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INTEGRATING SOCIAL AND POLITICAL STRATEGIES AS FORMS OF RECIPROCAL EXCHANGE INTO THE ANALYSIS OF CORPORATE GOVERNANCE MODES

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Abstract: The concept and theory of reciprocity provide fruitful ways of integrating social and political strategies because both involve donating valuable resources to nonmarket recipients – mainly NGOs, politicians and regulators – who are not contractually bound to reciprocate although a return is normally expected. Besides, we interpret the use of non-contractual reciprocity through relational-model theory and transaction-cost economics. The former offers a model of "equality-matching" that corresponds to reciprocity while TCE's criteria of uncertainty, frequency and asset specificity can be applied to non-contractual relationships in order to determine their efficiency. We also differentiate reciprocity from bribery and offer research implications of the fact that goods can be obtained from others without using transactions.

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Introduction

Social and political strategies often interact as when helping a local community brings a firm in fruitful contact with local "political" actors or when getting a favorable law passed requires various "social" initiatives (Hillman, Keim & Schuler, 2004). Such an effective combination of these two distinct nonmarket strategies was evident when several U.S. casino companies mixed philanthropy and lobbying in the process of obtaining Massachusetts' first gambling license. These applicants gave money to a fire-damaged day-care center, funded Independence-Day fireworks, offered perks and totes to local residents, sponsored a Hockey League team, made a company's CEO the honorary chair of a pancake breakfast for 14,000 people, prepared elaborate proposals showing their potential contributions to local urban development and poverty alleviation, and promised an $800 million resort as well as a $15 million upfront payment to the winning city which would also collect $25 million a year. All of these philanthropic and lobbying efforts were made in order to obtain the political approval of local officials and voters in forthcoming ballotings about licensing the first casino to be built and operated in this U.S. state (Business Week, 2013: 30-32).

In this story, we witness the practical integration of: (1) corporate social responsibility (CSR) which captures a firm's intention to convince relevant stakeholders that it contributes to social welfare, and (2) corporate political action (CPA) which addresses its efforts to influence political decision-makers (den Hond et al., 2014: 804) – two strategies that can be used interchangeably or complementarily in the pursuit of business objectives (Frynas & Stephens, 2015: 484; Richter, 2011). However, the conceptual affinity between social and political activities has not received adequate attention in terms of identifying what makes both strategies shoots of the same stem (Liedong et al., 2015: 4; Mellahi et al., 2016). Indeed, many scholars point to the conceptual incompatibility of firms' socially-responsible activities and their instrumental political activities (e.g., Mantere et al., 2009; Jamali & Mirshak, 2010; Scherer, 2017). Consequently, our first research purpose is to demonstrate the conceptual similarities between social and political activities.

Their similarities will help demonstrate that the donation by market firms of valuable resources through philanthropy and lobbying constitutes a distinct and genuine governance mode available to obtain in return particular goods from nonmarket actors. Therefore, going beyond CSR and CPA studies from the TCE perspective, that focus exclusively on contractual modes of exchanges (e.g., Husted 2003; King, 2007; Sawant, 2012), our second research objective is to demonstrate that organizations can use social and political activities to obtain goods from others without having to transact with them.

In this conceptual endeavor, we will limit our analysis to lobbying[1] because it has been found to be the primary influencing tool in corporate political activities (Lux et al., 2011: 241) while philanthropy[2] is the major expression of corporate social responsibilities designed to improve the firm's reputation through, for example, the support of NGOs involved in eradicating malaria (Saiia et al., 2003).

However, we also need to explain why, in the casino and similar cases, the recipients of

[1] Title 26 of the U.S. Internal Revenue Code defines lobbying as "any amount paid or incurred in carrying out propaganda or otherwise attempting to influence legislation." It is the act of attempting to influence decisions made by individual legislators and regulators.

[2] Saiia et al. (2003: 170) defined strategic philanthropy as the giving away of corporate resources to address nonbusiness community issues, that also benefits the firm's strategic position and, ultimately, its profitability while Husted (2003: 483) treated philanthropy as the most common CSR form. The philanthropy exercised by a firm's employees (Muller et al., 2014) is not covered here.

philanthropic and political donations would feel obligated to respond to the donors – our third research objective. Besides, we will borrow theoretical frameworks in order to examine the nature of the exchanges involved in the integration of CSR and CPA activities – our fourth research purpose while our last one will deal with the scope and legitimacy of reciprocity.

Prior Research

Transaction-cost economics (TCE) has been used to explain the use of social and political strategies (e.g., Husted 2003; King, 2007; Sawant, 2012) through contractual modes of exchanges but it has failed to investigate and conceptualize non-contractual relationships. For example, Husted (2003) borrowed from Williamson (1996) the criteria of coordination and control to explain the choice among the contractual-governance forms – make, buy and ally – available to implement CSR activities. However, unlike Williamson, Husted (2003: 483) overlooked non-contractual modes of exchanges and he did not consider the types of contract laws that Williamson (1996: 105) used to compare "make, buy and ally" (see Table 1 below).

King (2007) exploited TCE to find ways of reducing the costs associated with the interaction between a market firm and a nonmarket stakeholder. For one thing, hierarchy of one over the other is not legally allowed between a for-profit organization and a not-for-profit one while the alternative of using contractual transactions is plagued by the high ex-post transaction costs linked to the monitoring and enforcing of legal agreements between the market and nonmarket parties. Hence, King (2007: 892) borrowed from stakeholder theory its reliance on informal "relationships" so that cooperation between a market firm and a not-for-profit organization or agent could be ruled through "relational contracting" based on "memoranda of understanding" (ibid.: 892) and other hybrid and intermediate forms of non-contractual governance (ibid.: 898).

However, the notion of "relational contracting" relies on an underlying "contract" after all, and its “relational” component requires repeated exchanges on account of Macneil’s (1980) “shadow of the future” – the promise of gains from future exchanges – which induces the parties to overcome opportunism and behave honestly in successive interactions (King, 2007: 896). Consequently, King left open the possibility of “non-contractual” governance modes not relying on transactions at all nor on the repeated exchanges necessary to generate trust.

Viewing corporate political action as transaction-based, Hillman and Hitt (1999) offered “a comprehensive taxonomy of generic political strategies” – namely, providing information, financial incentives and/or constituency building – aimed by firms at political actors in order to affect public-policy decisions. The casino story of spending sizable resources through philanthropy and lobbying to obtain a license illustrates Hillman and Hitt’s “stimulus” model which assumes that these activities will produce effects but without specifying which ones and how they are produced. Besides, they did not discuss what these stimuli have in common that would explain their synergistic effects, and they left unexplained why spending valuable resources would generate a favorable “response” on the part of the recipients.

A better understanding of non-contractual relationships can be obtained from Fiske’s (1992) relational-models theory which analyzes how people and organizations coordinate their actions through culture-specific combinations of elementary “relational models” that reflect how people and organizations develop and hold mental representations of their relationships with others (Fiske & Haslam, 2005: 267). As “social dispositions,” these models explain differences in preferences for the distribution of outcomes to “self” and “others” in “interdependent” situations such as existed between donors and recipients when philanthropy and lobbying were activated in the casino-license case.

Thus, when firms transfer goods and services to nonmarket social and political stakeholders, their actions can be interpreted either as: (1) making a "communal" gift to a group to which they belong and without expecting any specific return; (2) paying a forced tribute to a superior authority; (3) selling these goods to stakeholders at market rates, and/or (4) doing a balanced quid-pro-quo exchange with them (Fiske, 1992: 690). The fourth disposition is labeled equality-matching (EM) because it is a relationship where participants seek to maximize the joint payoffs for self and others as long as the latter are perceived to be cooperative and fair. People holding this EM disposition are labeled "reciprocators" (Bridoux & Stoelhorst, 2016: 238) – and reciprocation is precisely what philanthropy and lobbying aim at. Still, we need to understand why the recipients of philanthropic and political donations should feel obligated to respond.

In this regard, prior reviews of the literature have failed to encompass theoretical lenses that can illuminate reciprocal exchanges. Thus, Frynas and Stephens (2015) reviewed many theories bearing on political CSR but they did not consider relational-models theory and transaction-cost economics. Similarly, Mellahi et al. (2016: 143) developed a multi-theoretical framework to examine the mechanisms linking the integration of CSR and CPA to organizational performance but they left out the exchanges – both transactions and relationships – involved in this integrative process. Yet, these exchanges can readily be analyzed through transaction-cost economics and relational-models theory to establish that the integration of CSR (as represented by philanthropy) and CPA (as expressed through lobbying) depends more on relationships than on transactions and more on non-contractual reciprocal exchanges than on contractual transactional ones.

Besides, Liedong et al. (2015: 409) advanced a theoretical framework of how firms can combine CSR and CPA to gain access to, and develop trustful relationships with, political actors in order to influence the resolution of high-salience policy issues. However, their framework's scope can be extended to include social nonmarket actors such as NGOs and other not-for-profit civil-society organizations that can be influenced through "benevolent philanthropy" (ibid.: 417).

Having concluded this literature review, we will start by asking: How can philanthropy and lobbying be conceptually integrated? In this regard, a long research tradition points to the framework offered by reciprocity – that is, the mutually contingent exchange of gratifications (Gouldner, 1960: 168).

The Conceptual Integration of Philanthropy and Lobbying Through Reciprocity

Common Features

The successful combination of social and political strategies in the casino case suggests that they share important affinities. In this regard, philanthropy and lobbying are conceptually alike because both involve donations of valuable resources (money, information, time, personnel, technology, etc.) by market actors to nonmarket individuals and organizations – namely, NGOs and other civil-society social actors in the case of philanthropy, and political targets as far as lobbying is concerned.[3] These gifts are made in a non-contractual manner – that is, without any legal assurance that they will be reciprocated by their recipients in the manner and timing preferred by the donors. Besides, since philanthropy and lobbying are not founded on coercion and sanction, they cannot depend on litigation and/or arbitration to address the ex-post hazard of non-reciprocation on the part of the recipient but must mainly rely on nonmarket penalties such as ostracism and the denial of legitimacy although donations can also be reduced or stopped. We must analyze how reciprocity works in the cases of philanthropy and lobbying.

The Nature and Power of Reciprocity

As a means of doing business with other people, whether friend, foe or stranger, reciprocity has received long and extensive scrutiny in economics and the social sciences – ranging from the

[3] Donations are not used in dealings between private actors, except for minor gifts at Christmas and other celebrations – more so, in some cultures (Gouldner, 1960).

use of the “gift” in primitive societies (e.g., Mauss, 1990) to the current relational mechanisms of “blat” in Russia and “guanxi” in China (Puffer, McCarthy & Boisot, 2010) and to “reciprocal trading” in economics (Williamson, 1996: 74-75).[4] In particular, anthropologists and sociologists have established that “generalized reciprocity” is the basis of most nonmarket exchanges and is practiced in all cultures (Bonvillain, 2010; Gouldner, 1960).

Strong reciprocity includes a predisposition to reward others for cooperative and norm-abiding behaviors as well as a propensity to impose sanctions on others for norm violation. It constitutes a powerful incentive for cooperation even in non-repeated interactions and when reputation gains are absent (Fehr & Fischbacker, 2003: 785). Besides, Blau (1964: 93) argued that, compared to an economic one, “social exchange entails unspecified obligations” and “the nature of the return cannot be bargained” (Landa, 1994: 12). Even maximizing economic behavior has been interpreted in reciprocity terms. Thus, Bosse et al. (2009: 449-450) concluded that:

> [A] more accurate assumption about economic actors is that they behave in a “boundedly self-interested” manner based on reciprocity . . . The reciprocity assumption does not suggest that people do not seek to maximize their utility; it suggests people seek to maximize their utility while conforming to the norm of reciprocity . . . depending on whether they are reciprocally cooperating with others who are deemed fair (positive reciprocity) or reciprocally retaliating against others who are deemed unfair (negative reciprocity) . . . [Under game theory] the most robust strategy over a wide range of environments is to cooperate on the first move and then mimic (i.e., reciprocate) the opponent’s move on each successive turn (Axelrod, 1980).

Hence, when there is no positive response – soon or later, in one form or another –, the non-reciprocator is punished in order to keep free riders from invading a population of reciprocating altruists (Ostrom, 1990). It is not necessary for target recipients to have positive feelings toward

[4] In transaction-cost economics, the “reciprocity effect” refers to behavior contrary to opportunism, that can be generated through two concurrent or sequential transactions (Chen, 2010: 940). At the macro level, public policy toward foreign direct investment involves “the principle of reciprocity” in the equal treatment of investing partners from different countries (Bussry, 2012: B1-B2).

the giver (Cialdini, 2007: 23) and, while donations may include an explicit agreement about the use of the gift, it is not an exchange of goods and services of equivalent value because the donor cannot legally demand a commensurate countergift. Similarly, the firm that exercises political influence through lobbying cannot require an explicit payback – that would be bribery.

For Liedong et al. (2015: 416), donating through philanthropy enhances a firm's reputation, increases its visibility and confirms its legitimacy but lobbying may not be fully trusted by outsiders because of its self-serving outlook (ibid.: 418). However, the benevolent effect of philanthropy may make people see firms as selfless and, hence, tolerate their political influence (ibid.: 419), thereby revealing the complementarity of these two non-contractual strategies (Hadani & Coombes, 2012).

We have thus demonstrated how reciprocity conceptually integrates philanthropy and lobbying. Our next research purpose centers on why would valuable transfers of resources through philanthropy and lobbying translate into obligations for their recipients to reciprocate?

Reciprocity's Obligation-based Relational Model

Anthropologist Polanyi (1944/1957) demonstrated how reciprocity helps establish relationships among strangers while sociologist Blau (1964) emphasized the implicit sense of obligation to reciprocate in the context of trustful relationships, compared with the explicit contractual and potentially mistrustful nature of strictly economic transactions. For social-psychologist Cialdini (2007: 6-7), reciprocation is prevalent in much of human action because it is often most efficient or simply necessary. He argued that "the reciprocity rule" was initially established to promote the development of obligations between individuals (e.g., parents and children) so that a person could initiate such a relationship without the fear of loss because even an uninvited first favor has the ability to create a later obligation (ibid.: 30). Hence, reciprocity is one of the most potent psychological weapons of influence (ibid.: 18) because the future orientation inherent in a sense of obligation – what Gouldner's (1960: 174) called "the shadow of indebtedness" – is critical to its ability to produce results between interdependent individuals (Cialdini, 2007: 31) or organizations.

Equality Matching in Reciprocity

Reflecting findings about the widespread and productive use of the reciprocity rule, Fiske (1992) associated it with what he called the equality-matching (EM) mode which we saw is one of four ways of developing and holding mental representations of one's relationships with others – particularly, in terms of preferences for the distribution of outcomes between interdependent partners. In the EM relational mode, people prefer balanced contributions and are aware of the direction of any imbalance (e.g., whose "turn" is it to contribute?) as well as of the latter's size (i.e., how much do you owe me?). This perspective emphasizes similar levels of satisfaction governed over time by positive expectations toward the partner's fair and cooperative behaviors while the non-contractable "shadow of the future" of Macneil (1980) sustains the expectations of further gains (Gulati et al., 2012: 582).

In this matching mode, people value equality while social influence dictates that there be compliance to return a favor (Fiske, 1992: 695) so that there will be a joint future for both sides. If the relationship becomes unbalanced, it has to be restored to its previous equilibrium in order to preclude exclusion and/or opportunistic behavior (ibid.: 705). Philanthropy and lobbying operate on the basis of such a balanced exchange of favors that relies on the future obligations triggered by an initial favor which generates exchanges aimed at equilibrating favors and counter-favors. Most importantly, frequency of interactions is not important as in explanations based on trust – because "the shadow of indebtedness" affects the reciprocative process from the first exchange on. Culture is the primary determinant of the selection and execution of relational models and of what counts as “equal,” “balanced” and “timely” (Fiske 1992: 712-713), and actual relationships are often a composite of several of the four basic models (Fiske & Haslam, 2005: 269).

To be sure, social and political targets will not always return the favors they received but their refusal to reciprocate triggers the reduction or cessation of donations and/or social sanctions in the form of poor reputation and even ostracism by the favor-giver and other organizations in the know. Thus, with some 1.4 million U.S. nonprofit organizations, most of which operate with annual budgets of $500,000 or less (Sullivan, 2016: 12) and with innumerable political actors in need of financing their (re)election or (re)appointment, there are plenty of willing targets open to receiving philanthropic and political donations in a legal manner.

Altogether, Fiske’s equality-matching relational model allows us to understand why the casino firms transferred valuable resources to decision-making officials and voting stakeholders because they expected that their philanthropic and lobbying activities would generate an explicit response, preferably positive, from the nonmarket recipients on account of the obligatory reciprocity rule.

We will now consider whether philanthropy and lobbying, as forms of reciprocal exchange, amount to distinct, genuine and efficient governance modes available to obtain particular goods from nonmarket actors – our second research purpose.

Reciprocity as a Distinct and Genuine Governance Mode

Applying TCE Attributes to Reciprocal Exchange

Like contractual transactions, the non-contractual relationships involved in reciprocity come under governance but of what kind? In this respect, to the critical question of “What are the key attributes with respect to which governance structures differ?," Williamson (1996: 101) answered that "contract law and adaptability as well as incentive and control instruments should be used to differentiate among them." While Williamson did not deal with reciprocity, Husted (2003: 484-486) did so in his study of CSR structures, that included the treatment of "charitable contributions" as a governance mode involving either internalization ("in-house projects"), alliance ("collaboration") or market contracting. Like Williamson, Husted used the criteria of "coordination" among the parties (autonomous or cooperative) and "motivation" (incentive intensity versus administrative control) which can assume values of low, intermediate or high.

In the case of philanthropic activities, the participation of the donor company in the development of the recipient's activities is minimal but the donor and recipient have a high ability to adapt independently to unforeseen contingencies so that the donor is able to switch funding from one recipient to another, depending on current needs and changing environmental uncertainty. This independent and autonomous reaction results in a low level of cooperative coordination but administrative control over the recipient is also low because the donor may be unable to evaluate the recipient's performance although the competitive grant system creates strong incentives for recipients to comply with and even exceed the program's requirements in order to obtain continued funding (Husted, 2003: 485).

When comparing governance structures, Williamson (1996: 103-105) had assigned to market contracting strong incentive intensity, weak administrative controls, strong autonomous adaptation and weak cooperative coordination. Besides, he used "contract law" as another attribute for discriminating among governance structures, and he associated market contracting with the "classical contract law" of markets, which he rated as strong in effect (ibid.: 96-97). However, Williamson did not consider what contract law applied to philanthropy – and neither did Husted.

In this regard, since it is given without a return consideration, a donation is an imperfect contract void for want of the latter under the common law of Anglo-Saxon countries[5] although it acquires legal status when the donation is actually made and accepted (Pollock, 1906: 2). Therefore, we do ascribe to donations a null value under Classical Contract Law but with "the contract acting as framework"[6] (Williamson, 1996: 57) since there is a potential quid pro quo return in the medium or long term although one which is not subject to arbitration or court litigation. Besides, there is no employment contract so that the parties to a reciprocity project must resolve their differences informally if at all within a zone of acceptance where no fiat can be used to force reciprocation.

Since transactions which resemble each other in their attributes of coordination and incentives are aligned with governance structures which involve similar costs and competences in a discriminating (mainly, transaction-cost economizing) way (Williamson, 1996: 101), it is the absence of contract law that differentiates philanthropic relationships from the governance structure it most resembles – namely, market contracting. Table 1 recapitulates the above arguments about governance modes, which apply to both philanthropy and lobbying for the same theoretical reasons.

[INSERT TABLE 1 ABOUT HERE]

From Table 1 we can deduce that non-contractual reciprocal exchange, as expressed through philanthropy and lobbying, can and does act as a genuine and distinct governance mode through

[5] However, donations are valid contracts in civil-law jurisdictions (e.g., France) so that the legal status of donations in the host country has to be determined.
[6] "Contract as framework" almost never accurately indicates real working conditions but it affords a rough indication around which relations vary – a guide in case of doubt and a norm of ultimate appeal when the parties are unable to reconcile their differences (Williamson, 1996: 255).

Table 1. Comparative Analysis of Market Contracting and Reciprocal Exchanging

ATTRIBUTES OF GOVERNANCE	**GOVERNANCE STRUCTURES**	
	Market Contracting	**Reciprocal Exchanging**
Autonomous Coordination	High	High
Cooperative Coordination	Low	Low
Incentive Intensity	High	High
Administrative Control	Low	Low
Contract-Law Regime's Effects	High in the case of Classical Contract Law which Relies on Litigation or Arbitration to Settle Disputes	**Absent in the case of Classical Contract Law but with incomplete contracting acting as framework**

Source: Adapted from Husted (2003: 486) and Williamson (1996: 105)

which exchange is conducted at arm's length so that no fiduciary duty is owed by either side, and – like contractual transactions – it can be used to obtain things of value. Still, we must establish when non-contractual reciprocal exchange is as efficient as, or more so than, contractual ones.

The Efficiency of Reciprocal Exchange

Economizing efforts that attend the organization of transactions incur significant costs related to: (1) the frequency with which they occur; (2) the degree and type of uncertainty to which they are subject, and (3) the condition of asset specificity which affects the ex-post cost of redeploying the assets supporting a transaction to alternative uses or users (Williamson, 1996: 58-59). These three factors can also be applied to non-contractual reciprocal relationships although now it is the cost of the relationships that is at stake when analyzing the uncertainty, asset specificity and frequency associated with reciprocity.

Regarding uncertainty, Verbeke and Kano (2013: 409-410) showed that the "trading of favors" as a form of reciprocity can reduce uncertainty in situations of: (1) formal rules being absent or ineffective, as is often the case in developing countries, so that contracts are hard to enforce – a case that favors reciprocity which does not depend on formal contracting; (2) difficulty in accessing potential partners through alliances and internalization – an instance suiting reciprocity since for-profit private investors cannot own or control not-for-profit organizations such as public agencies and NGOs but can influence these nonmarket bodies through lobbying and philanthropic donations; (3) excessive regulation which inhibits efficient transacting – a problem manageable in the case of reciprocity because firms can seek favors through lobbying in order to overcome policy-induced barriers to investment, and (4) information asymmetry which hinders the proper evaluation of exchange partners' efforts to fulfill commitments – a case which the reciprocity mode can accommodate even when reciprocation is not assured nor easy to measure since private investors can easily reduce or stop their contributions (ibid.: 418-419). Under these conditions, reciprocity is superior to "buy, make and ally" at handling uncertainty and safeguarding relationships against the hazards of opportunism.

As for asset specificity, apart from monetary contributions which are fungible, those gifts involving information, the seconding of personnel and the transfer of technology tend to be very “specific” in terms of the physical assets and human capital invested in a relationship with a particular social actor or politician. These non-redeployable assets make it costly to switch to a new philanthropic or political relationship, and they become “sunk costs” that cannot be retrieved. In addition, “site specificity” (Williamson, 1996: 59) operates when relationships developed in one location cannot be leveraged elsewhere.

Donations may also become “lost costs” if their legitimacy is questioned. Bhanji and Oxley (2013: 293) discussed this ex-post risk under the concept of “the liability of privateness” which refers to the peril that donations by private firms for health and educational purposes may be viewed with suspicion by local stakeholders because a private firm’s altruistic behavior is usually combined with the pursuit of pecuniary and reputational benefits. A way out of this predicament is to donate to a local partner such as a NGO endowed with legitimacy arising from its not-for-profit mission and perceived independence. Thus, a recent study of bribery prosecutions under the U.S. Foreign Corrupt Practices Act revealed that, among prosecuted firms, those with the most comprehensive CSR programs received more lenient penalties (The Economist, 2015: 56).

In terms of frequency, experience in dealing with a variety of nonmarket contexts and actors (Dasgupta, 1988) can help remedy the initial difficulty of ascertaining the capability and reliability of the recipient of a donation – a problem of information asymmetry – and so can the use of consultants in selecting partners (Kennedy, 2007; Xin & Pearce, 1996). Besides, repeated reciprocal exchanges with the same NGO, politician or regulator reduce the costs of these relationships over time, and there are no joint profits to share so that bargaining costs about them are nil (Hennart, 2008: 351; Henisz et al., 2012: 42).

Altogether, those lower uncertainty, asset-specificity and frequency costs associated with the use of reciprocity *confirm the latter's status as an* often efficient governance mode available to obtain goods from others. We must now consider the nature of the exchanges involved in the use of reciprocity.

The Primacy of Non-Contractual Relationships

Most analyses of the mechanisms linking nonmarket activities with organizational performance (e.g., Mellahi et al., 2016) do not examine the exchanges involved in the integration of social and political strategies. Consequently, we will now address this issue by arguing that, according to the notion of "relational governance" (Crook et al., 2013: 73), the integration of philanthropy and lobbying depends more on relationships than on transactions and more on non-contractual reciprocal exchanges than on contractual-transaction transfers. For this purpose, we must first elucidate the meanings associated with the concepts of "exchange" and related ones.

Exchanges, Relationships and Transactions

Exchange refers to the voluntary transfer of value from one's assortment to another's in order to enhance the potency of one's collection (Houston & Gassenheimer, 1987: 8). Contingent exchanges with the same party lead to relationships made up of well-established sets of mutual expectations about the partner's behavior (ibid.: 10). Yet, exchanges alter the nature of relationships as when the use of reciprocity engenders strong interpersonal bonds. Conversely, relationships change the nature of exchanges as when the commitment of the recipient repays the support of the donor. Hence, relational benefits are both a result of, and a resource for, exchanges (Cropanzano & Mitchell, 2005: 888-890) so that reciprocal exchanges and relationships are causally connected (ibid.: 882). Formal contracts represent promises or obligations to perform particular actions in the future while transactions are contractual exchanges which, when embedded in social relations (Granovetter, 1985), result in what is usually called relational contracting (Gupta, 2011; Henisz et al., 2012).

Non-contractual Relationships over Contractual Transactions

The literature on the strategic integration of social and political strategies tends to focus on the organizational units respectively responsible for CSR and CPA activities in large organizations, and to emphasize structural, contractual and communal solutions to the problem of coordinating the Public-Affairs Department in charge of social activities and the Government-Relations Unit that handles political ones. Actually, these three solutions correspond to three of Fiske's (1992) four "relational models." First, authority-ranking is evident when it is structurally recommended to appoint a common superior authority – say, a Vice-President for External Affairs – to coordinate the two departments responsible for social and political strategies. Second, a contractual market-pricing perspective prevails when the solution requires bargaining between the two departments in order to determine their respective responsibilities. Third, the proposed solution may require that the people hired to head the two departments should be people with similar dispositions toward integration – the *"communal sharing"* view.

These three approaches are essentially contractual in nature but, in a study of "the manufacturing-marketing interface" in business firms, de Ruyter and Wetzels (2000: 260) cited various studies suggesting that the integration of these two very different functions is greater when there is a high-level of reciprocal give-and-take – namely, when the level of effort that a party devotes to the relationship depends in part on the perceived level of effort of the other party. This approach clearly matches Fiske's (1992) fourth "equality-matching" (EM) relational model that constructs integration with reference to achieving an even balance (ibid.: 705). Hence, under the notion of "relational governance" developed by Crook et al. (2013: 73), relationships turn out to be more important than transactions in achieving reciprocity.

In this context, lobbying cannot involve the negotiation of a quid pro quo without becoming illegal bribery. Even philanthropy cannot be too overt about what is expected in return for the donation because for-profit firms cannot appear to control not-for-profit organizations but can only "signal" their primary expectations. Consequently, those "requests" and "suggestions" unfulfilled by the recipients of favors can only lead to the autonomous reduction or cessation of donations and/or the ostracism of the non-reciprocator (Williamson, 1996: 56).

Non-contractual Reciprocal Exchange over Relational Contracting

We saw that various researchers have promoted applying the concept of relational contracting to "socially embedded" versions of transactions (Gupta, 2011). Under this approach, the regulative character of usually "incomplete contracts" is supported and improved by normative (e.g., collective norms) and cultural-cognitive (e.g., shared identity) factors that ground contractual transactions in social relations (Henisz et al., 2012: 48). However, even though the simplest transaction depends on a web of social relations, it still rests on a contract while reciprocity is fundamentally non-contractual in nature so that the two concepts of "relational contracting" and "reciprocal exchange" should not be confused nor equated.

We have thus established that the integration of philanthropy and lobbying depends more on relationships than on transactions and more on non-contractual reciprocity than on contracting transactions – *including "*relational contracting.*"* We turn now to our fifth and last research topic of the scope and legitimacy of reciprocal exchange.

The Scope and Legitimacy of Reciprocity

Reach

Reciprocal relationships are possible with all kinds of nonmarket actors – not just political and social ones nor just by large organizations. However, several researchers (Boddewyn & Doh, 2011; Rivera-Santos et al., 2012; Verbeke & Kano, 2013) limited their study of donations to emerging markets even though philanthropy and lobbying are also amply used in developed countries. Thus, in the United States, the size of corporate philanthropy was estimated at $18.45 billion in 2015 (The National Philanthropic Trust) while $3.21 billion was spent on lobbying, exclusive of campaign contributions (Center for Responsive Politics) in that year. Therefore, the use of reciprocity through philanthropy and lobbying is of major importance in this country and many others.

However, there are limits to how much public policy may be challenged or altered by private firms through their philanthropic and political activities (Bonardi, 2008: 173). In addition, Sun et al. (2010: 1179) pointed out that political connections may lose their worth after an election or when there are major policy changes such as trade and investment liberalization. This "liability of embeddedness" also applies to philanthropic donations that lose their clout when alternative funding sources can be obtained by recipients (ibid.: 1178). Besides, Chinese and Angolan NGOs are under the control of the state, and both domestic and foreign firms are obliged to provide them with sizeable donations (Frynas & Wood, 2001; Peng, 2003) so that philanthropy is not an option there and neither are political ties.

Boundary Conditions

The upper limit on the use of reciprocity is set by its cost rising to the point where it becomes cheaper to use a governance mode other than reciprocity to acquire reputation and the like (e.g., through market-related public relations). Besides, the boundary conditions of social and political strategies are defined not only by economic efficiency but also by the perception of the legitimacy of "private" strategies, by policy constraints and by competition from other sources of social provision. The “reciprocity orientation” of managers (Cropanzano & Mitchell, 2005: 875-876) also affects the extent of reciprocal exchanges within the firm.

Legitimacy

Xin and Pearce (1996: 1646) pointed out that contributions of money, information and services to nonmarket actors do not amount to bribery because they are not “fee-for-service bribes” where the quid is specified in a quasi-contractual manner for the equally identified quo bribe. Still, some “favors” are illegal under the U.S. Foreign Corrupt Practices Act now being applied to the case where the children of powerful Chinese officials were granted preferential treatment as interns in large U.S. firms as a way of gaining access to their parents. Besides, the legitimacy of philanthropy and lobbying is threatened when they are used to exploit the weakness of nonmarket organizations in order to enhance firm performance or to serve exclusion and entrenchment purposes whereby outsiders are discriminated against through in-group favoritism while allowing incumbents to remain in power (Ahuja & Yayavaram, 2011: 1642-1643). Besides, social-activist pressure (McDonnell & Werner, 2016) and changes in government (Siegel 2007) can undermine the legitimacy of philanthropy and lobbying.

Conclusions

So far, the integration of social and political strategies has drawn major and sustained research attention of the “pragmatic” – how to achieve integration? – and “strategic” varieties – how to make it pay off? This is why we chose conceptual and theoretical perspectives in order to complement these approaches.

Conceptually, we demonstrated that, as represented by philanthropy and lobbying, social and political strategies share identities in their “reciprocity” features of involving donations of valuable resources by market actors to nonmarket ones in a non-contractual manner that does not legally require reciprocation but involves such nonmarket penalty as ostracism as well as the reduction or cessation of donating. Theoretically, we established that reciprocation will in fact happen on account of the "reciprocity rule" that obligates recipients of a favor to "return" it – whether positively or negatively. Hence, it is possible to obtain a particular good without an external or internal transaction but through non-contractual reciprocal exchanges based on the "obligatory relationship" created by the shadow of indebtedness originated by the initial favor.

From Fiske's (1992) relational-models theory we deduced that only an "equality-matching" (EM) relationship would work, which provides a balance between favor and counter-favor, which promptly corrects any imbalance, where both parties maintain a "mutual future-benefits orientation" and where the resulting "relational governance" (Crook et al., 2013) is exclusively built on non-contractual reciprocal relationships. Such governance matters particularly when organizations need something that cannot be obtained efficiently through a transaction. In addition, on the basis of TCE criteria, we showed that philanthropy and lobbying constitute efficient governance modes under certain uncertainty, asset-specificity and frequency conditions. Besides, we established that reciprocity applies to relationships with all kinds of nonmarket actors, that it differs from bribery and that there are limits to its use.

We supported and refined the non-contractual approach through Fiske's relational-models theory which limits reciprocal exchanges to those relationships involving an equality of contributions from both giver and recipient of donations. Such forms of social and political strategies as philanthropy and lobbying were confirmed to be genuine, distinct and efficient governance modes, and we contributed to the elucidation of the notion of "relational contracting" which has been promoted as the solution to the problem that not all exchanges are of a purely contractual and litigable nature.

Research Implications

These important conclusions challenge such well-received tenets as: (1) the emphasis on "stimuli" (e.g., Hillman & Hitt, 1999) and the relative neglect of "responses" in analyses of social and political strategies; (2) the overlooking of "moral obligations" in interdependent situations; (3) the view of resources as capable of satisfying a "voluntary" response from a potential party but not an "obligatory" one, and (4) the ignorance or denial of reciprocity as a governance mode.[7]

Our conclusions also matter because they will help fulfill the research promises implicit in such surprising conclusions that: (1) "most of management research focuses on expectations of reciprocity" (Copranzano & Mitchell, 2005: 875); (2) "the rule of reciprocation is the most potent of the weapons of influence around us" (Cialdini, 2007: 617); (3) the range of what is exchanged among firms covers not only traditional goods and services but also influence and favors; (4) while only large firms can fully integrate social and political strategies (Liedong et al., 2015: 421), organizations of all types and sizes can use reciprocity; (5) a firm can create value by sharing it with stakeholders when a pattern of positive reciprocity supports the creation of additional rent (Bosse et al., 2009: 450-451), and (6) non-contractual relationships create a firmer anchoring for the notion of "relational governance" (Crook et al., 2013: 73) by linking the latter to Fiske's (1992) "equality-matching" relational mode rather than to the more common trust-based "relational contracting" explanation which depends on repeated transactions.

Broadly speaking, the reciprocity lens helps explain why CSR and CPA often substitute for each other as a number of recent studies on political ties and philanthropy have found (e.g., Lin

[7] Thus, Verbeke and Kano (2013: 424) stated that "trading favors" – a subset of reciprocal exchange – "is not a distinct, generic governance structure, and therefore not the equivalent of markets, firms or hybrids" – a statement which they left unsupported.

et al., 2015; Zhang et al., 2016), and this lens is applicable to CSR and CPA activities other than philanthropy and lobbying. For instance, constituency-building passes the test because it is identifiable as a favor benefiting a particular "individual" who would feel obligated to return it but the "mass" nature of public relations would make it difficult to identify those beneficiaries bound to reciprocate.

Finally, we are tempted to paraphrase Williamson (1996: 5, 8) and venture to say that "any problem that arises or can be posed as a non-contracting problem can be examined to advantage in reciprocity terms" and that "the study of governance is concerned with the identification, explication, and mitigation of all forms of both contractual and non-contractual hazards" because of the existence of governance modes – philanthropy and lobbying among others – that do not rely on transactions to procure things or get things done efficiently.

Further Research

As a way of answering the repeated calls for more research on nonmarket activities at the micro level (e.g., Morgeson et al., 2013; Mellahi et al., 2016), scholarship can now reach past its current focus on studying the characteristics of organizations (e.g., their size) and individuals (e.g., their inclinations to reciprocate) by investigating the specific exchanges between market and nonmarket actors through the use of the reciprocity lens which can greatly assist such an endeavor. Besides, the relationship-based exchanges overlooked by Mellahi et al. (2016) are now available to integrate the nonmarket CSR and CPA strategies and to explain their integration through the confirmed use of Williamson's TCE and Fiske's relational-models theory.

Still, the use of philanthropy and lobbying requires identifying and selecting nonmarket targets "able and willing" to reciprocate as well as analyzing how firms go about gaining access to them? Resource-dependence theory, which focuses on how organizations acquire requisite resources from external parties (Mellahi et al., 2016: 151-152) should prove very useful in addressing this issue as well as the related one of how firms "signal" what they want in return from the recipients of their donations.

Another relevant research topic concerns what other forms of non-contractual exchange exist besides reciprocity, how do they differ from it and in what ways do they affect business and management operations? In this respect, Houston and Gassenheimer (1987: 12, 17) identified ten cases of "negative reciprocity" and "deviant behavior" such as deception, fraud and bribery that deserve study in view of their frequent uses.

Moreover, we have analyzed reciprocity in a "universal" manner, thereby overlooking its national/cultural features (Boddewyn & Peng, 2017). Hence, our analysis should be extended to account for the different institutional environments found abroad in view of the "site specificity" of reciprocal exchange (Williamson, 1996: 59) ,"the liability of foreignness" (Hymer, 1960) experienced by multinational enterprises and the "institutional voids" (Khanna & Palepu, 1997) encountered overseas. In the same vein, "one-off projects" refers to unique exchanges that will not be repeated or where each phase of the project involves different actors as in a mining project so that "the shadow of the future" will not apply to them (Henisz et al., 2012: 40). Do such situations still involve "obligations to reciprocate" and, if so, in what manner and to whom?

As far as alternative theories are concerned, reciprocity could be interpreted as a nexus of non-contractual relationships between principal and principal (agency theory), an internal but also other-oriented and an external but also self-oriented source of rare, valuable and inimitable resources that are organizationally embedded (the resource-based view), an alternative to property when ownership is impossible or does not matter (property-rights theory), a generator, keeper and controller of resources needed for survival and prosperity (resource-dependence theory) and an incentive structure for the adaptation of governance modes to formal and informal institutions in a given context (institutional theory). The use of reciprocity could also be interpreted under options theory because the limited resources devoted to a preliminary favor represent an economic way of testing the potential and reliability of an eventual partner.

Analyses of “meta-organizations” (Gulati et al., 2012) have focused on firms that “shrink their core while expending their periphery” by externalizing key tasks and achieving coordination beyond their boundaries through non-contractual means. Their networks of firms and individuals are not bound by authority based on employment contracts but are motivated by a system-level goal, and the architects of these organizations lack formal authority but possess informal authority. In this case, their repertory of integrating mechanisms is likely to include reciprocity because the constituent organizations and individuals understand that they must share their best practices equally — the essence of reciprocity — since “if they do not give, they will not receive” clear and large benefits.

Altogether, the study of reciprocity has a meaningful future in the tradition of social-exchange theory which addresses “actions contingent on the rewarding reactions of others, which over time provide for mutually rewarding transactions and relationships” between the market and nonmarket actors involved in integrating social and political strategies (Cropanzano & Mitchell, 2005: 890).

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