



Chutes versus ladders: A punctuated-equilibrium perspective on social exchange relationships

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**CHUTES VERSUS LADDERS:
A PUNCTUATED-EQUILIBRIUM PERSPECTIVE ON
SOCIAL EXCHANGE RELATIONSHIPS**

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ABSTRACT

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We integrate concepts from research in emotion and memory to show how critical exchanges can suddenly change the rules for organizational relationships, leading them to reach non-reciprocal forms like altruism and competition. The power of these exchanges stems from the level of emotional engagement, the extent of unmet expectations, and whether the event is positive or negative. We discuss connections between these non-reciprocal exchange relationships and outcomes such as identification, citizenship behaviors and workplace deviance.

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CHUTES VERSUS LADDERS: A PUNCTUATED EQUILIBRIUM PERSPECTIVE ON SOCIAL EXCHANGE RELATIONSHIPS

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“...Some harms and violations appear to be irreversible. For example, one person who was the victim of public ridicule by a boss reported, ‘I felt so angry and betrayed. There was nothing he could say or do to make me feel better after what he did. Nothing...I can vividly recall the memory to this day [20 years later.]’” (Bies & Tripp, 1996: p. 259)

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Every member of an organization is simultaneously engaged in multiple social exchange relationships with coworkers, supervisors, their team, and the organization in general (Emerson, 1976). Because of this, organizational researchers have invested a tremendous amount of effort and thought in testing how the form and content of social exchange relationships impact attitudes and behaviors in the organizational context (Cropanzano & Mitchell, 2005). In the past, researchers have assumed that because these social relationships take place in the organizational context, they are governed by rules of reciprocity (Eisenberger, Huntington, Hutchison & Sowa, 1986; Gouldner, 1960; Sparrowe & Liden, 1997), which means that parties in the relationship seek to minimize the difference between the benefits they provide to others in the exchange and the benefits they receive as a result of the exchange (Meeker, 1971). However, this assumption runs counter to evidence that certain relationships in organizations can exhibit patterns of exchange that are dramatically different from those predicted by models of reciprocity (Meglino & Korsgaard, 2004; Brief & Motowidlo, 1986; Bies & Tripp, 1996), and does not explain why these non-reciprocal relationships frequently remain in these patterns over extended periods of time.

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Researchers have largely assumed that exchange relationships form gradually over time based on a series of reciprocity-based interactions which, if perceived to be successfully fulfilled (Molm, 2003; Molm, Takahashi, & Peterson, 2000), can eventually engender feelings of personal obligations, gratitude, and trust (Blau, 1964; Cropanzano & Mitchell, 2005; Holmes,

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3 1981). However, we believe that there exists an alternate route by which exchange relationships
4 may take on and maintain non-reciprocal forms. We argue that exchange relationships can take
5 on these forms through a “punctuated-equilibrium” process where they ascend or descend to
6 reach this state over a very brief period of time in the context of an exchange or short sequence
7 of exchanges that are marked by extreme emotional and instrumental content. These key
8 exchanges, or *anchoring events*, change the subsequent rules of decision-making used by one
9 party in the relationship, and are crucial to understand if we wish to further unpack the process of
10 how relationships unfold in organizations. These events, we argue, serve to swiftly and durably
11 change the way people evaluate future exchanges with the other party. The power of these
12 anchoring events results from their being rooted in autobiographical memory (Tulving, 1972),
13 which serves to alter the scripts we use to evaluate subsequent behaviors in the relationship
14 (Baldwin, 1992). We believe that once an anchor is set in a relationship, routine exchanges that
15 occur later in the relationship are evaluated through the prism of the anchoring event. Thus, once
16 the rules for the relationship have been changed due to the anchoring event, the relationship
17 becomes “stuck” in that pattern and it becomes difficult to reverse the effects.

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39 While applications of social exchange theory in organizations have expanded,
40 organizational researchers focus on the processes by which relationships reach particular forms
41 has stagnated (e.g., Sparrowe & Liden, 1997; Cropanzano & Mitchell, 2005). Our understanding
42 of how beneficial relational exchange relationships, such as leader-member exchange (LMX) and
43 co-worker exchange (CWX) form is still based on the notion that all relationships develop in the
44 same fashion – that one judges each and every interaction with another and it is the *balance* of
45 those interactions that determines the perception of the relationship. Where we depart from
46 existing literature in social exchange is in our introduction of an alternate, more direct, means by
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3 which exchange relationships can take on more extreme forms, and in our reliance on the role of
4 individual memory and emotion as both outcomes and causal mechanisms in these processes
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6 (Cook & Rice, 2003). We believe that integrating an understanding of how memory works is
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8 important as relationships drive particularly relevant organizational behaviors including
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10 deviance, relational exchange quality, identification, and organizational citizenship behaviors
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12 (Rhoads & Eisenberger, 2002; Gerstner & Day, 1997; Pratt, 1998; Dirks & Ferrin, 2002).
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16 17 **Decision Rules for Social Exchanges**

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19 To understand the content of relationships, we focus on the decision rules used by
20 individuals, or the criteria which one person uses to make decisions about their own preferred
21 behaviors and the behaviors of others during exchanges within a particular relationship (Meeker,
22 1971). The two most commonly discussed in the organizational context are reciprocity, in
23 which the individual acts to minimize of the difference between what each party receives in the
24 relationship, and rationality, which is characterized by the individual focusing on maximization
25 of their own benefit, regardless of what the other party receives (Meeker, 1971). Reciprocity
26 motives are commonly associated with social exchange relationships (Blau, 1964). For example,
27 Sparrowe and Liden (1997) relied on Sahlins' (1972) reciprocity continuum to discuss the
28 content of exchange relationships that can result from such reciprocal flow. They discussed how
29 each exchange between partners is evaluated based on three factors: a) the immediacy of the
30 returns, b) the equivalence of returns, and c) the nature of each party in the relationship (Sahlins,
31 1972). Rationality motives are commonly associated with individual utility maximization and
32 economic exchange relationships (Emerson, 1976; Homans, 1961).
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52 While reciprocity and rationality are two common rules for relationships, they do not
53 represent the full range the range of relationship rules that exist (Cropanzano & Mitchell, 2005).
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3 Meeker (1971) proposed that other rules, such as altruism, group gain, and competition, could
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5 also govern the way in which one person makes decisions about actions towards a relationship
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7 partner. The relationships enacted under these non-reciprocal rules contain behaviors that are of
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9 significant interest to organizational scholars and practitioners and are not easily predicted by
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11 theoretical models based on reciprocal exchange. On the positive side, in relationships governed
12
13 by rules of altruism, the individual makes decisions in order to maximize another person's
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15 outcomes, while in those governed by rules of group gain the person acts to maximize the total
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17 gain of both parties in the exchange. In the organizational literature, group gain might be linked
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19 to feelings of identification (Ashforth & Mael, 1989), where the benefit to the shared entity (e.g.,
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21 the organization, the dyad) is the motivation behind relationship behavior and no attention is paid
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23 to the receipt of goods from the other party. On the negative side, exchanges governed by rules
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25 of competition differ from rationality in that a person seeks to maximize the difference between
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27 their outcome and that of the other (Meeker, 1971). The implication of these rules is that people
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29 will accept a negative outcome for themselves if they perceive that an even greater negative
30
31 outcome will accrue to the other party. In organizational research, relationships of this type are
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33 characterized by high levels of workplace deviance (Bennett & Robinson, 2000), and revenge
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35 (Bies & Tripp, 1996) where a member is not just looking out for themselves, but actively trying
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37 to harm others.
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46 We start with the thinking on rules of relationships because we believe that social
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48 exchange theorists take too narrow of a view regarding the issue of when and how often these
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50 rules are set and/or reset in organizational life. The basic approach to understanding how
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52 exchange relationships based on any of these decision rules emerge in a particular form over
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54 time remains little changed from early formulations of social exchange theory. Blau (1964)
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3 originally proposed that exchanges take place over the life of the relationship, and the exact
4 content and structure of subsequent exchanges can change based on the interpretations of the
5 parties with regard to the quality of goods being exchanged at that time. While Sahlins (1972)
6 and Homans (1961) provide insight into how the content of early exchanges may translate into
7 the form of the relationship, their frameworks are largely silent as to how durable early
8 exchanges are in setting the long-term exchange rules used later in the relationship. Emerson
9 (1976: 341) indicated that he favored a concept called “social operant behavior” that would
10 define exchange, where the “level or frequency of performance over time is sustained by
11 reinforcing (rewarding) activity from other people.” This “reciprocally contingent flow” was to
12 be viewed longitudinally, such that “a resource will continue to flow only if there is a valued
13 return contingent upon it” (Emerson, 1976: 359). These approaches appear to be based on the
14 view that exchange relationship rules are repeatedly monitored and altered by individuals based
15 in large part on their evaluation of their most recent exchange with the other party. Cropanzano
16 and Mitchell (2005: 890) ratified this view by declaring: “relationship development is not a
17 matter of a single stimulus-response. It is more analogous to climbing a ladder.” Inherent in these
18 proposals is the assumption that each party repeatedly weighs the goods and services exchanged,
19 with more recent exchanges outweighing prior exchanges in determining the rules applied to the
20 relationship in the future; an assumption that we believe is not warranted.

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ANCHORING EVENTS

It is our core proposition that the decision rules one uses to evaluate the future content of an organizational relationship can be determined, or anchored, by the outcome of a major event that can occur at any point in the relationship. We refer to these as “anchoring events”, and define them as *a social exchange whose resolution differs, either positively or negatively, from*

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3 *that person's expectation given the decision rules they applied to the relationship prior to the*
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5 *event and which involves an intense affective response.* There are two key components needed in
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8 order for an event to serve as an anchor for the relationship. First, the social exchange must be
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10 marked by unmet expectations (positive or negative) regarding what one party expects from the
11
12 other. Second, there must be affective engagement on the part of that party. What happens when
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14 these occur together is that the exchange becomes particularly memorable (Brewer, 1986), and
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16 memory, we argue, drives the engine by which these events not only change the rules for the
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18 relationship but also make the relationship resistant to contrary exchanges or reversion to
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20 reciprocity.
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25 The first requirement is that one of the party's expectations must be exceeded by the
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27 other in the relationship, such that the goods and services delivered in the exchange from Party B
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29 to Party A are sufficiently noteworthy so as to form the basis for A's judgment about B's
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31 investment in the future relationship. This balance of expectations may be either positive, where
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33 Party B overwhelming exceeds Party A's expectations by providing goods and services that
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35 Party A believes is excessive, or negative, where Party B delivers either the wrong goods or
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37 services or fails to deliver goods or services of any value to Party A when expected. Party B's
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39 delivery in the exchange must be seen as outside social and/or organizational norms or
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41 alternatives for such exchanges (Blau, 1964; Gouldner, 1960; Kelley & Thibault, 1978), since
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43 A's attributions that B is obligated to engage in the exchange make it more likely that A will
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45 attribute B's actions to external, rather than internal, causes (Holmes, 1981; Weiner, 1986). A
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47 critical factor is that in order for the exchange to be remembered, an individual must perceive
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49 this imbalance, and believe that Party B has gone beyond the norms of exchange prescribed in
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51 their role.
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3 The second requirement is that there be an intense affective response within our focal
4 person in the exchange that coincides with the mismatch between expected outcomes and actual
5 outcomes. When an event produces a very strong reaction, an individual is likely to experience
6 an “emotional episode” (Frijda, 1993) where their ability to make cognitive decisions based on
7 objective data is impacted, sometimes dramatically (Forgas & George, 2001). This is required for
8 an anchoring event because in order for the event to be durably stored in autobiographical
9 memory, such that details of the event are remembered and recalled, there must be an intense
10 emotional “bookmark” that leads to recall (Rubin & Kozin, 1984). As the impact of an event
11 such as a social exchange on an individual’s goals increases, the likelihood of the event being
12 encoded in memory increases (Zacks, Tversky & Iyer, 2001). Once the affective reaction to the
13 event is stored, it then impacts the content of subsequent exchanges, a relationship supported by
14 Lawler and Yoon (1993, 1996, 1998).

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32 Several research streams support our core proposition that certain events serve as anchors
33 for relationships. First, we know that a person’s decisions on a transaction in the future can be
34 biased by judgments about focal or anchoring transactions or facts (Jacowitz & Kahneman, 1995;
35 Strack & Mussweiler, 1997). In the purest form, an anchor creates a cognitive bias whereby
36 individuals, especially under conditions of uncertainty, disproportionately rely on the
37 information that is most easily recalled (Tversky & Kahneman, 1974). From the decision-
38 making literature we have evidence that “...when decision makers evaluate experiences that
39 consist of multiple parts, they use the intensity of the components relatively more and the overall
40 pattern of the sequence relatively less as a basis for their judgments” (Ariely & Zauberman,
41 2003: 137). This suggests individuals do not treat all instances equally, or in a “last-in, first-out”
42 sequence, when making their judgments. In the memory literature it is well established that the
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3 events that are the most vividly remembered, which have been termed temporal landmarks
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5 (Shum, 1998), are the ones that are the most personal to individuals (Rubin & Kozin, 1984).
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8 These significant events are closely tied to long-term memory, and play a prominent role in the
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10 ability to access past experiences and to use these in current cognitive processes (Shum, 1998).
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13 Second, there is evidence from the psychological contract literature that key events can
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15 shape relationships in the organizational context (Rousseau, 1995). Individuals constantly use
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17 perceptions from events to update psychological contracts (DeVos, Buyens & Schalk, 2003).
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19 When individuals perceive a breach of the psychological contract, an event which could serve as
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21 a negative anchoring event, they experience a wide range of negative outcomes including lower
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23 trust, absenteeism, intention to quit, and lower OCB's (Raja, Johns & Ntalianis, 2004; Robinson,
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25 1996; Turnley & Feldman, 2000). The idea of an anchoring event extends the notion of a
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27 psychological contract breach in two key ways. First, anchoring events can result from positive
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29 *and* negative unmet expectations, and second, anchoring events result specifically from
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31 expectations regarding the relationship, which may or may not overlap with other aspects of
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33 employment. In this way a negative anchoring event could coincide with a perception of
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35 interpersonal injustice, although the notion of fairness is not central to experiencing an anchoring
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37 event.
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44 Finally, the concept of anchoring events may allow us to incorporate the research on trust
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46 and trust repair in a larger social exchange context. Mayer, Davis, and Schoorman (1995: 725)
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48 state that an individual's perception of their trust in another party over time may become out of
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50 balance with the actual goods and services exchanged because that individual's perception of the
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52 quality of the relationship remained anchored on a past exchange where "the stakes" were
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54 particularly high. Whether positive or negative, these "events" have been shown to be critical.
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3 On the negative side, it often takes significant efforts to repair trust (Kim, Dirks & Cooper, in
4 press; Tomlinson & Mayer, 2009), while on the positive side, Robinson (1996) found that
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6 individuals with high initial trust in the organization were less likely to report lower levels of
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8 trust after a subsequent breach in the psychological contract than those with lower levels of trust.
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10 That is, early exchanges that led to initial high or low trust had some lasting impact on individual
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12 perceptions, leading us to believe that these events may be durable in their ability to influence
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14 exchange rules over time.
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19 **Anchoring Events and the Subsequent Rules of Exchange**

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22 Some examples of different routes by which relationships can reach extraordinary forms
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24 of exchange are shown in Figure 1. We argue that anchoring events can rapidly change the
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26 nature of the exchange relationship and the decision rules used in that relationship. These events
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28 serve as “chutes” in that the relationship quickly ascends or descends to being governed by a new
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30 set of rules. On the positive side this is illustrated by relationship A, while on the negative side
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32 this is illustrated by relationship D. In the case of relationship A, for example, we can imagine
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34 the case where a coworker does something overwhelmingly unexpected to save a person from
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36 certain major damage to career or reputation (e.g., helps resolve a substance abuse problem, steps
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38 in to prevent a career-killer mistake in a proposal, facilitates a critical introduction to a sales
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40 contact). This act creates an instant and lasting shift in the person’s memory that impacts their
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42 expected content of future exchange with this coworker. Compare this with the paths seen in
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44 relationships B and C, where a series of small acts by the coworker in the exchange lead to a
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46 gradual re-appraisal of the terms of future exchanges; these relationships have ascended or
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48 descended a “ladder” to reach this new state over an extended period of time.
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3 The same patterns hold for negative exchanges; the very act of a betrayal (e.g., a public
4 humiliation from the boss, a practical joke turned negative), for example, will create an instant
5 and long-lasting change in the way future exchanges are conducted, as shown in path D. And yet
6 a negative exchange relationship can emerge from one party consistently failing to deliver
7 satisfactory goods or services in a series of exchanges, as seen in Path C. The key is that those
8 relationships depicted in Paths A and D have different dynamics from those described in paths B
9 and C. Specifically, as the rules for the path A and D relationships are determined by anchoring
10 events, the impact they have on the future relationship is not determined by time or by the
11 number of such exchanges, but rather by the “durability” of the initial event. This durability
12 implies that any event (or events) needed to subsequently change the relationship back towards
13 its initial state of reciprocity needs to be more intense in nature and of an opposite valence once
14 an anchoring event has occurred. In the next sections we discuss the durability of anchoring
15 events including the durability of negative versus positive anchoring events, the likelihood that
16 anchoring events will occur in new versus more developed relationships, the likelihood of
17 anchoring events occurring developed relationships which have reached their current form via a
18 sudden versus gradual process, and how anchoring events might impact organizational outcomes.

41 **Durability of Anchoring Events**

42 Anchoring events are distinguishable by their power to change the subsequent rules of the
43 relationship for an extended period of time. Once an event begins, Person A is particularly
44 aware of the response of the target individual (Person B), and their perceptions of the content of
45 this exchange are coded into autobiographical memory. If there’s nothing noteworthy about the
46 event, it fades quickly from memory and only becomes an input (and a small one at that) into A’s
47 schema to judge this and future exchanges with B. On the other hand, if the event is particularly
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3 noteworthy, the event is more durably encoded into long-term memory and A is more likely to
4 remember the details of the event particularly vividly for a long period of time (Brown & Kulik
5 1977; Conway, Singer & Tagini, 2004; Rubin & Kozin, 1984; Wheeler, Stuss & Tulving, 1997).
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8 The particularly noteworthy event becomes durable in one's memory and therefore more likely
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11 to impact A's behavior towards B in the future.
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15 Understanding the durability of anchoring events is critical as events influence
16 relationships through the perceptual process. Interpersonal process are driven by scripts (Schank
17 & Abelson, 1977), which contain both specific information and memories about the other party
18 as well as categorizations of the other party that form rules of the interaction (Baldwin, 1992).
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20 An anchoring event should lead to selective perception of A in the processing of subsequent
21 information about B, with the individual seeking to locate and find subsequent behaviors and
22 facts about party B that confirm A's view of the relationship (Fiske & Taylor, 1991; Robinson,
23 1996). There is much empirical support for the idea that individuals will select and pay attention
24 to information that confirms, rather than disconfirms, prior beliefs (Eagly & Chaiken, 1993;
25 Greenwald, 1980). Thus, the more durable an event, the more biased an individual will be in
26 their future perceptions of the behaviors of the same target.
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41 As both the fulfillment of expectations and emotional engagement can vary along a
42 continuum, we argue that to the degree that each of these are present, the strength of the event in
43 terms of its durability in memory and its ability to change person A's decision rules regarding
44 future exchanges will vary. The depth of the affective intensity in the event is likely to lead to a
45 greater likelihood that the event will be specifically encoded in memory (Rubin & Kozin, 1984).
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48 Further, it is possible that the stronger the perception of met or unmet expectations, the stronger
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3 the affective response, which in turn makes the event even more durable (Rusbult & Van Lange,
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5 2003). This leads to the following proposition.

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8 *Proposition 1: The durability of an anchoring event for A for an event between A and B*
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10 *will be determined by a) person A's perception of the mismatch between his or her expectations*
11 *regarding the rules of the relationship and the goods returned by B, and b) the intensity of*
12 *person A's affective response during the event.*

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18 Beyond the content of the event, there is good reason to believe that the valence of the
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20 event – whether an event is positive or negative – will impact durability of the event. As
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22 highlighted in the quote at the beginning of this paper, psychological research reminds us that
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24 individuals tend to not cognitively approach gain and loss events symmetrically (See Taylor,
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26 1991, for a review). Prospect theory maintains that individuals think about decisions in terms of
27
28 loss and gain prospects relative to a reference point (Tversky & Kahneman, 1981), and decision
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30 makers tend to subjectively place greater weight on losses than on equivalent-size gains. We
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32 believe a similar process takes place in the course of exchange relationships.

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There is considerable debate on whether negative or positive information is more
accessible in memory. Research on memory recall for specific information and exchanges points
to the idea that negative information and events are more accessible in long-term memory
(Anderson & Phelps, 2001; Kensinger & Corkin, 2003; Wagenaar, 1992), especially when those
events violate self-image. Samp and Humhreys (2007), for example, found that individuals more
easily recalled negatively versus positively valenced information from conversations with
resistant friends. However, there is much disagreement amongst researchers on this point (Scott
& Ponsoda, 1996; Shum, 1998; Taylor, 1991), as others have argued that positive events and

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3 positive emotions are more easily recalled and that individuals tend to tamp down or even negate
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5 the memories of negative events in the long run (Taylor, 1991; Tekcan, 2001).
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8 We believe that negative anchoring events are more likely to create a durable, long-term
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10 change in a relationship than a positive anchoring event because a negative exchange where
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12 expectations are not met will require the individual to put forth a greater level of effort
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14 (emotionally and physically) in future exchanges with third parties to the relationship in order to
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16 make up the difference in the goods or services required. This leads to the negative anchoring
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18 event being accompanied by a sense of loss that is ultimately more emotionally impacting than
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20 any gain. This is supported by research on psychological contract breach (Morrison & Robinson,
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22 1997) and trust violation (e.g., Kim, Ferrin, Dirks & Cooper, 2004), which demonstrate the ease
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24 and frequency in which trust is violated in organizations and the associated negative affective
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26 responses. The second reason for believing that negative events will be more durable is because
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28 they are more likely to involve a subsequent action against the interests of the other party in the
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30 exchange that leads to a continued cycle of competitive exchanges. If the types of events that
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32 lead to stronger affective responses in the period shortly after the event are more likely to be
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34 negative events, then we should see increased durability from negative anchoring events.
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41 *Proposition 2: A negative anchoring event will generally be more durable than a positive*
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43 *anchoring event.*
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45 46 **The Timing and Impact of Anchoring Events** 47

48 While the previous section was focused solely on the strength, or durability, of the
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50 anchoring event, this section is focused additionally on the likelihood of anchoring events
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52 occurring at *different points in time in the relationship*. In the context of Figure 1, we have
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54 reason to believe that relationships governed by particular rules are more or less susceptible to
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3 anchoring events, and we explore those possibilities here. This leads directly from the discussion
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5 of durability because while durability identifies the inertia for relationships to *stay* in different
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7 forms, the likelihood of subsequent anchoring events additionally determines *when* relationships
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9 can change forms. The two types of changes we discuss are changes to relationship rules from
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11 reciprocity (in this section) and changes back to reciprocity (in the following section). While a
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13 relationship based on reciprocity could be in existence for any length of time, the most common
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15 relationship is a new relationship, where few exchanges have taken place that could have shifted
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17 the relationship beyond reciprocity.
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22 We argue that the timing of the anchoring event, within the life of the relationship, is
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24 related to its durability. We believe, consistent with Robinson (1996) and Clark and Mills
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26 (1979), that events which occur early in a reciprocal relationship are more likely to have a lasting
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28 impact than those that occur at later dates. As relationships develop over time, any number of
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30 unwritten rules, norms and patterns emerge which drive the exchange and reduce the likelihood
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32 that the other party will be seen as providing an extraordinarily positive or negative quantity of
33
34 goods or services (Holmes, 1981). It also follows that as the individual's tenure in the
35
36 organizational context grows, their ability to restructure and reduce dependence on other
37
38 individuals grows. This reduced dependence makes it less likely that a particular anchoring event
39
40 will be strong because dependence on the other party in the exchange is naturally lower.
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46 This is further supported by research and theory on employee socialization, which
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48 emphasizes the uncertainty and likelihood of surprising events during the time when newcomers
49
50 enter the organization (Louis, 1980). It is during this time that newcomers are vulnerable due to
51
52 the large amount of uncertainty in the environment (Saks & Ashforth, 1997), which they attempt
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54 to reduce by interacting with supervisors and peers (Morrison, 1993a,b). Anxiety is often
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3 present during this process, as newcomers are at risk of not finding the information they need
4
5 (Saks, 1995). This state of increased dependence and anxiety early in the relationship lays the
6
7 groundwork for stronger and more impactful anchoring events. As employees progress then
8
9 through the organization, they learn better what to expect and what will be received from
10
11 exchanges and they are less likely to experience conditions of overly positive or negative
12
13 exchanges. Similarly, as time passes, anxiety is reduced as the likelihood of intense affective
14
15 responses to any one event is reduced.
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20 *Proposition 3: An anchoring event will be more likely to occur and more durable the*
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22 *earlier the event occurs in a reciprocity-based relationship.*
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25 Once a relationship reaches a non-reciprocal form, subsequent exchanges will be
26
27 evaluated and conducted by the person with an eye towards these non-reciprocal rules, whether
28
29 they be on the positive side (e.g., altruism / group gain) or on the negative side (e.g., rationality /
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31 competition). Nevertheless, there is a likelihood that once the relationship has reached one of
32
33 these forms, a subsequent event may occur that violates those new expectations and generates
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35 intense affective engagement. These anchoring events have the potential to shake the relationship
36
37 anew. We propose that two factors drive the likelihood that a subsequent exchange will serve as
38
39 an anchoring event leading the relationship to revert towards the mean (in this case, reciprocity).
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41 These are the current rules for the non-reciprocal relationship (positive or negative), and whether
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43 the relationship reached that form via a previous anchoring event or via a gradual process, as
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45 seen in Figure 1. Specifically, we argue that for relationships relying on negative rules, the
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47 likelihood of reverting back to reciprocity will be lessened if the relationship developed into a
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49 negative form through an anchoring event. However, for relationships relying on positive rules,
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3 the likelihood of reverting back to reciprocity will be increased if the relationship developed into
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5 a positive form through an anchoring event.
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8 With regard to relationships in a negative form, we argue that the content of each
9
10 subsequent exchange after the relationship reaches a negative, non-reciprocal state (such as a
11
12 trust betrayal) would make it less likely that any subsequent event would lead to a relationship
13
14 reverting to a reciprocal form. Once the relationship reaches a negative form the individual is
15
16 seeking to maximize the difference between their outcomes and that of the other party (Meeker,
17
18 1971); as a result, in any subsequent exchange they are likely to engage in an act aimed at
19
20 harming the other (Bies & Tripp, 1996). Individuals whose trust is violated erect a higher burden
21
22 of proof on the other party to prove they are subsequently trustworthy (Kim et al., in press), and
23
24 we believe this burden would only grow as subsequent acts in the non-reciprocal relationship
25
26 created more negative emotional content (e.g., anger and fear) that would decrease the likelihood
27
28 of the individual attributing an external reason for the betrayal (Tomlinson & Mayer, 2009). This
29
30 implies that one major negative anchoring event makes it more likely that a second negative
31
32 anchoring event will take place, and it is this second negative anchoring event that makes it hard
33
34 for the relationship to revert to a reciprocal state (e.g., Maxham & Netemeyer, 2002).
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41 *Proposition 4: An anchoring event which moves a negative non-reciprocal relationship*
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43 *towards reciprocity will be more likely to occur if the relationship reached the negative form*
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45 *through via a gradual process than through a prior anchoring event.*
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48 When a positive non-reciprocal relationship forms following a gradual series of positive
49
50 exchanges, this process allows extrinsic and intrinsic investments in the relationship to
51
52 accumulate (Rusbult, 1983), which leads to exchange partners being more likely to overlook
53
54 and/or forgive transgressions (Finkel, Rusbult, Kumashiro & Hannan, 2002). Each step up the
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3 ladder (shown in Path B in Figure 1) represents a period of time where the exchanges in the
4
5 relationship are likely to have generated increased satisfaction amongst both parties and therefore
6
7 have led to deeper commitment (Rusbult, 1983). The relationship slowly builds from one based
8
9 on reciprocity to one mutually governed by more other-directed rules (e.g., group gain) such that
10
11 by the time the relationship reaches a non-reciprocal form it's unlikely that a subsequent event
12
13 will reverse the process. On the other hand, we believe that positive relationships reached via
14
15 anchoring events are more susceptible to reversion in the period right after the anchoring event
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17 because the investments are not as rich and the other party in the exchange may not have begun
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19 to adapt to the new rules for the relationship, creating a greater likelihood of a mismatch between
20
21 actions and expectations. Thus, relationships that have reached an extremely positive form via
22
23 path A (see Figure 1) are more susceptible to reversion in the time immediately following the
24
25 anchoring event. As time passes after the positive anchoring event, the commitment to the
26
27 relationship deepens, the likelihood of a subsequent negative anchoring event decreases.
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34 *Proposition 5: An anchoring event which moves a positive non-reciprocal relationship*
35 *towards reciprocity will be more likely to occur if the relationship reached the positive form*
36 *through a prior anchoring event rather than via a gradual process.*
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41 **ANCHORING EVENTS AND ORGANIZATIONAL OUTCOMES**

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43 Now that we acknowledge that the rules for relationships in organizations can rapidly
44
45 change following an anchoring event, we elaborate on some of the consequences of these events
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47 in the organizational context. To this point we have argued that the impact of anchoring events
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49 on behaviors is based on their valence and durability. Durability, as defined, reflects both the
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51 likelihood that an event will be remembered for a period of time and the resistance the
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53 relationship will have to “switching back” or counteracting the anchoring event. In organizations
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3 individuals are nested in multiple exchange relationships at the dyad, team, and organizational
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5 level, understanding how they think of these relationships, or the rules they apply to these
6
7 relationships, will help us understand how both positive and negative anchoring events can
8
9 impact organizationally-relevant outcomes.
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12 **Positive Anchoring Events**

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15 A particularly positive anchoring event will, we believe, result in the parties in the
16
17 relationship shifting to rules of group gain or altruism for future exchanges, depending on the
18
19 context of the relationship. In the rule of altruism, a person will behave in ways that they believe
20
21 maximize the total outcomes of the other (Meeker, 1971). This will occur because their
22
23 memories of the positive event lead them to change their criteria for success; they received an
24
25 unexpected benefit and their perspective has changed from viewing the relationship as one where
26
27 the level of benefit is defined in terms of the self to one which is focused solely on the other (see
28
29 Figure 1). The relationship now differs from reciprocity in that the person now views the other's
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31 gains as the relationship's gains.
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37 In other cases, an anchoring event may precipitate an individual changing from invoking
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39 a rule of reciprocity in exchange to one invoking a rule of group gain. In this way the positive
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41 anchoring event is a stimulus for a sense of identification with the category shared with the other
42
43 party, or the degree to which an individual defines him or herself as a member of that shared
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45 category (Pratt, 1998). As identification can result from feelings of self-esteem (Hogg & Mullin,
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47 1999) and positive attributions towards a social category (Ashforth & Mael, 1989), a strong
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49 memory of a positive experience with the other party should increase reliance on group gain as
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51 the rule for the relationship and feelings of identification. Once shifted to a motive of group
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53 gain, future behaviors will become consistent with the behavioral pattern of providing additional
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3 effort and motivation on tasks due to a sense of identification, such as that described in
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5 literatures on relational exchange quality (Graen & Scandura, 1987; Sparrowe & Liden, 1997;
6
7 Seers, 1989) and organizational citizenship behaviors (Organ, 1988). That strong memory has
8
9 altered the way the individual approaches the relationship, they are more likely to think
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11 positively of the shared category, be more likely to engage in helping behaviors aimed at other
12
13 individuals (OCB-I) and at the organization (OCB-O), and more likely to experience higher
14
15 quality relationships with both leaders and co-workers. The act of giving becomes not a sacrifice,
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17 but is perceived as a mutual gain.
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22 *Proposition 6: Individuals experiencing a positive anchoring event are more likely to*
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24 *experience identification with social categories shared with the other party, higher relational*
25
26 *exchange quality, and citizenship behaviors directed towards the other party.*
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29 **Negative Anchoring Events**

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32 As shown in Figure 1, a negative anchoring event in a relationship is likely to result in the
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34 individual invoking rationality, competition, or revenge as rules for subsequent exchanges, where
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36 they seek to maximize their own benefit from the exchange, minimize the benefit of the other in
37
38 the exchange, or seek to harm the other party. As a result, an expectation of a reciprocal act is not
39
40 responded to, and in the organizational context we propose that the individual invokes an “every
41
42 person for themselves” approach to subsequent exchanges. If an individual believes that they are
43
44 interfered with in maximizing their own outcomes in a subsequent exchange, then their memory
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46 of this will create a sense of unfairness that leads to the individual changing their focus in future
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48 exchanges to maximizing the difference between their outcome and the other’s outcome; at its
49
50 extreme, the individual may engage in future exchanges aimed merely at reducing the other’s
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52 outcome out of a sense of revenge (Bies & Tripp, 1996).
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3 An individual strictly applying a rule of rationality to exchange relationships in an
4 organizational context will be focused purely on maximizing their own outcome. It's not exactly
5 true to say that this individual will have a low quality exchange relationship, but the formality
6 involved in always calculating "what's in it for me" will lead to them expect more explicit
7 statements and discovery processes regarding the benefits to be gained in any subsequent
8 exchange. This would mean that the individual will, when faced with a range of tasks presented
9 by their leader, exert the greatest effort on those where the benefit to themselves are greatest,
10 regardless of the benefit to the firm.
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22 While many implications of this change in relationship rules exist, three of the most
23 relevant are conflict, turnover, and deviant behavior. When an individual shifts the rule from one
24 of reciprocity to one of rationality or worse, competition, it impedes the flow of information and
25 the motivation to collaborate with others. Conflict can result from group members thinking that
26 a particular task is important for the completion of a project while the focal rational individual
27 engages only in those tasks where they see their own benefit. Conflict and consequent under-
28 performance can also result from the focal individual engaging in tasks they see as important
29 (surfing the internet, looking for new jobs) instead of engaging with their boss or organization.
30 As this negative spiral progresses, the relationship ultimately dissolves. This individual is more
31 likely to feel less attached to the firm and to the exchange partner, and they will freely leave the
32 firm for an offer that is marginally better than that available within their firm. Even if this does
33 not happen, those partners in the exchange are more likely to end the relationship due to
34 dissatisfaction.
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52 The more extreme outcome to a negative anchoring event is that the individual may seek
53 revenge against the exchange partner (Bies & Tripp, 1996). In Meeker's (1971) definitions of
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3 exchange rules, revenge is equivalent to competition, where the individual seeks to reduce the
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5 outcome for the other in any exchange, without regard to their own outcomes. In organizational
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7 terms, revenge may be sought out publicly, through public interpersonal deviance or
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9 organizational deviance (Robinson & Bennett, 1995) or privately through acts such as sabotage,
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11 theft (Greenberg & Scott, 1996) and shirking.
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15 *Proposition 7: Individuals experiencing a negative anchoring event are more likely to*
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17 *engage in conflict and deviant behaviors directed towards the other party and are more likely to*
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19 *terminate the relationship.*
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22 DISCUSSION

23
24 Much of the behavior most sought after (e.g., high LMX, OCBs) and most feared (e.g.,
25
26 theft, sabotage) by managers in organizations occurs as a result of exchange relationships that are
27
28 based on rules that differ from reciprocity, such as group gain, altruism, competition, or
29
30 rationality. Despite what we know about these forms of exchange, our understanding of the
31
32 cognitive processes surrounding the formation of these relationships remains rooted in the
33
34 original conceptualizations of exchange theory; that is we base our thinking about how to instill
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36 or combat these on the assumption that relationships reach these forms by gradual means
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38 (reciprocally contingent longitudinal flow – Emerson, 1976). In defining anchoring events we
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40 propose an alternate route to help us understand that exchange relationships can take a more
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42 punctuated route to reach these forms.
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48 We aim not to replace social exchange theory or even to supplant reciprocity as the
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50 primary set of rules by which exchange relationships operate in organizations, but instead to
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52 show how single events can move relationships to these non-reciprocal exchange forms in a
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54 much quicker fashion. So while we may think it takes three months for some high-quality
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3 relationships to “gel,” in other relationships this may actually occur within three hours of the
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5 introduction of the two parties. And the strength and content of the relationship that takes three
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7 months to reach a stable form is likely to be different than one that take three hours to reach a
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9 stable form.
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13 One area where we believe this notion of the anchoring event has the potential to improve
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15 our understanding of exchange relationships is in the area of inter-party agreement on the quality
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17 of exchange. We know that partners in a relationship do not need to share equal perceptions
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19 about the quality of the exchange, thus a particular event could serve as an anchor for one and
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21 not the other. Gerstner & Day (1997) amongst others (e.g., Brower, Schoorman & Tan, 2000)
22
23 have pointed out LMX perceptions in the relationship tend to be only mildly correlated with each
24
25 other. Given that we know that social exchange relationship quality is socially constructed
26
27 (Berger & Luckmann, 1967), it may be that the way memories are differentially constructed by
28
29 parties determines their own perception of the relationship and the consequent rules on which
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31 they rely.
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37 Where we need to focus research attention is in the discovery of antecedents to anchoring
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39 events. We can think of structural and dispositional factors that may be correlated with the
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41 likelihood that an individual will experience these events. From a structural standpoint,
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43 instrumental dependence is an important antecedent to anchoring events because in order for the
44
45 memory of an event to be particularly strong, the event should be perceived by a party as being
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47 consequential in terms of making it much more or much less likely that they will reach their
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49 instrumental goals (Conway & Pleydell-Pearce, 2000; Conway et al, 2004; Zacks et al., 2001).
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51 Such high levels of structural dependence can be found in socialization processes, for example,
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53 or in systems where rewards are based on subjective evaluations of performance. When an
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3 individual is strongly dependent on another individual, they rely on them for the provision of
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5 goods or services that are critical to their achievement of central active-pursuit and interest goals.
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8 As such, an excess level of dependence of party A on party B is required in order for events to
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10 spark the sort of reaction from party B that will get remembered. Such dependency relationships
11
12 are common in organizations, and include dyads at the person-person level (e.g., newcomer-
13
14 supervisor; newcomer-veteran group member) and the person-organization level (e.g., employee-
15
16 firm; employee-union). Also, the deeper the goal-oriented dependence, the more likely there is
17
18 to be intense affective engagement (Ortony, Clore & Collins, 1988) - a key aspect of the
19
20 anchoring event. A dispositional antecedent could be trait affectivity (Watson, 2000; Watson,
21
22 Clark & Tellegen, 1988). Individuals who are low in positive or negative affectivity are less
23
24 prone to experience intense positive or negative emotional states, respectively.
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29 One implication of this model is that there is a potential for negative (or positive) spirals
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31 that can result from an initial anchoring event if we look at the relationship formation process
32
33 over time. In addition to instrumental dependence, we also have evidence that expectations of
34
35 negative events can evoke an emotional reaction (Taylor, 1991). This means that individuals
36
37 may experience a self-fulfilling prophecy which may cast a shadow over the entire exchange,
38
39 leading to an anchoring event. For instance, if Person A *anticipates* a negative exchange with B
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41 to a degree that an affective response is triggered, they are more likely to pay attention to
42
43 information from B that confirms that belief. Thus A has artificially influenced the perception of
44
45 goods and services received from B based on their own expectations. This could lead to A
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47 bookmarking that event with B and following one of the punctuated patterns we have described
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49 here. Thus it is critical, when seeking to understand events and the impact to focus on actual *and*
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4 *perceived* content, as well as the degree to which anchoring events are made more durable by
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6 attitudes held before the event.
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8 Another important consideration of anchoring events as an alternate route to non-
9
10 reciprocal exchange relationships is that organizational programs designed to gradually instill
11
12 positive exchange and strong identification should be supplemented with an effort to create
13
14 moments, or extreme events, where the individual realizes that a supervisor or organization is
15
16 willing and able to go above and beyond expectations towards the relationship. We believe that
17
18 the success of mentoring and training programs employed in organizations revolves less around
19
20 the gradual building of identification and task knowledge and more around the rapid building of
21
22 a sense of identification and high quality exchange. It may be that formal intense socialization
23
24 programs such as those employed by the armed services are critical not just for the actual
25
26 preparation (in both physical and task knowledge), but more for the extent to which they contain
27
28 extreme events that lead to “sticky” positive exchange relationships. This occurs during periods
29
30 of initial training, where individuals are highly dependent on mentors, drill instructors,
31
32 supervisors or coworkers (Van Maanen, 1975).
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39 Understanding the “sticky” nature of exchange relationships also highlights the risk to
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41 managers and firms in investing time and effort in repairing negative relationships. In
42
43 organizational contexts, one thing that more senior managers and human resource professionals
44
45 need to recognize is that many relationships in organizations that are based in negative rules of
46
47 exchange (e.g., competition, rivalry) are more difficult to repair than they may be worth. In this
48
49 way, some individuals who feel betrayed by their manager are unlikely to be swayed by an
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51 organizationally mandated apology and may need instead to terminate the relationship, either
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53 through relocation, inter-organizational transfer, or outplacement (for either party). While it is
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3 possible for a relationship to re-set to a different set of rules after a negative anchoring event, it is
4
5 very hard and very unlikely that it would reset into a positive form such as group gain or
6
7 altruism. Much of the organizational implications of psychological contract breach, for example,
8
9 are related to the fact that it is so hard to repair. Given that many of these breaches are likely to
10
11 be “anchoring events,” it may be that organizational efforts aimed at repair are not economical;
12
13 that is to say they take more effort for managers and firms than the benefit provided.
14
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16 17 **Research Implications**

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19 The research implications of this concept are numerous. We’ll focus on three potential
20
21 areas where application of these concepts can help researchers shed light on the content and
22
23 outcomes of exchange relationships. First, the ideas presented highlight the need for more
24
25 research in organizations regarding the role of emotion as an outcome and input in relationship
26
27 formation. This echoes the call of others, to be sure (e.g., Cook & Rice, 2003), but our
28
29 understanding of how relationships reach non-reciprocal forms can be heightened by a greater
30
31 understanding of the role of emotions in storing and using memories in forming these rules. Each
32
33 person has a portfolio of personal relationships, and in this portfolio each relationship is treated
34
35 differently based on their memory of events. The extent to which we can uncover the processes
36
37 that connect these events to these rules will increase our ability to understand how particular
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39 programs aimed at socialization, relational exchange formation, and identification work within
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41 the organizational context.
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49 Second, an investigation of the role of anchoring events in exchange relationships echoes
50
51 the call of others to apply different perspectives beyond reciprocity and self-interest to our
52
53 understanding of human behavior in organizations (Cropanzano & Mitchell, 2005; Grant, Dutton
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55 & Rosso, 2008; Meglino & Korsgaard, 2004). Our approach seeks to extend the views of
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3 Meglino & Korsgaard (2004), who proposed that “other-orientation” is a dispositional factor in
4
5 organizational life that drives an individual towards actions that cannot be defined in terms of a
6
7 narrow self-maximizing model. We believe we add to this perspective in that we propose that
8
9 certain behaviors consistent with “other-orientation” may be determined both by disposition and
10
11 by the content of specific exchanges; indeed, individuals high in other-orientation may be more
12
13 prone to experiencing positively directed anchoring events. We believe that a combination of
14
15 dispositional and situational factors are likely at work when we see individuals acting outside the
16
17 bounds of reciprocity in exchanges that take place in the organizational context. As researchers,
18
19 our ability to uncover the processes by which people move from an orientation toward the self to
20
21 an orientation toward the dyad or toward the other (in positive or negative terms) is critical to
22
23 moving beyond strictly economic-based explanations of relationships and forms of organizing
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25 (e.g., Williamson, 1981).
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32 And finally, we need to investigate what it is about anchoring events that make them
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34 more or less durable. There may be individual differences (e.g., other-orientation, trait
35
36 affectivity, affect intensity) that drive this; there may also be different forms of dependence
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38 (structural-economic dependence, emotional dependence) that may be correlated with the
39
40 durability of anchoring events. Further research in these areas needs to be done in order to
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42 increase our understanding of how far anchoring events go in redefining the terms of exchange
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44 relationships.
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49 The method for the study of anchoring events and the effects on organizational outcomes
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51 should be based on the study of memories from psychology. Typically in these studies,
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53 participants either keep diaries or answer real-time information about key events in relationships
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55 in which they are involved. These characteristics of these events can be measured in terms of
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3 when they happen in the course of the relationship, the met or unmet expectations contained
4 within, and the affective response. The relationship can then be “tracked” over time in order to
5 understand what rules each party is relying on to guide their relationship behaviors. This would
6 provide a way to place relationships in something like Figure 1, to see the predictive power of
7 anchoring events in determining not only the most proximal outcome – the change in the rules
8 for relationships, but also the more distal outcomes such as organizational turnover and deviance.
9

17 **Conclusion**

19 We have moved for too long on the assumption that individuals in organizations
20 *continually* maintain or seek to maintain reciprocity – that they always monitor their own
21 outcomes in the context of the outcomes for the other party – when making decisions regarding
22 relationship behaviors. In addition we have structured much of our thinking on the way
23 exchange relationships in organizations form and operate based on the assumption that deeper
24 exchange relationships require time to develop. This is clearly at odds with the way relationships
25 are seen as developing in other contexts (e.g., social, romantic), where it is freely acknowledged
26 that the development of a relationship need not be gradual at all and may be “sparked” into a
27 certain form by a significant event (e.g., “love at first sight.”). And in these other arenas, the
28 application of different rules for the exchange relationship such as rivalry, competition, altruism,
29 and group gain are seen as common (Meeker, 1971). While we understand why individuals
30 might behave in those ways (e.g., strong identification), our literature has been silent as to how
31 relationships progress into those forms in the organizational context. We argue that we may be
32 better able to tell how these relationships reach a particular form by looking at anchoring events.
33 We hope that this greater understanding of how relationships reach more extreme forms of
34 exchange can be applied to generate deeper positive exchange relationships within organizations
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as well as in helping us understand how to treat the consequences of the negative forms of such extreme exchanges.

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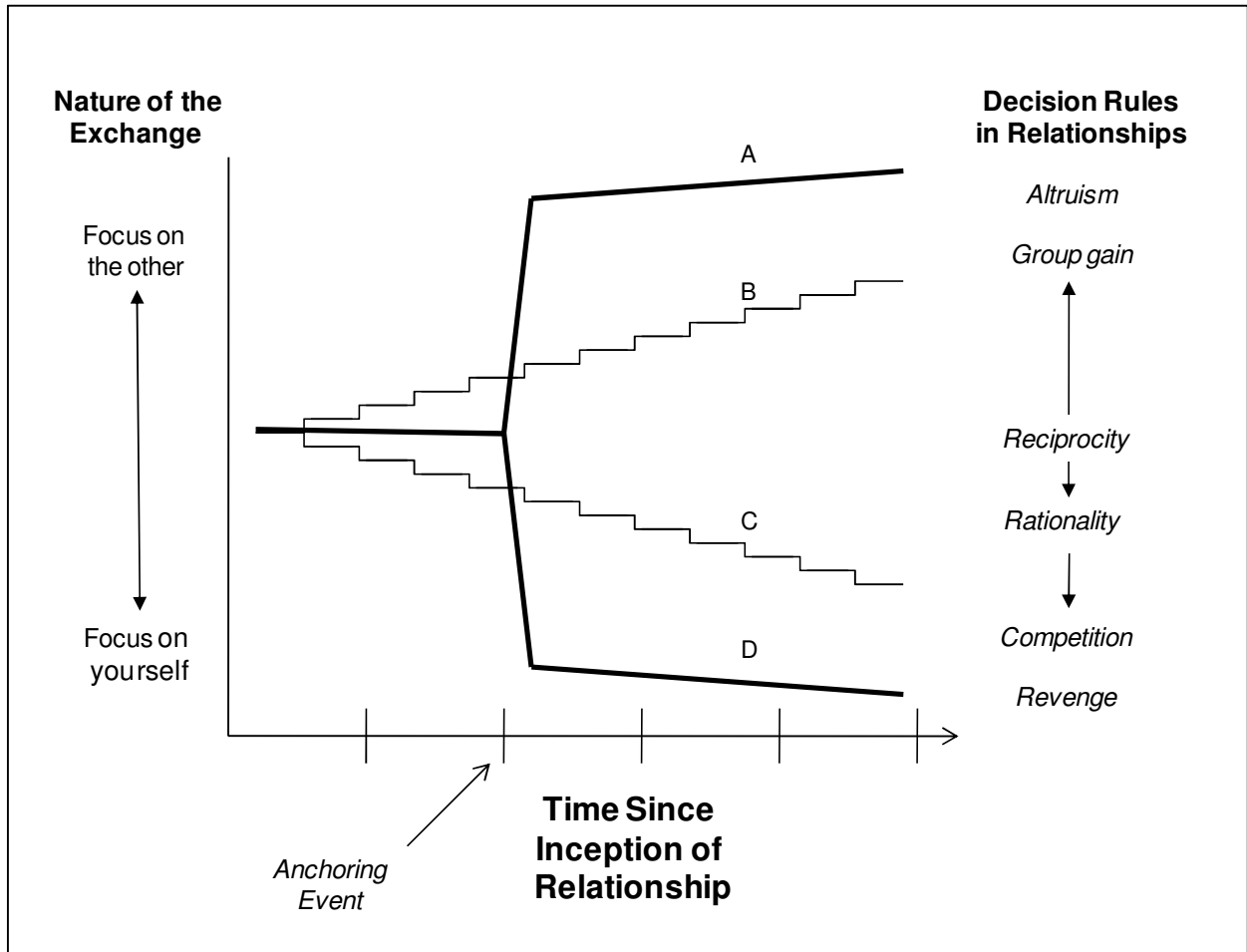
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FIGURE 1

Different Potential Patterns of Relationships Developing into Non-Reciprocal Exchange Forms



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