook, & Watabe, 1998). A number of solutions to the free-riding problem have been suggested, usually premised on the observability of action (Fehr & Fischbacher, 2004) or the existence of strong norms to mitigate stakeholders' motivation to "cheat" (Whitham, 2018). Neither of these, by itself, is a silver bullet. For instance, the ability to observe defection achieves little if actors cannot effectively sanction defectors.

[4] Pure generalized exchange occurs when resource flows do not follow a stable pattern (Molm, Collett, & Schaefer, 2007; Yamagishi & Cook, 1993). When resources flow along the same pattern of ties and eventually come back to the initiator, chain generalized exchange exists (Simpson et al., 2018). The chain generalized exchange pattern of "*A* gives to *B* who gives to *C* who gives to *A*" can explain repeated and consistent components of a firm's business model. In this paper, we focus on pure generalized exchange because it is most relevant to the unspecified obligations (including incomplete contracts) among firms and stakeholders explained in the instrumental stakeholder literature (e.g., Bosse, Phillips, & Harrison, 2009).

Second, not all instances of generalized exchange are identical. For instance, Ekeh (1974) distinguished two forms. Group generalized exchange occurs when participants pool resources and then receive benefits that are generated through pooling. A second type, network generalized exchange, occurs when participants give something to one member of a network and then receive benefits from another. While Yamagishi and Cook (1993) found that network generalized exchange leads to higher levels of participation than group generalized exchange, both types are nonetheless valuable in a firm's value-creating stakeholder nexus. By implication, generalized exchange can be achieved in different ways. Explanations must take account of this equifinality.

Evidence of Generalized Exchange in Instrumental Stakeholder Theory

Empirical research supporting generalized exchange has been conducted in laboratory experiments, segments of society, and individual firms, but almost no research has investigated the context of a firm and its stakeholders. In a rare study at the interorganizational level, Wincent, Anokhin, Örtqvist, and Autio (2010) investigated two networks in the Swedish mechanical wood industry, and found that a firm's commitment to generalized reciprocity—from our perspective, the mechanism that promotes generalized exchange—was positively associated with its performance, as was commitment to generalized reciprocity among network partners.

Scholars have also examined micromechanisms to explain how stakeholder-oriented firms can enjoy high economic performance despite higher stakeholder management costs. Jones et al. (2018) explained how firms that achieve close stakeholder relationships are in a stronger position to develop resources that are valuable, rare, and difficult to imitate, thus leading to a sustainable competitive advantage. For example, Patagonia continues to maintain close relationships with its customers, employees, and environmentally-conscious nongovernmental organizations through its emphasis on protecting the outdoors while producing the highest-quality products for outdoor enthusiasts. Generalized exchange associated with close relationships can contribute to the development of these types of resources. Although the rarity dimension means that few firms can *fully* develop these types of relationships (Weitzner & Deutsch, 2019), Harrison, Felps, and Jones (2019) noted that it does not have to be all or nothing—firms can enjoy resource-related advantages even if they do not achieve the highest levels of close relationships with stakeholders.

Another relevant study is that by Tantalo and Priem (2016), who specified that when a firm makes a decision that benefits more than one stakeholder simultaneously, stakeholder synergy occurs. It then becomes possible to increase the utility of one stakeholder without taking away from another (Pareto logic). For example, Amazon opened a new distribution facility in Hampton, Virginia, in an abandoned building (Majette, 2020). Consequently, there was no need to clear new land (important to environmentalists), and the facility provided jobs to employees and managers, income for the Hampton community, shorter delivery times for customers, and a facility very close to a major port, which reduced carbon emissions and transportation costs for suppliers. Tantalo and Priem (2016) focused on firm-level decisions that create value for multiple stakeholders simultaneously, and this is an important concept in the stakeholder literature (Freeman et al., 2010). Although Tantalo and Priem (2016) also acknowledged that a firm can get more value than expected from its stakeholder relationships, they focused on *decisions* that benefit stakeholders, whereas our focus is on *configurations* in which generalized exchange is expected to exist.

To summarize, there is emerging evidence, supported by sound conceptual reasoning, that generalized exchange behaviors among stakeholders can play a role in sustaining firms' economic performance. The challenge is to explain this causally complex phenomenon in a way that accounts for the critical drivers of generalized exchange as well as the variety of forms in which generalized exchange may be encountered in a firm's value-creating nexus.

A CONFIGURATIONAL MODEL OF GENERALIZED EXCHANGE IN STAKEHOLDER-ORIENTED FIRMS

Because the forces leading to generalized exchange are varied and can combine in complex ways, a configurational theorizing approach is apt as it allows us to consider how multiple attributes combine to explain a phenomenon. Configurational theorizing also recognizes that there can be more than one configuration of attributes that predicts the outcome of interest, with the configurations organized by central themes or integrative mechanisms (Furnari et al., 2020). The result is a set of typologies, or configurations, that describe when a phenomenon like generalized exchange is expected to occur in a firm's value-creating nexus.

Attributes and Higher-Order Constructs Associated with Generalized Exchange

Configurational theorizing starts with *scoping* the relevant literatures to identify attributes that plausibly form configurations (Furnari et al., 2020). Because generalized exchange has been studied in numerous fields, including strategic management, business ethics, organizational behavior, social psychology, and sociology (e.g., Blau, 1964; Bundy, 2019; Cialdini & Trost, 2008; Ekeh, 1974; Lévi-Strauss, 1969), in the present study four seasoned researchers reviewed these literatures to identify the attributes most relevant to generalized exchange. One of these researchers has significant expertise in configurational theorizing to ensure that the process used was sound. After several iterations through which attributes that were the same but carried different names were eliminated, 72 attributes were identified, demonstrating that explanations of generalized exchange in various fields have been "talking past each other," and reinforcing the need for a comprehensive and parsimonious framework. Again, after several iterations, the team was able to organize the 72 attributes into groups of conceptually similar and complementary attributes to form seven higher-order constructs (see Table 2). The purpose of this simplifying step of identifying higher-order constructs was to "subsume … complexity and limit the number of explanatory attributes that are considered" (Furnari et al., 2020: 19).

To illustrate, several attributes encompass instrumental outcomes of generalized exchange, including recognition from the firm and other stakeholders (Baker & Bulkley, 2014; McNeely & Meglino, 1994) and tangible rewards (resources) received from stakeholders in the nexus (Harrison & Wicks, 2013). These attributes were combined into a higher-level construct labeled "Instrumental outcomes associated with generalized exchange." As another example, a second group of attributes captures various intangible outcomes that stakeholders receive from engaging in generalized exchange, including group identification, acceptance by others, and social solidarity (Bosse & Coughlan, 2016; Gaertner & Dovidio, 2000; Harrison & Wicks, 2013). These attributes were combined into a higher-order construct labeled "Social-emotional outcomes associated with generalized exchange." Several drivers of generalized exchange had an institutional orientation—these were combined into "Institutional drivers associated with generalized exchange." For example, industry norms or societal norms in particular countries often dictate what is considered appropriate behavior. The remaining four higher-order constructs captured firm drivers that support generalized exchange; individual drivers associated with generalized exchange; values associated with generalized exchange; and negative outcomes associated with generalized exchange (e.g., sanctions).

Organizing Framework for Attributes

The *linking* stage of configurational theorizing involves a process of discovering how the higher-order attributes surfaced during the scoping stage relate to each other to create the phenomenon of interest (Furnari et al., 2020). Attributes can connect in different ways, such as when the presence of two or more attributes is necessary to produce an outcome (conjunctive causation), when different configurations of attributes lead to the desired result (equifinality), or when the absence of a particular attribute is necessary for the phenomenon to occur. Following this method, relationships among the initial seven constructs were explored and informed by relevant theories, and the scoping and linking stages were revisited iteratively until a parsimonious framework emerged that is both deductively grounded and practically relevant.

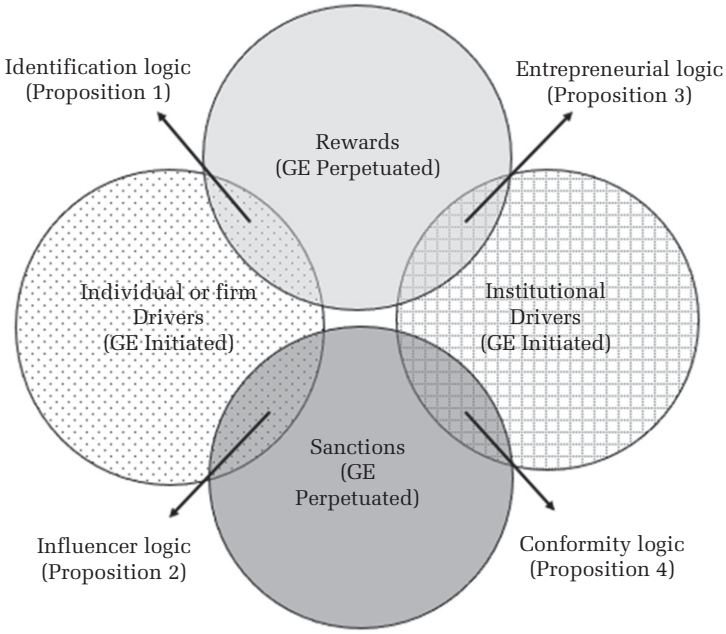
Because social exchange theory (Blau, 1964; Das & Teng, 2002) is deeply embedded in the fabric of the generalized exchange literature, we invoked its key tenets during the linking stage. Additionally, other key theories, including organizational culture theory (e.g., Hatch & Zilber, 2012; Schein, 1985), institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), and regulatory focus theory (Higgins, 1997), informed the final dimensions making up the organizing framework, which connects the full set of attributes into configurations that explain the minimum conditions required for generalized exchange to occur.

The final organizing framework comprises two dimensions that define four configurations (see Figure 1). The first dimension consists of individual or firm drivers and institutional drivers, and explains how generalized exchange is *initiated* and why certain actors have an expectation that they and other stakeholders will provide the group with exceptional value despite not knowing whether, when, or from whom they will receive commensurate value in return. The second dimension comprises rewards and sanctions, and explains how generalized exchange expectations are *subsequently enforced and perpetuated* in the stakeholder network.

TABLE 2
Generalized Exchange (GE) Attributes and Higher-Order Constructs

Institutional Drivers Associated with GE	Firm Drivers Associated with GE	Individual Drivers Associated with GE	Values Associated with GE	Instrumental Outcomes Associated with GE	Social-Emotional Outcomes Associated with GE	Negative Outcomes Associated with GE
Coercive isomorphism	Collectivist rewards	Altruism	Belief in karma	Feedback	Acceptance by others	Avoiding punishment
Industry norms and context	Feedback to stakeholders	Affiliative motive	Belief that contribution will create value	Indirect reciprocity	Close relationships	Compulsion or control
Mimetic isomorphism	Job design that increases perceived impact on beneficiaries	Agreeableness	Benevolence values	Justice (distributional, procedural, interactional)	Common group identity	Exploitation
Normative isomorphism	Network leadership	Bounded self-interest	Impact on beneficiaries	Organizational citizenship behavior	Feelings of commitment	Firm sanctions
Societal (country) norms and context	Reputational spillovers	Creditor ideology	Organizational concern	Pro-relationship behavior	Feelings of solidarity	Free riders
Strength of norms	Stakeholder culture	Empathic concern	Paying forward	Prosocial behavior	Group identification	Gatekeeping
	Transformational leadership	Generalized exchange orientation	Philanthropic values	Recognition	Psychological bonds	Lack of trust
		Impression management motivation	Universalism values	Reciprocity	Relationship bonds	Negative feedback
		Prosocial motivation		Reputation	Respect	Rapid dissemination of negative information
		Prosocial orientation		Reputational spillovers	Social solidarity	Social sanctions
		Reciprocity wariness		Social exchange	Social unity	
		Reward equity		Societal recognition	Trust	
		Sensitivity to social norms		Tangible resources		
		Social value orientation				
		Trust propensity				
		Unmitigated communion				

FIGURE 1
Minimum Requirements for Generalized Exchange (GE) in a Firm's Value-Creating Stakeholder Nexus: Four Configurations



The first driver of the expectation that stakeholders will engage in generalized exchange focuses on individual- and firm-specific traits, values, and practices relating to collective group behavior, and is informed by organizational culture theory, which defines an organization's culture as comprising "taken-for-granted assumptions and values" (Hatch & Zilber, 2012: 95) shared by organizational members and considered to be "the correct way to perceive, think, and feel" (Schein, 1983: 14). Accordingly, this category encapsulates the higher-order constructs of firm drivers, individual drivers, and values associated with generalized exchange. While it may seem counterintuitive to combine firm and individual characteristics into a single driver, the values of individuals and, specifically, high-level executives drive organizational culture with respect to generalized exchange. The founder plays a vital role in embedding their own values, traits, and assumptions into the organizational culture (Schein, 1983). To the extent that this individual's values (e.g., benevolence [Schwartz & Bardi, 2001]) and traits (e.g., generalized exchange orientation [Yoshikawa, Wu, & Lee, 2020]) promote expectations of generalized exchange, and are ultimately adopted by the organization and concretized into organizational practices (e.g., collectivistic rewards; stakeholder culture), this constitutes one category of drivers that initiate generalized exchange—individual or firm-specific drivers.

The second driver, encompassing the high-level construct of institutional drivers, focuses on institutional forces that support and encourage generalized exchange, and is informed by institutional theory that explains how rules, beliefs, or practices in a society or other organizations in a field (beyond the focal firm) influence an organization to adopt certain practices, such as generalized exchange (DiMaggio & Powell, 1983). For example, countries with cultural values that encourage generosity and humane orientation, such as Indonesia and Australia (Clifton, 2018; House, Hanges, Javidan, Dorfman, & Gupta, 2004), as well as certain industries with similar values (e.g., nonprofit and voluntary sectors), may promote stronger expectations of generalized exchange (Whitham, 2018). Our attention to individual and firm drivers on the one hand, and institutional drivers on the other hand, acknowledges both that economic action is embedded within a social context and that economic actors have some discretion over how to respond to institutional pressures (Granovetter, 1985).

Because generalized exchange requires multiple parties to engage in extra-role or prosocial behavior without regard for direct reciprocity in order for the

collective value to systematically begin flowing back to them, one actor's initiation of generalized exchange is insufficient. Thus, generalized exchange must be enforced to compel stakeholders to reciprocate and perpetuate such behaviors. Both rewards and sanctions can do this.

Rewards and sanctions in generalized exchange parallel the concepts of benefits and costs emphasized by social exchange theorists (e.g., Homans, 1961). Regulatory focus theory expands on these concepts by positing that decision-makers' sensitivity to positive outcomes (rewards) or negative outcomes (sanctions) depends on their regulatory focus (Higgins, Roney, Crowe, & Hymes, 1994). One form of regulatory focus is promotion focus, where the decision-maker pays attention to aspirational or "ideal" states that relate to hopes and objectives. A promotion focus is associated with the inclination to attain advancement and gains (i.e., gaining rewards) (Crowe & Higgins, 1997; Higgins et al., 1994). The second form of regulatory focus is prevention focus, where the decision-maker is concerned with "ought" states that relate to a sense of duty and obligation. A prevention focus triggers the inclination to avoid losses and negative outcomes (i.e., avoiding sanctions) (Crowe & Higgins, 1997; Higgins et al., 1994). We build on this theory to explicate when rewards and sanctions are most relevant to perpetuate generalized exchange. Rewards capture the higher-order constructs of instrumental outcomes (e.g., recognition) and social-emotional outcomes (e.g., feelings of commitment) associated with generalized exchange that encourage actors to perpetuate generalized exchange. Sanctions capture the higher-order construct of negative outcomes (e.g., negative feedback) that are experienced if they free-ride.

Together, the two dimensions in the framework explain why generalized exchange is expected and initiated (i.e., due to firm or individual, or institutional drivers), and how such behaviors are subsequently enforced and perpetuated (through rewards or sanctions). While the expectations and enforcements associated with generalized exchange are distinct (neither one alone is sufficient to result in generalized exchange), they can also be endogenous insofar as actors' motives can depend on the available rewards or sanctions, with personal and situational characteristics (i.e., individual, firm, and institutional drivers) influencing how people respond to rewards and sanctions (Scholer & Higgins, 2008). This is yet another reason why the configurational approach is needed in explaining generalized exchange.

Four Configurations That Result in Generalized Exchange

Integrating the two dimensions produces a typology of four configurations where a noticeable level of generalized exchange is expected to occur in the value-creating nexus (see Figure 1). We emphasize that these configurations reflect minimum requirements. For each configuration, we discuss how the relevant attributes combine to predict generalized exchange, and provide a name to reflect the essence or gestalt of each configuration (Furnari et al., 2020).

Variant 1: Identification logic. The identification logic configuration relies on *individual or firm drivers* to initiate generalized exchange, and *rewards* for stakeholders to continue with such behaviors. To the extent that a founder creates an organizational culture that promotes and reinforces generalized exchange, and initiates such behaviors, other stakeholders' close identification with the firm can be a major reason why they also engage in generalized exchange activities (Willer, Flynn, & Zak, 2012). Bosse and Coughlan (2016) provided a foundation for explaining the identification logic configuration when they discussed stakeholder relationship bonds—that is, the perceived psychological bonds that persuade a stakeholder to continue a relationship with a firm and engage in pro-relationship behaviors. Pro-relationship behaviors—efforts that exceed a stakeholder's immediate self-interests—may include a stakeholder defending the firm when it faces opposition, an employee performing tasks beyond what is expected or helping others accomplish their work, a supplier or customer participating in a product design team or in product testing, or community members engaging in joint educational ventures to solve skilled-labor shortages (Dorobantu, Henisz, & Nartey, 2017). Pro-relationship behaviors beyond what would be expected based solely on one-for-one reciprocity fall into the category of generalized exchange. Such behaviors are common when subjects identify with the firm's values, and an identification bond forms with a firm when the stakeholder recognizes that their personal values or traits are aligned with the firm's values (Bosse & Coughlan, 2016).

Stakeholders' strong identification with the firm's values (i.e., what the stakeholders consider important) likely activates a promotion focus, which is centered on aspirations and hopes (i.e., what the stakeholders hope to attain). In turn, because "positive outcomes are salient for people who are promotion focused" (Brockner & Higgins, 2001: 37), *rewards*, particularly those of a social-emotional nature, will

be especially relevant in incentivizing stakeholders to engage in generalized exchange behaviors. When stakeholders' self-interested behavior aligns with prosocial behavior toward the firm—what is good for the firm is good for the stakeholder—they derive intangible benefits from providing extra-role effort to the firm. Emotional and social rewards may be more valuable than material and instrumental rewards, constituting a "less strategic motivation for giving in generalized exchange" (Whitham, 2018: 84). In this configuration, sanctions for defectors are unnecessary, as sanctions and negative outcomes are not commensurate with a promotion focus (Brockner & Higgins, 2001; Crowe & Higgins, 1997). Accordingly, the observability of stakeholders' actions to monitor for free-riding is also unnecessary.

In the identification logic configuration, enough stakeholders experience these bonds and willingly perform extra-role behaviors that their collective behavior has a noticeable additive effect on the firm's economic value. Over time, frequent exchanges with the same stakeholders can lead to stronger generalized exchange norms that perpetuate these behaviors (Lawler, Thye, & Yoon, 2000). Indeed, Krishnan, Cook, Kozhikode, and Schilke (2021) found that interaction rituals associated with social events foster expectations about how exchanges will take place, including generalized exchange behaviors. Consistent with regulatory focus theory, sanctions for free-riders may even be detrimental, as they can decrease the tendency to cooperate in settings characterized by positive sentiments and strong affective commitment (Irwin, Mulder, & Simpson, 2014).

A firm that is illustrative of the identification logic configuration and the ensuing benefits of generalized exchange is Harley Davidson. While there is no institutional norm in the motorcycle manufacturing industry for generalized exchange, Harley Davidson distinguishes itself from competitors through its organizational values of freedom and independence, its rebellious Harley Davidson image, and its relationship-building practices such as Harley-sponsored rallies, membership in Harley Owners Group (HOG), and annual posse rides (Gregg, 2009). Consequently, Harley Davidson riders strongly identify with the firm, and even though they do not receive any instrumental rewards for engaging in generalized exchange, they nonetheless enjoy social-emotional rewards like a common group identity and strong commitment to the brand and fellow riders when they perpetuate generalized exchange. For instance, many of them engage in extra-role behaviors that benefit the collective nexus, such as participating in community service (e.g., Hogs for Dogs charity ride) and helping to comarket the firm in numerous ways. Overall, Harley Davidson exemplifies the identification logic because of the strong alignment of values held by the firm and its stakeholders, which serves as an impetus for generalized exchange despite the absence of sanctions or institutional drivers.

Proposition 1. In a configuration characterized by individual stakeholders who identify with the firm's practices, traits, or values that support generalized exchange, and the presence of social-emotional rewards arising from generalized exchange, the firm's value-creating nexus will experience a noticeable amount of generalized exchange.

Variant 2: Influencer logic. The second configuration, which we name the influencer logic, combines *individual or firm drivers* to engage in generalized exchange, with strong *sanctions* for defectors who do not reciprocate such behaviors. In this configuration, a small minority of boundedly self-interested actors, or "influencers," who have the ability to punish free-riders, can enforce cooperative norms like those associated with generalized exchange (Fehr & Gintis, 2007). Firms that signal over repeated interactions that they will provide the resources they promised, even while exposing themselves to opportunism (Cropanzano & Mitchell, 2005), and that incur the costs of punishing free-riders, become influencers. Such influencers embody "the willingness of collaborating parties to expose themselves to the risk of opportunistic behavior by others" (Wincent et al., 2010: 600), such that norms regarding generalized exchange behaviors may be "home grown."

As described earlier, individual-specific motivations for initiating generalized exchange can include individual (founder) traits and values such as social value orientation (Murphy & Ackermann, 2014), and benevolence values that are reflected in the organizational culture and firm practices. Unlike the identification logic configuration, however, some stakeholders may not identify with the influencers' values and may lack a promotion focus that responds to rewards. Instead, to the extent that the influencer can impose sanctions that better correspond to a prevention focus (Brockner & Higgins, 2001), these sanctions can enforce generalized exchange among stakeholders by punishing insubordinate ones who are observed to be free-riding. Correspondingly, the observability of actions that support or violate generalized exchange is a necessary condition in this configuration.

It is important that the influencers feel a sense of control with regard to the behavior of stakeholders

(Hayashi, Ostrom, Walker, & Yamagishi, 1999); otherwise, there would be little incentive to exert the energy necessary to impose sanctions or encourage their imposition through other stakeholders. It is also important that sanctions are seen as just and fair so that stakeholders do not lose trust in the influencers or other stakeholders. In a meta-analysis, Balliet, Mulder, and Van Lange (2011) found that the effectiveness of punishment in promoting cooperation increased with the number of interactions—a sign that consistently applying negative incentives can stimulate behaviors associated with generalized exchange.

The credit card processing firm Gravity Payments serves as an example of the influencer logic. The payment processing industry does not have an institutional norm for generalized exchange. In the absence of such a norm, Gravity Payments' CEO Dan Price decided to raise the minimum wage to $70,000 (influencer's organizational practice), driven by his belief in treating employees well and paying a living wage (Price, 2020). Employees and clients who disagreed with this practice were not retained, and a minority shareholder who sued the CEO also lost the lawsuit (Keegan, 2016). Ultimately, the employees who remained with the firm exhibited generalized exchange by providing higher-quality service to customers than is typical in this industry, and new clients who joined the firm similarly subscribed to the generalized exchange spirit (Price, 2020). This illustrates how negative outcomes can be used to enforce generalized exchange, and how generalized exchange can spread from an influencer to other stakeholders in the nexus.

The two strategic networks reported by Wincent et al. (2010) provide yet another example of the influencer logic. The authors investigated the extent to which firms were willing to contribute information, assistance, and other resources to the cooperative network, and because both networks were newly formed to engage in joint product development, production, and marketing activities, generalized reciprocity norms were yet to be established. Nonetheless, consistent with the influencer logic, specific actors among the firms in the networks established and reinforced generalized reciprocity to mitigate risks of opportunism and free-riding, leading the authors to conclude that forming generalized exchange norms in a larger network depends on the selection of cooperative partners for the network and a focal firm's ability to reinforce social norms that support collaboration benefits with its direct exchange partners.

Proposition 2. In a configuration characterized by an influential stakeholder whose practices, traits, or values support generalized exchange, strong sanctions levied on stakeholders who violate generalized exchange, and observability of generalized exchange behaviors, the firm's value-creating nexus will experience a noticeable amount of generalized exchange.

Variant 3: Entrepreneurial logic. A third configuration of factors that results in generalized exchange in the nexus combines strong *institutional drivers* for generalized exchange, and the possibility of social-emotional or instrumental *rewards* for cooperators (observability of actions is also important in this configuration). We refer to this configuration as the entrepreneurial logic. In the context of ventures (whether startups or new ventures within existing firms) with an entrepreneurial mindset, particularly those ventures that are pursuing new-to-the-world innovation, stakeholders such as employees and investors experience high uncertainty, including about what inputs will ultimately be required, whether they will be available and from whom, and whether the inputs will combine into an output that is attractive to the market. To the extent that such stakeholders embrace institutional drivers comprising "generalized perception[s] or assumption[s] that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995: 574), they can reap rewards in terms of uncertainty reduction (i.e., mimetic isomorphism) or increased legitimacy and acceptance (i.e., normative isomorphism) (DiMaggio and Powell, 1983).

In the present context, institutional drivers can also encourage generalized exchange (Bearman, 1997; Feygina & Henry, 2015; Nye, 1979). Kimbrough and Vostroknutov (2016) highlighted the importance of social norms in social exchange decisions. Part of the explanation for this pertains to the larger social environment in which the firm's value-creating nexus exists (Meyer & Rowan, 1977). Exchanges among stakeholders occur within an institutional context, whose norms, rules, policies, and structures can serve as isomorphic forces that drive the adoption of common norms surrounding cooperation (Cialdini & Trost, 2008; Ekeh, 1974). These forces shape the decision-making of firms within the same context, making them somewhat homogeneous (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). There are strong parallels between institutions and what Jones, Hesterly, and Borgatti (1997: 929) called a macroculture, which is "a system of widely shared assumptions and value, comprising industry-specific, occupational, or professional knowledge, that guide actions and create typical behavior patterns among independent

entities." Strong societal or institutional drivers (e.g., in Silicon Valley) often promote generalized exchange behaviors through stories and imitation of successful ventures (Feld & Hathaway, 2020), serving as isomorphic forces and influencing the decision-making of entrepreneurial ventures.

At the same time, because the values and norms in entrepreneurial cultures tend to elicit a promotion focus (Brockner & Higgins, 2001), rewards, instead of sanctions, will be more effective in enforcing generalized exchange in this configuration. Since startups generally have limited options to discourage employees from leaving or investors from withdrawing their investment, their power to sanction defectors is limited, despite the presence of strong institutional drivers of generalized exchange. Instead, corresponding to the promotion focus typically associated with entrepreneurial ventures (Brockner & Higgins, 2001), rewards are more likely to be effective. It is also critical to note that when it becomes apparent to participants in an entrepreneurial effort that they are unlikely to receive anticipated rewards (e.g., the venture appears to be failing), they are likely to *exit in droves*—employees in an existing firm will request transfers, employees in a startup will quit, suppliers will suspend orders, and investors are likely to withdraw further support. In addition, stakeholders are almost certain to stop providing the additional pro-social behaviors associated with generalized exchange in a failing venture, even if it is difficult to exit in the short term. Consequently, generalized exchange may be a more temporary phenomenon in the entrepreneurial logic than in the other logics.

In a startup form of an entrepreneurial venture, the earliest employees often engage with one another for below-market wages (or no wages), without knowing what they may receive in return or from whom they may receive it (Bernthal, 2017). Employees that engage in entrepreneurial ventures within existing firms may do so in addition to their regular responsibilities, or may work additional time that is not directly compensated. Some proportion of the stakeholders in this configuration must believe that their added contributions will make a difference in terms of the value created in the nexus, and that this difference will be recognized and ultimately rewarded. As stakeholders' generalized exchange behaviors are observed by others, they can be recipients of pro-relationship or extra-role behaviors from others (i.e., instrumental rewards) (Whitham, 2018). Additionally, engaging in generalized exchange can yield social-emotional rewards as "employees connect with a galvanizing idea, with the notion of service to end users, and with the distinctive, intrinsic rewards of life on the job" (Gulati, 2019: 87). These stakeholders also experience social solidarity and group identification (i.e., social-emotional rewards), reflected in the bonds with others who make similar investments in the start-up (Gillmore, 1987; Lévi-Strauss, 1969; Molm et al., 2007). The lack of threat of sanctions helps sustain social-emotional rewards from contributing (Fehr & Rockenbach, 2003).

Google benefitted from this type of generalized exchange in its early days, and continues to reinforce these types of behaviors to this day. The company's setting in the hyper-competitive market for talent among the innovation-focused firms of Silicon Valley influenced it to adopt the industry-wide culture that attracts and retains employees who will be motivated and loyal (Bock, 2015). For example, Google has a bonus program where managers recognize exemplary behavior by rewarding employees on the spot with cash or an experience (e.g., dinner for two). In addition, because managers do not observe all of the times people go above and beyond their normal duties, a peer bonus program enables any employee to nominate someone for a $175 reward. Another peer-to-peer program, called "gThanks," is used to publicly recognize anyone else for a job well done. To recognize exceptional collective behavior, rather than individual behavior, Google also has a "no name program" through which executives recognize entire teams with celebrations and team trips. Finally, Google also supports stakeholders outside the firm, such as through its Google.org Impact Challenges that support community-driven nonprofits and social enterprises. The firm figures that the nominal costs of these programs are greatly outweighed by the socio-emotional benefits they create for both the recognized and recognizers (Bock, 2015).

Proposition 3. In a configuration characterized by strong institutional drivers that are supportive of generalized exchange, the presence of social-emotional or instrumental rewards arising from generalized exchange, and observability of generalized exchange behaviors, the firm's value-creating nexus will experience a noticeable amount of generalized exchange.

Over time, as the stakeholder network around an entrepreneurial venture emerges and uncertainty is reduced, actors are likely to expect a closer association between the inputs they provide and the outputs they receive. The emergence of more negotiated exchanges and bilateral reciprocal exchanges during this transition arguably challenges the generalized exchange norm. Accordingly, if generalized exchange is to persist, the firm will need to institute strong

sanctions for free-riders and, in so doing, transition to the conformity logic described next.

Variant 4: Conformity logic. The conformity logic represents the fourth configuration of factors that results in stakeholders engaging in generalized exchange, and is characterized by strong *institutional* drivers for generalized exchange, strong *sanctions* levied on free-riders who violate such norms, and observability of actions that support or violate these norms. In contexts where firms do not necessarily embrace a shared mindset or common culture (i.e., absence of a promotion focus), the use of sanctions in line with a prevention focus are more appropriate in enforcing generalized exchange. In particular, coercive isomorphism provides an explanation in the form of informal and formal pressures exerted on stakeholders in the nexus (DiMaggio & Powell, 1983), consistent with Fehr and Fischbacher's (2004) observation that sanctions are effective tools for norm enforcement. In such a nexus, free-riding is observable and sanctioned, such as through exclusion from interacting with other stakeholders in the nexus. Taken together, these institutional forces are likely to have a profound isomorphic influence on a firm's stakeholders regarding the nature and extent of generalized exchanges that occur in its value-creating nexus. Generalized exchange, once established, has a self-perpetuating character as the duty to punish defectors and reward cooperators gets distributed across the network. In such circumstances, cooperation persists even among actors with narrow, self-interested motives because there is a strong expectation that all will conform to the dominant norms (Bicchieri & Xiao, 2009).

Southwest Airlines is an example of a firm with strong institutional drivers within its nexus of treating people well, wherein stakeholders who do not conform to such norms are sanctioned. In its institutional context, there is increasing expectation that airlines must treat their employees well to ensure passenger safety (Luttmann & Nehiba, 2020). The firm believes that "our People," including its employees, customers, and community, are the root of its ideals (Southwest Airlines, 2020), and job applicants whose attitudes are not aligned with these values are sanctioned by not being hired (Bamber, Gittell, Kochan, & Von Nordenflycht, 2009). Its airplane boarding process also reflects generalized exchange norms—passengers are not preassigned seats and are expected to be cooperative during the boarding process. The benefits associated with efficient boarding only accrue to passengers when everyone is doing their part, and those who violate such norms are sanctioned by being removed from the flight (Sorace, 2021). The result is that stakeholders such as employees and customers learn to conform to the firm's established generalized exchange norms, allowing Southwest Airlines to hold the industry-leading position in turnaround times, consistently rank highly in the American Customer Satisfaction Index among U.S.-based airlines, and be ranked as the top U.S. airline in operational performance in 2020 (McCartney, 2021).

> *Proposition 4. In a configuration characterized by strong institutional drivers that are supportive of generalized exchange, sanctions levied on stakeholders who violate such norms, and observability of generalized exchange behaviors, the firm's value-creating nexus will experience a noticeable amount of generalized exchange.*

This proposition emphasizes that institutional drivers supportive of generalized exchange are *not sufficient* to result in enough generalized exchange to make a noticeable difference in the amount of value created within a firm's nexus—incentives to free-ride are too strong.

Exclusions, Exceptions, and Elaborations

The configurational theorizing process calls for researchers to focus on the most relevant attributes, and not be faced with an almost irreducible complexity (Furnari et al., 2020). In the present context, trust is excluded from the four configurations. Although trust in various forms was mentioned in the literatures we examined (e.g., Das & Teng, 2002; Ekeh, 1974; Harrison et al., 2010; Thorgren, Wincent, & Eriksson, 2011; Yamagishi & Cook, 1993), it was not a good differentiator on which to form distinct configurations. This does not mean that trust is irrelevant. Indeed, a certain amount of trust is required in any configuration for generalized exchange to take place. Stakeholders must trust that the firm and other stakeholders will keep promises, be committed to continued engagement, and exhibit cooperative behaviors (Thorgren et al., 2011). Stakeholders must also trust that the firm (and potentially other stakeholders) will recognize their generalized contributions (for configurations in which observability is important) and will reward them (Takahasi, 2000). In addition, stakeholders must trust that their exchange partners will not exploit them (Molm et al., 2007).

Our position is that a certain amount of trust is *necessary* for generalized exchange to take place (Ekeh, 1974; Yamagishi & Cook, 1993), and that increasing trust may expand the propensity of nexus

participants to engage in generalized exchange (Crane, 2020). Thus, leaders should exhibit trustworthy behavior and should foster trustworthiness among stakeholders. However, the form of trust evidenced in each configuration is likely to vary as trust among group members sharing a cohesive identity may differ from the (sometimes) instrumental forms of trust that arise among strangers (Buchan, Croson, & Dawes, 2002; Poppo, Zhou, & Li, 2016).

Observability also warrants further discussion, as it is an important attribute in three of the four configurations. As Baker and Bulkley (2014: 1493) put it, "Helping others is driven by strategic action and intentional reputation building: 'I help you because I know that a third person is watching and is more likely to help me if I help you.'" Similarly, Henisz et al. (2014) found that stakeholders accounted for how firms treated other stakeholders when they could assess firm actions. Specifically, investors took stakeholder relations into account when determining the value of expected increases in resource evaluations, underscoring the relevance of rewarding firms known for engaging in generalized exchange. The one exception where observability is not critical is in the identification logic, whereby stakeholders engage in generalized exchange for social-emotional rewards rather than instrumental ones, and are not sanctioned for noncompliance.

The distinction between sanctions and rewards also merits elaboration. We recognize that sanctions and rewards can exist simultaneously, and therefore are not at two ends of the same continuum. For instance, Wicker, Brown, Wiehe, Hagen, and Boring (1991) found evidence that positive and negative incentives can function independently (see also Oliver, 1980). Likewise, Balliet et al. (2011) found that both rewards and sanctions promote cooperation. Following this logic, even though our organizing framework clearly distinguishes between sanctions and rewards, they are not mutually exclusive. Their influence does not operate in a binary form but is a matter of degree, where either sanctions or rewards likely *dominate* within each particular value-creating nexus.

Finally, some caveats should be highlighted. First, some stakeholders will not be happy when a firm treats another stakeholder really well (Lange, Bundy, & Park, 2020), as they might see such behavior as giving preference to others or limiting the resources that they might otherwise receive from the firm. Free-riding might be expected from a stakeholder with these sentiments. However, a stakeholder-oriented firm is expected to look for ways to make decisions that benefit one or more stakeholders without hurting others (Freeman, Harrison, & Wicks, 2007; Freeman et al., 2010; Jones & Harrison, 2019). In addition, although some stakeholders may not engage in generalized exchange, there is enough empirical evidence to expect that generalized exchange may still be observed within a firm's value-creating stakeholder nexus *even when not all stakeholders participate*. Indeed, the purpose of this article is to explain when generalized exchange is most likely to be noticeable in the firm's ability to create value for stakeholders, and not when all stakeholders will engage in it.

DISCUSSION

The present research advocates that generalized exchange is a crucial micromechanism underlying instrumental stakeholder theory, and examines the conditions in which generalized exchange is expected to occur in a firm's value-creating nexus. Using configurational theorizing, we develop a framework that delineates four distinct configurations, each of which describes how attributes combine to promote generalized exchange in the nexus. The societal implications of our theory offer a number of important lessons for policy. First, firms and their managers can cocreate more value with stakeholders if they embrace policies that encourage generalized exchange, and focus on either rewarding stakeholders that manifest those behaviors or sanctioning stakeholders that do not (e.g., free-riders). In addition, startups or internal entrepreneurial ventures may enjoy generalized exchange in the early stages due to institutional drivers and the promise of future rewards; yet, as ventures mature, managers may depend more on firm drivers to perpetuate generalized exchange behaviors. We include other policy implications below.

Implications for the Instrumental Stakeholder Literature

Our primary contention is that generalized exchange offers an additional explanation (beyond bilateral reciprocity) for the superior economic performance of stakeholder-friendly firms. Understanding why generalized exchange occurs thus helps shape policies to sustain such firms. A longstanding concern for stakeholder theory is to explain why stakeholders commit resources to the firm and, in particular, why they make specialized investments, thereby leaving themselves vulnerable to hold-up (Klein et al., 2019). Most scholars have assumed that reciprocity drives performance outcomes (Freeman, Harrison, & Zyglidopoulos, 2018;

Harrison et al., 2010; Jones et al., 2018). Although it is possible that direct reciprocity on its own creates enough additional economic value to more than offset the extra costs associated with better treatment of stakeholders than what might be expected for firms in the same industry and region—meaning that any particular stakeholder gives back to the firm more value than what the firm gives to the stakeholder through the mechanism of reciprocity—it is also likely that even greater performance is realized when some other factor motivates a stakeholder to go beyond simple reciprocity.

Indeed, consistent with the idea of "stakeholder synergy" (Tantalo & Priem, 2016: 314), recent evidence has highlighted spillover effects to the firm from treating certain stakeholder groups well (Qian, Crilly, Wang, & Wang, 2021). As such, generalized exchange speaks to a multiplicative effect—in particular contexts, stakeholders will contribute valuable resources to a firm's value-creating activities, beyond what would be expected from bilateral reciprocity. Exploiting this multiplicative effect involves, as Tantalo and Priem (2016: 315) explained, appreciating the "complex second-level links between increases in simultaneous value creation and stronger motivation, commitment to the firm, and cooperation among multiple essential stakeholder groups." Our configurational model elucidates the minimally required combinations of attributes that promote generalized exchange and limit free-riding behavior, such that generalized exchange can make a net positive economic difference in a firm's value-creating nexus.

Policy-makers must be cognizant that generalized exchange can come in subtly different forms and can emerge in distinct settings. One implication of our theory is that generalized exchange in firm–stakeholder relationships may actually be more common than has been hitherto recognized. This recognition stands in contrast to much prior research which has given the impression that particular attributes, such as the existence of sanctions or norms, may be *necessary* conditions for generalized exchange to occur. Our examination concludes that generalized exchange can occur even in the absence of strong institutional drivers (such as in the influencer and identification logics). As such, policy-makers' efforts to sanction defection might even be counterproductive. In addition, our framework acknowledges that rewards do not have to be material. In many circumstances, social-emotional rewards—such as those that pertain to common group identity and strong commitment to a firm's values—act as effective incentives. Favorable treatment of stakeholders reinforces such social-emotional rewards by producing positive sentiments toward the focal organization and intensifying stakeholders' perceptions of group identification (Willer et al., 2012).

Similarly, there is no assumption in our theory that stakeholders must behave altruistically. Generalized exchange can occur in a world of rational egoists (Takahasi, 2000) without other-regarding preferences (Baldassarri, 2015). Indeed, stakeholders who prefer to work with a firm in which generalized exchange is evident are likely to continue their relationship with such a firm, and those who do not will essentially "select out" of such engagement.

Finally, our focus has been on explaining the propensity for stakeholders to make contributions to the value-creating nexus beyond those that would be predicted by bilateral reciprocity alone. Policy-makers and researchers could make profitable use of surveys of various stakeholder groups to measure generalized exchange. Asking stakeholders to share observations of prosocial behavior by other stakeholders as well can go a long way toward helping researchers understand the phenomenon. Case studies and experiments can also be used to test insights regarding firm or stakeholder configurations in which generalized exchange occurs. In addition, a productive question for future research concerns the appropriation of value gained as a result of such contributions. Addressing this question may require scholars and policy-makers to attend to the evolution of generalized exchange over time.

Implications for Understanding Generalized Exchange

Our configurational perspective is also instructive for the literature on generalized exchange. Baker and Bulkley (2014: 1508), in observing the varieties of generalized exchange within a single setting, have called for research to identify "mechanisms that may be alternative, additional, or complementary explanations of generalized reciprocity." Thus far, generalized exchange has been predominantly studied within sociology (Bearman, 1997; Nye, 1979; Takahasi, 2000) with a focus on norms and sanctions. Likewise, research in management and organization theory has highlighted the importance of "norms that encourage reciprocity and increase the social cost of free-riding" in producing generalized exchange (Wincent et al., 2010: 599). Yet, much research on financial and socio-emotional incentives, typically found within other disciplines such as economics

(Bénabou & Tirole, 2006; Fehr & Falk, 2002) and psychology (Cialdini & Trost, 2008), is also relevant to understanding why generalized exchange occurs.

Integrating insights from different disciplines highlights the diversity of drivers and the need for nuanced policy prescriptions. Our configurational theorizing approach highlights the *complementary* and *substitutionary* relationships between these drivers. Take, for instance, the role of observability. We agree with prior literature that observability of action often enables generalized exchange. However, it is insufficient by itself. For example, as highlighted by the conformity logic, sanctions and norms are complementary to observability in producing generalized exchange. At the same time, there are substitution effects at play. The absence of observability in the identification logic is in line with the idea that observability sometimes undermines prosocial behavior (Bénabou & Tirole, 2006). Likewise, the centrality of sanctions in two of our configurations does not mean—as linear theorizing might imply—that more sanctions are always better for ensuring generalized exchange. As illustrated by the entrepreneurial and identification logics, sanctions can crowd out the positive effects of social-emotional rewards. In short, we advance understanding by moving away from a focus on the net effects of sanctions, rewards, and drivers to explicate how they combine to produce generalized exchange.

We note that drivers, sanctions, and rewards are not necessarily orthogonal. For example, harsh punishment systems plausibly shape people's motives for acting cooperatively (Irwin et al., 2014). Nonetheless, nonorthogonality (or endogeneity) is not a problem in configurational theorizing, which explicitly accommodates the idea "that naturally occurring social phenomena are profoundly limited in their diversity" (Ragin, 2008: 147). While we argue that the four configurations are mutually exclusive as minimally required attributes for generalized exchange to take effect, in practice a firm can experience more than the minimally required attributes and still enjoy the value creation resulting from such exchange. The more certain attributes are present, the greater the probability that generalized exchange will exist. For example, a firm could achieve generalized exchange if it has institutional drivers, individuals with personal motives, and rewards—or other combinations of these four attributes that do not crowd out one another. In this sense, these four configurations are not collectively exhaustive except as minimal conditions. Moving forward, a productive task would be to assess how frequently each of our four configurations occurs in practice, how durable each configuration is over time, and whether some configurations are more successful than others at controlling the free-riding problem.

These insights also uncover two temporal aspects of generalized exchange in stakeholder-oriented firms. The first is that some stakeholders have to make the first move to initiate generalized exchange by providing extra-role or prosocial behaviors without knowledge or even expectation of a *directly* reciprocal benefit. If generalized exchange is going to be realized at the nexus, this behavior must be matched by second movers, third movers, and so on until the collective value created is sufficient to exceed any costs associated with sanctions, rewards, and free-riding.

The second insight regarding temporality is that the logic or gestalt of generalized exchange at a firm can change over time. The influencer logic can take hold most easily when the firm is small relative to the number of influential stakeholders who are motivated to initiate generalized exchange. As the firm grows and its firm-specific values potentially disseminate to, and become accepted by, other firms in the broader institutional context, they may develop into institutional drivers. This then implies a transition to the conformity logic that is characterized by institutional drivers and sanctions. Conversely, because organizational cultures are dynamic and can change, such as with a change in leadership (Meyerson & Martin, 1987), conceivably the influencer's original values that promoted generalized exchange may no longer hold, in which case we may see a shift away from generalized exchange behaviors in the nexus.

Along similar lines, the entrepreneurial logic is most likely when stakeholders are still uncertain about the venture's ultimate value-creation potential. If the firm survives the startup phase, it could, for example, attract stakeholders who deeply identify with its purpose and mission so much that they derive intrinsic rewards from providing additional value to the nexus, signaling a transition to the identification logic characterized by individual or firm drivers and rewards. Alternatively, as the firm grows out of the startup stage and becomes more stable and established, its stakeholders may no longer have a promotion focus typically associated with entrepreneurial start-up firms, which then necessitates the imposition of sanctions to perpetuate generalized exchange, signaling a transition to the conformity logic. As this discussion suggests, while there are temporal elements inherent in the four configurations, the evolution across these configurations is

not fixed and, instead, is contingent on forces at the firm, institution, and network levels, thereby setting the stage for further research.

Additional Implications for Policy

Our theory also provides additional insights for organizational policy-makers. Specifically, as there is no one-size-fits-all mechanism for producing generalized exchange, we help managers select policies for increasing generalized exchange in their value-creating nexuses. To do so, corporate and entrepreneurial leaders would benefit from having a clear understanding of the context facing their firms, as well as an appreciation of the characteristics (practices and values) of their salient stakeholders.

In particular, expectations and drivers of stakeholder reciprocity vary across contexts (Hayashi et al., 1999), such that the dominant forms of generalized exchange will differ also. For instance, the sanctioning of defection from cooperative behavior is usually higher in coordinated market economies, such as Germany and Japan, than in more liberal markets, such as the United Kingdom and the United States (Hall & Soskice, 2001). Moreover, dense interorganizational networks in the former countries serve to disseminate information and contextualize norms about defection more readily. As such, policy-makers in these countries might encounter the conformity logic more frequently compared to peers based in liberal markets, where the identification logic of generalized exchange might be comparatively more important.

At the same time, it is important to recognize that, even within the same context, motives vary across actors (Burbano, 2021). Our theory accommodates the idea that some stakeholders may have values and traits that are inherently aligned with generalized exchange, whereas others will not. Indeed, consistent with research on stakeholder heterogeneity (Bridoux & Stoelhorst, 2014), the lack of a one-size-fits-all mechanism to producing generalized exchange means that different solutions may be necessary when engaging with different stakeholders.

Building on these points, we suggest that diagnosing the corporate or startup context and stakeholders' motives is key to coming up with appropriate strategies for increasing generalized exchange. For instance, the breakdown of multipartner alliances, which are characterized by the potential for free-riding, has been attributed to the failure to build norms of generalized exchange (Heidl, Steensma, & Phelps, 2014). While recommendation to build norms in such a context is appropriate, an alternative remedy would be to identify and select alliance partners with firm- or individual-specific motivations to support generalized exchange.

CONCLUSION

Stakeholder scholars (e.g., Priem et al., 2022) and prominent CEOs (e.g., Business Roundtable, 2019) continue to call for re-envisioning the purpose of a firm to increase the overall utility of all essential stakeholders. Generalized exchange is one reason why stakeholder-oriented firms can offset the additional costs associated with exceptional stakeholder treatment and enjoy an economic advantage. The present research identifies four distinct configurations that facilitate the emergence or preservation of generalized exchange among a firm's stakeholder network. With such an understanding, we can begin the process of helping firms promote generalized exchange and value creation for more stakeholders.

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