

Describe Social Exchange Theory

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ABSTRACT:

A sociological and psychological framework called Social Exchange Theory aims to explain the dynamics of social interactions and relationships. An overview of the Social Exchange Theory, its core ideas, and its consequences for comprehending human behaviour are given in this abstract. It explores the concepts of reciprocity, exchange of resources, and mutual benefit in interpersonal interactions. It also examines how costs and benefits, equality, and the development of social ties all play a part. Understanding the social exchange theory will help you better understand why people engage with one another, how relationships are negotiated, and how social equilibrium is maintained.

KEYWORDS:

Exchange, Interaction, Organisational, Relationships, Trust.

I. INTRODUCTION

A theoretical framework called Social Exchange Theory seeks to describe the dynamics of social interactions and relationships. It investigates how people weigh the advantages and disadvantages of their relationships with others and make choices depending on how valuable they believe the results to be. According to the Social Exchange Theory, human relationships are motivated by a desire for reciprocal gain and the exchange of resources. Fundamentally, the Social Exchange Theory contends that people connect with others in order to reap the benefits of their anticipated rewards. These benefits may come in many different ways, such as friendship, emotional support, access to resources, and chances for personal development. People also take into account the expenses related to sustaining the connection, such as time, effort, and prospective sacrifices. Social Exchange's Heart Theory is the idea of reciprocity, which contends that people often react similarly to the behaviours of others. People are more inclined to reciprocate and keep up the connection when they believe that the interactions they have with others will lead to benefits and rewards. In contrast, people may decide to end the connection or look for alternatives if the results are seen as undesirable or if the costs exceed the advantages [1], [2].

The idea also emphasises how crucial equality is in social transactions. Individuals seek to attain a ratio of inputs (contributions) and outputs (rewards) that is regarded as equal in their interactions, striving to achieve a feeling of justice and balance. When there are imbalances, it might seem unfair and have an effect on how stable and satisfying the relationship is. The Social Exchange Theory also acknowledges that social ties are created and maintained throughout time via a series of pleasant contacts and exchanges. Mutually beneficial interactions between people may lead to the development of trust and commitment, which can result in stronger and longer-lasting partnerships. The Social Exchange Theory has been used in a variety of circumstances, including interpersonal interactions, workplace environments, and commercial transactions. It offers understanding into what drives people's actions, how decisions are made, and how social contracts are negotiated. It helps us comprehend why people invest in certain relationships, why they reciprocate, and how they balance the pros and cons of different options [3], [4].

We shall go further into the main ideas and applications of social exchange theory in the sections that follow. We will look at its importance in comprehending the emergence, upkeep, and breakdown of relationships as well as its implications for organisational behaviour and financial transactions. Understanding the Social Exchange Theory may help us better comprehend the intricacies

of human social interactions and the reasons why people form connections. This knowledge has applications in improving organisational dynamics, encouraging reciprocal exchanges in many social circumstances, and developing happy and satisfying partnerships. The idea of trust is crucial to the Social Exchange Theory. Social trades are fundamentally based on trust because people need to have faith that the other person will carry out their end of the bargain and provide them what they want in return. Establishing trust increases the desire to participate in more conversations and keep the connection going by fostering a feeling of security and predictability[5], [6].

The Social Exchange Theory also recognises the influence of cultural values and social norms on social interactions. Social norms provide guidelines on proper behaviours in certain social circumstances, and cultural environments affect expectations and standards for reciprocal behaviour. Individuals' perceptions of what constitutes fair and equitable trades are shaped by these norms and beliefs, which also have an impact on how they make decisions. The implications of the Social Exchange Theory extend to our comprehension of the dynamics of power in interpersonal interactions. In exchanges, an uneven distribution of resources, knowledge, or social standing may affect the balance of power. Powerful people could have more influence over the resources being traded, which might result in unbalanced partnerships. Understanding power relationships within social interactions might help us better understand problems of injustice and inequality. Despite the fact that Social Exchange Theory offers insightful perspectives on social interactions, it is crucial to understand its limits. The theory may not adequately account for the complexity of emotional and illogical components of human behaviour since it mainly emphasises rational decision-making. Furthermore, it often ignores how social structures and other overarching social factors influence social interactions[7], [8].

In summary, the Social Exchange Theory provides a useful framework for understanding the dynamics of social interactions. We learn more about the driving forces behind human behaviour and the preservation of relationships by taking into account the costs, benefits, reciprocity, trust, and cultural factors that are present in social transactions. This knowledge may be put to use in a variety of contexts, including business transactions, interpersonal interactions, and organisational dynamics. The Social Exchange Theory still serves as an important research tool for understanding human behaviour and serves as a basis for promoting positive and mutually beneficial social relationships[9], [10].

II. DISCUSSION

The social exchange hypothesis has been used for many years to explain social behaviour in people. This idea has been studied for many years by anthropologists, sociologists, and social psychologists. It has also been widely used in management theory. This extensive history of social interaction is supported by our knowledge of interpersonal interactions has been made richer by the many academic viewpoints of interested researchers. However, there is a price to be paid for this variety. Social interaction Over time, theory has seen significant change. A series of conceptual models, which are not necessarily tightly matched, has replaced the original "theory" as the dominant one. In line with this historical development, modern social exchange theory has undergone significant branching, allowing scholars to examine human interactions from a variety of other angles. In light of this, our aim in this article is to provide the reader a comprehensive understanding of social interaction. A quick examination of the distinguishing characteristics of social exchange theory follows. The development of this conceptual framework is then covered in a historical overview. The article concludes by discussing the influence of social exchange theory on management studies.

Fundamentals

Interdependent interactions, self-interest, norms of trade, and the development of interpersonal relationships are the four core concepts of social exchange theory that continue to be the focus of much investigation and debate.

Interdependent Interactions:

Modern social exchange models focused on how individuals make decisions in interpersonal interactions, paying particular emphasis to how social actors' shared fates are intertwined. Harold Kelley

and John Thibaut, for instance, used a "outcome matrix" to represent each party's choices and probable outcomes in their well-known interdependence theory. Outcome matrices show how closely one party's results are influenced by the decisions taken by the other. The ability to manage another person's resources might restrict one's power in a relationship. On the other hand, the presence of alternatives might increase power. Four qualities may be used to explain this dependency between parties in the final quality. The level of reliance comes first. The degree of reliance is great to the extent that each party's results are dictated by the other. When this kind of control is absent, there is little reliance. The mutuality of dependency is the second characteristic. The question here is whether everyone must collaborate equally in order to get the results they want. The third is the consistency of results. In general, high correspondence means that the two parties have similar interests, whereas low correspondence implies the opposite. The foundation for dependency is the fourth attribute. This pertains to whether or not one party has dominant control over the results rather than shared control.

Researchers can forecast decisions made in social contexts, such as the likelihood of conflict or collaboration, by examining the relationship between these four characteristics. Though the original theory has been partially overtaken by more recent expansions and new developments, such as Caryl Rusbult's investment model, independence theory and its offspring still serve as a source of inspiration for study. This history of study has had a significant impact regardless of the theoretical framework used since these models are conceptually flexible while yet being quite complete. For instance, both bilateral negotiations and romantic partnerships have used the interactive decision-making method. The scope of this generalizability offers a concrete example of the value of social interchange in daily life.

Self-Interest

The American Journal of Sociology published a significant essay by George Homans in 1958. His views were then expanded upon in a book that was released in 1961. Homans was especially interested in individual trades that were made to fulfil self-interested ends, in line with the economic theories of his day. This idea was prevalent in social exchange theory after Homans and was taken up by other academics. Universal self-interest was still debatable. One theory that was open to the notion that decisions may be made for altruistic motivations was interdependence theory, which did not take a firm stance about the underlying motives that drive trade interactions. A larger perspective of human motivation has also been adopted in more recent thought.

Reciprocity and Other Rules of Exchange

Reciprocity is, broadly defined, the propensity of individuals to react to a positive action by providing a benefit and to a detrimental action by providing a damage. Positive and negative consequences would roughly balance in this fashion. A misalignment would be considered unfair. Nevertheless, reciprocity derived from older social trade customs, now under active research. For instance, Exchange relationships that arise via reciprocal exchanges, as opposed to those that are pre-negotiated, tend to display less inequality, fewer power abuses, stronger trust, and higher commitment, according to Linda D. Molm and her colleagues. Greater social peace seems to be fostered via reciprocity. Even while the idea of reciprocity is still important, other social exchange norms have also arisen.

Meeker suggests six as an illustration. (1) reciprocity, which we have already discussed; (2) rationality, an exchange rule that suggests an exchange partner should maximise his or her own benefits (i.e., instrumental logic); (3) altruism, an exchange rule that stipulates people seek to benefit the other exchange partner, even if it means forgoing personal gain; (4) group gain, an exchange rule that suggests people seek to maximise benefits for a group of people who share common interests; Without contesting the importance of reciprocity in human contact, the addition of other trade norms makes a description of social transactions far more complete.

Interpersonal Relationships

The sociologist Peter Blau's famous book, *Exchange and Power in Social Life*, was released in 1964. It was claimed by Blau that there were at least two different kinds of transactions economic exchanges and social exchanges drawing directly on Bronislaw Malinowski's prior work. *Quid pro quo*

transactions with swift payback expectations and individual self-interest characterise economic exchanges. Social interactions last longer and are more open-ended. The question of obligations, in Blau's opinion, makes the biggest gap between these two types of transactions. Social trades often do not include conditions and forms of payback, but economic exchanges frequently do. Similar to how negotiating of payback is more acceptable in business exchanges than in social ones.

The insights Blau made regarding social and economic interactions were often interpreted in relational terms. Researchers made a distinction between social exchange connections, which tend to be closer and more devoted, and economic exchange interactions, which tend to be less dedicated. In the part that follows, when we discuss organisational behaviour research, we will go back to this idea. As a result of this shift in focus, academics started looking into how social exchange connections are formed. An excellent illustration of this may be found in a number of studies conducted by Edward Lawler and Jeongkoo Yoon. Lawler and Yoon discovered that effective agreements led to good effect in their experimental investigations. This effect improved the two parties' connection as a result. These advantages were most likely to materialise when the person assumed joint accountability for both the exchange arrangement and the consequences that resulted from it.

Social Exchange Theory and Interpersonal Relationships

Researchers in organisational behaviour tried to elucidate the motivational underpinnings of organisational citizenship behaviour (OCB) in the 1980s and early 1990s. At the time, OCB was seen as a volunteer activity, distinct from ordinary job responsibilities, that benefited organisations and work groups. According to Dennis W. Organ, Blau's research may be used to explain OCB. A worker would put forth greater effort if they had a social exchange connection with their employer because they believed that eventually, things would "even out." Organ's perspective was very influential. In addition to OCB, Blau's conceptual framework has now been used in projects including, among other things, workplace equity, leadership, organisational commitment, and organisational support.

This method of approaching social exchange theory underplays certain aspects of the paradigm while highlighting others. On the one hand, this method pays less attention to social power, the interdependence of decisions, and the particular pattern of outcomes transferred through time. However, this strategy emphasises the crucial position of tight working relationships and their significance for organisational performance. As theorists' understanding of social exchange relationships has developed, they have a propensity to approach interpersonal attachments in one of three ways: models for relationship creation, relationship attributes, and relationship context. Relationship-formation models place a strong emphasis on how partnerships for social exchange evolve.

This perspective is supported by Roy J. Lewicki and colleagues' research on the development of trust. These academics believe that trust grows via three phases. Calculus-based trust is stage one. Calculus-based trust is based on balancing the advantages and disadvantages of relationships. This kind of "trust" occurs if the latter weighs more heavily than the former. Trust based on information is the second level. The foundation of knowledge-based trust is the comprehension and predictability of another person's behaviour. If everything goes according to plan, identity-based trust will be the next level. Identity-based trust is built on an understanding of the other person's wants and aspirations and is considered to be the greatest level of a social exchange relationship. Relational-attribute models see connection qualities as tradeable advantages. For instance, Sternberg's theory of romantic love has three elements, at least two of which may be exchanged (commitment and closeness).

Similarly, Uriel and Edna Foa list six categories of tradeable items. In some theoretical frameworks, love and status are seen as characteristics of partnerships. The macro-organizational sciences have also begun to use relational attribute models. The effects of exchange qualities on organisational outcomes have been studied in some work that focuses on executives or interorganizational interactions. For instance, this study demonstrates that characteristics like dependency or "know-how" (learned competitive knowledge) are crucial for the growth of relationships and reciprocity patterns.

Models of relationships in context look at how relationships influence how things are transferred. The well-known study on idiosyncrasy credits by John Hollander is a nice illustration of this custom. Hollander contends that good leadership results from treating subordinates well. A manager's connection with staff increases as the credit available grows. Later, when making a contentious choice, leaders might use these credits. In essence, a positive working relationship implies that employees will give their boss a second chance when something has gone wrong or might go wrong. According to studies in the macroorganizational sciences, CEOs who do favours for major stakeholders produce significant reciprocal patterns that have an impact on organisational success and brand reputation. The relationship-context model is supported by the research presented here. Doing favours specifically makes the other exchange partner obligated to return the favour. Return favours may result in revenge.

Evolution

Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations* is regarded as the originator of social exchange theory, or at the very least, the source of its first inspiration. Smith famously articulated his invisible hand. This concept holds that individual economic interactions provide a productive way to distribute society's resources. Consequently, a market that spontaneously emerged connects communities together in a "bottom-up" manner. In this sense, Smith anticipated the importance of reciprocity that would eventually come to dominate social exchange theory as the paradigm took shape. The argument about Smith's work's significance has persisted for a long time. However, it can be claimed with some degree of certainty that, in terms of the economic system, Smith placed a strong emphasis on the motivating concept of individual self-interest as the driving force behind his "invisible hand." Of course, self-interest encompassed purely business interests, but it also included a need for social acceptance. This is not to suggest that Smith dismissed other motivations except than self-interest (see, for instance, his *Theory of Moral Sentiments*), but rather that self-interest occupies a significant position in his economic theory. As we will see, this self-interest concern would become a contentious issue in subsequent social exchange studies.

Although Smith's description of social trade predates a great deal of subsequent work, it is interesting that the "invisible hand" is essentially based in the field of economics. About a century later, Albert Chavannes, a sociologist, started to give social exchange theory a more contemporary feel. Chavannes agreed with Smith's theory of an emerging order resulting from private social interactions. But he had two criticisms for Smith. First, Chavannes thought that, even in economic contexts, human goals were not limited to economic self-interest. He was aware of other motivations for action, such as obligation. Second, Chavannes was drawn to personal connections, which he said emerged from advantageous transactions. Although individuals may initially trade primarily on their financial interests, over time, their feelings of devotion and love for one another are often. We may trace the met theoretical underpinnings of contemporary social exchange theory with Chavannes' criticism and extension of Smith: Exchanges of products that are (a) founded on factors other than economic self-interest, (b) naturally forge connections, and (c) serve as the foundation for stable communities and commercial organisations.

Chavannes had recognised the core ideas of social exchange theory, but his "armchair" investigation lacked evidence. Additionally, Chavannes' and Smith's theories were mostly centred on Western countries. The emphasis was taken off non-Western and preindustrial civilizations. Through field research in non-Western countries in the beginning of the previous century, academics started to overcome these restrictions. Influential anthropologist Bronisaw Malinowski was one such thinker. Though discussed by Smith and Chavannes, reciprocity had a particularly significant role in Malinowski's work. He said that the inclination to "repay" the supply of an item or service based on debts that individuals believed they owed one another is what he meant by reciprocity. People are connected via reciprocal transactions. It's interesting to note that Malinowski also offered an early definition of what would eventually be referred to as a "social exchange relationship." He maintained that individuals helped one another on the general presumption that long-term trades would balance. This concept served as the foundation for further organisational behaviour studies.

Similar opinions were held by Marcel Mauss. Mauss emphasised the symbolic significance of gift-giving in many cultural contexts. Undoubtedly, some presents had monetary value, but others had more value. Even in the lack of a centralised authority or "top-down" governance, transactions involving such presents might foster social relationships that enabled cultures to coexist peacefully. Mauss maintained that interpersonal ties were formed by individual transactions, which were not only economic, as was the case with Chavannes and Malinowski. He emphasised that shared ethical standards and perceived commitments often led to these reciprocal interactions. The now-familiar shape of social exchange theory emerged in the late 1950s and early 1960s. Even though they were presented in foundational form during this time, a significant amount of modern research continues to substantially rely on the theoretical viewpoints that were first developed.

Importance

With the ideas of Adam Smith, the social exchange hypothesis was born early in the industrial revolution. It has drawn inspiration from important social and behavioural scientific fields throughout time, including anthropology, psychology, and sociology. It shouldn't be surprising to realise that social exchange theory has had a significant impact on much of the conceptual thinking that underpins management given its depth. The leader-member exchange (LMX), trust building, organisational commitment, organisational fairness, and organisational citizenship behaviours are a few examples of social exchange models. The various paradigms investigated under the heading "social exchange" are relatively varied and not necessarily tightly connected, despite this emphasis, or possibly because of it. As a consequence, organisational scientists have yet to fully investigate many of the social exchange theory's ideas, which have a wide range of potential applications to the workplace. There is reason to believe that this unique conceptual paradigm will be the subject of much future investigation. Social exchange theories have numerous practical implications for managers and practitioners. As we've said, social exchange principles describe how people engage with one another inside and between organisations. They provide insight into what drives individuals to perform at their best as well as what drives them to undermine and destroy company objectives. Although various social exchange models have been proposed in the literature, a common thread runs through them all: behavioural patterns seen in exchange relationships can take on the reciprocal nature of helpful and harmful contributions that are exchanged among organisational members and between organisations. Cooperative relationships may be strengthened or destroyed by such interactions. As a result, managers should take into account social exchange principles in order to maximise benefits and minimise expenses related to their job.

III. CONCLUSION

A useful framework for comprehending the dynamics of social interactions and relationships is provided by social exchange theory. It places emphasis on how costs, benefits, reciprocity, and equality affect human behaviour and decision-making. The idea emphasises how people interact with others with the hope of gaining rewards and benefits, and how they weigh the costs of preserving the connection. The Social Exchange Theory acknowledges the value of building relationships based on mutual respect and trust. Successful social interactions are built on trust because it gives people a feeling of security and predictability. The theory also recognises the effect of power dynamics and resource disparities on social interactions, as well as the influence of cultural values and social norms. Understanding social exchange theory helps us to better understand why people behave the way they do, how connections develop and last, and how social contracts are negotiated. This knowledge may be put to use in a variety of contexts, such as business transactions, interpersonal interactions, and organisational behaviour.

However, it's critical to recognise the Social Exchange Theory's shortcomings. The theory may not accurately reflect the complex and multidimensional character of human behaviour since it largely emphasises logical decision-making. It could ignore the impact of emotions, individual characteristics, and more significant societal institutions on social interactions. But Social Exchange Theory offers a useful perspective for looking at and analysing social interactions. We may comprehend human behaviour and the dynamics of relationships better by taking into account the costs, benefits,

reciprocity, and fairness in social interactions. This knowledge may be used to design techniques that encourage fair and equitable interactions, establish healthy and mutually beneficial connections, and generate long-lasting partnerships. The Social Exchange Theory may help us better understand social dynamics in the future and lead to the creation of treatments and tactics that encourage constructive social interactions and relationship outcomes.

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