THE IMPACT OF EMPLOYEE REFERRAL PROGRAMS ON REFERRAL LIKELIHOOD AND CUSTOMER PURCHASE INTENTION

By

ZHIJIAN HONG

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ABSTRACT OF THE DISSERTATION

The Impact of Employee Referral Programs on

Referral Likelihood and Customer Purchase Intention

By ZHIJIAN HONG

Dissertation Director: Dr. Sengun Yeniyurt

Customer referral programs, which encourage existing customers to recommend a firm's product or services in their social network, have become a popular marketing tool. Existing studies have studied various aspects of customer referral programs as a consequence of their practical relevance. However, little research has been conducted on studying a special type of referrals, which made by employees to their social ties, namely employee referrals. Although employee referrals haven been an effective method for acquiring new customers and stimulating employee positive outcomes, it has been neglected in the literature and little guidance can be found to help practitioners design employee referral schemes. To address this research gap, the overall goal of this dissertation is to provide conceptual understanding of the impact of employee referral rewards programs on referral likelihood and its effectiveness on customers' purchase intension. It is not only of theoretical interest, but also entails managerial implications pertaining to the optimal design of referral programs.

Laying on the framework of self-perception theory, identity theory and social identity theory, this dissertation seeks to examine employee recommenders' motivation and outcomes with different tie strength and referral scheme, as well as the moderating effects of relational framing, and brand strength. Different from previous employee referral studies that are scarce in general, this dissertation investigates the effectiveness of employee referral programs from the perspective of employee recommender and receiver simultaneously. The results indicate that incentives in the referral scheme will affect employee's referral likelihood and new customer purchase intentions. When no rewards offered, employees are more likely to make recommendations to strong ties who also have higher purchase intention compared to weak ties. With incentives, employees will have higher referral likelihood with strong ties when rewards allocate to the customer, with weak ties when rewards allocate to the employee. In addition, employee referral outcomes with strong ties are moderated by the effects of relational framing and brand strength. When employee identity is salient, referral programs that framed in communal sharing ways by the firm are associated with greater employee referral likelihoods with strong ties regardless of rewards allocation. Similarly, brand strength also positively moderate employee's referral likelihood with strong ties regardless of rewards scheme.

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Chapter 1 Introduction

Word of mouth (WOM), once viewed as a sociological phenomenon, is now considered an important marketing tool as customers increasingly interact with each other for exchanging information about products, brands, and firms (Godes and Mayzlin 2009; Gupta and Harris 2010; Zhu and Zhang 2010; Iyengar, Van den Bulte, and Valente 2011; Gruner, Homburg, and Lukas 2014). Traditionally, WOM's appeal has been in the belief that it is cheaper than other customer acquisition methods. However, recent studies show that customers acquired through WOM tend to churn less and generate more revenue for the firm than customers acquired through traditional marketing efforts (e.g. Choi 2009; Trusov, Bucklin, and Pauwels 2009; Villanueva, Yoo, and Hanssens 2008). In today's computer mediated environment, the scale and scope of WOM's influence has gone far beyond people's social contact boundaries (Guo 2012), and continues to shape the development of major online retail platforms such as Amazon or Macy's.

In early efforts to manage WOM, marketers focused on satisfying customers to generate positive rather than negative WOM, and on targeting influential consumers, such as opinion leaders to spread WOM. With the rise of consumer generated media and growing use of social networks, firms' have introduced formal programs that aim to stimulate positive WOM among the whole existing customer bases (Schmitt, Skiera, and Van den Bulte 2011). In these programs, firms offer various types of rewards (e.g., discounts, vouchers, gifts, or other monetary incentives) when an existing customer attracts a new customer by making product or service recommendations. For example, the cellular telecommunication provider T-Mobile credits customers' accounts $50 for each successful referral, and Bank of America offers customer $50 statement credit for each referral friend gets approved. Similar programs exist in a wide range of industries, including online retailers, energy providers, automobiles, restaurants, accountants, veterinary clinics and so on. Referral programs are particularly effective in the service industry since many services are difficult to evaluate prior to purchase which entails a certain level of risk (Bansal and Voyer 2000; Wirtz et al. 2013). As a result, consumers tend to seek information from other people who have experienced the service directly or indirectly to reduce the service uncertainty. Thus, the objective of referral programs is to utilize the social connections between existing customers and noncustomers to attract the latter to the firm. When customers participate, they voice recommendations to prospects, which results in a reward if the recommendation leads to the purchase of the recommended product or service (East, Lomax, and Narain 2001). Such programs have proved the significant impact to affect firms' performance (Ryu and Feick 2007).

1.1 Spreading of Word of Mouth

Arndt (1967) defined WOM as an "oral, person-to-person communication between a perceived non-commercial communicator and a receiver concerning a brand, a product or a service offered for sale" (p. 190). Over the years, researchers categorized WOM communication in different forms, including talking (e.g., Bone 1992; Herr, Kardes, and Kim 1991), telling (e.g., Bowman and Narayandas 2001; Harrison-Walker 2001), mentioning (e.g., Sundaram and Webster 1999; Swanson and Kelley 2001), referring (e.g., Money 2000), and making recommendations (Smoldt 1998; Weenig and Midden 1991). WOM communication, particularly making recommendations, has gained great attention from marketing scholars and practitioners for its persuasive effect on consumer decision making and behaviors (Chevalier and Mayzlin 2006; Herr, Kardes, and Kim 1991). Literature has shown that consumers generally trust WOM more than advertising because of the former's perceived objectivity. It is believed that WOM givers have little to gain from the WOM recipient's subsequent actions, therefore their recommendations are generally seen as credible and trustworthy (Arndt 1967; Day 1971). In summary, WOM is widely viewed as a powerful tool for customer acquisition (Godes and Mayzlin 2004).

Many studies have explored the motivational factors that lead to the spread of WOM. De Matos and Rossi (2008) conducted a meta-analytic review of WOM antecedents and found that satisfaction, quality, commitment, trust, perceived value, and loyalty are the primary factors. Customers who are more satisfied with their own consumption experiences are more likely to recommend the product to other consumers; Consumers who experience greater quality than expected are more likely to make recommendations; Customers who receive relatively high value from a product tend to become more committed to spread positive WOM. Additionally, the greater the consumers trust and loyalty for the brand or firm, the more likely they are to spread positive WOM. Some scholars have examined the impact of various marketing activities on spreading WOM. For example, Bolton, Kannan, and Bramlett (2000) show that offering a loyalty program has an indirect effect on customers' repatronage behavior and on their WOM.

From the exchange theory perspective, a customer's decision to engage in WOM depends on the perceived costs and benefits of the exchange (Frenzen and Nakamoto 1993; Walster, Walster, and Berscheid 1978). Early research on WOM identifies several benefits of motivations, primarily psychological or social, for transmitting WOM (Arndt 1967; Dichter 1966; Gatignon and Robertson 1986). For example, consumers may use WOM in an attempt to reduce post-purchase anxiety or dissonance by talking about their product experiences. In addition, consumers may use WOM as a way to manage others' impressions of them, and help them make better purchase decisions. On the other hand, providing WOM also entails costs (Gatignon and Robertson 1986). The most obvious cost is the effort and time spent communicating. Additionally, researchers have identified various types of social costs related to WOM, including the acquisition of social obligations and the risk of providing inappropriate advice (Gatignon and Robertson 1986). These social costs relate to how the image of the recommender changes in the receiver's opinion and how the relationship between the two may be affected as a consequence of this WOM exchange (Wirtz, Orsingher, Chew, and Tambyah 2013).

The introduction of referral programs has dramatically changed the nature of the interpersonal communication between both the recommendation giver and recipient. From the perspective of the recommendation giver, an economic reward for making a recommendation might result in a trade-off between conflicting motives of self-interest and protection of a relationship (Kornish and Li 2010). From the perspective of the recipient, the recommendation giver may no longer be perceived as a pure ‘‘noncommercial communicator’ when the incentive is visible or becomes apparent (Xiao, Tang, and Wirtz 2011). Thus, an incentivized referral is neither completely impartial advice nor a purely commercial communication as there exists personal relationships with trust between the recommendation giver and receiver.

1.2 Referral Reward Programs

Referral reward program increases the complexity of WOM transmission by introducing rewards into an otherwise voluntary exchange. Unlike "organic" WOM, referral reward programs incentivize customer referrals with extrinsic rewards, generating a form of "stimulated WOM" that is extrinsically motivated and actively managed and continuously controlled by the firm. An important requirement for such programs is that individual purchase or service histories are available so that the firm can track whether a referral is successful. With the prevalence of online shopping with computer mediated environment in recent decades, such referral rewards programs have received growing attention.

At first glance, incentives seem to be an effective way to stimulate WOM to acquire new customers. However, there are concerns that firm-stimulated WOM may be less effective than organic WOM in generating valuable customers. Particularly, there may be conflict with the perceived objectivity and independence of WOM: on one hand, the incentives provide the referral giver with a stake in the receiver's potential purchase decision and may therefore make recommendations seem less impartial, resulting targeted prospects be suspicious of stimulated WOM efforts; on the other hand, recommendation givers who place importance on what recipients think about them and their recommendations may withhold their opinions if they believe that their motives for making an incentivized recommendation may be questioned. As noted by Ryu and Feick (2007), on the basis of self-perception theory, engaging in WOM might reinforce recommenders' satisfaction with the brand, but making recommendations in return for a reward may undermine this effect. Additionally, such programs involving economic benefits tend to be unsustainable and raising questions about cost effectiveness.

Prior studies have repeatedly shown the benefits of customer referral programs. For instance, Schmitt et al. (2011) tracked approximately 10,000 customers for 3 years and concluded that customers who are acquired through referrals are considered more valuable because they yield a higher contribution margin and retention rate than customers who are acquired through other channels. Similarly, Wangenheim, and Bayón (2004) proposed that referred customers exhibit a higher willingness to refer people, thus adding to the profitability of the firm. Some studies also suggest that WOM-induced customers are more loyal than are customers who are acquired through advertising (Villanueva, Yoo, and Hanssens 2008; Garnefeld et al. 2013). The same applies to referral senders, who also yield higher retention rates after engaging in WOM communication (Garnefeld et al. 2013). These direct and indirect effects increase the profitability of referral programs and explain their importance in marketing practices.

However, the profitability of referral programs may be impaired if companies provide rewards for referrals that actually do not contribute to new purchase (Kumar, Petersen, and Leone 2007; Kumar et al. 2010). For instance, when a prospect is very likely to convert regardless of the rewarded referral, rendering rewards is unnecessary and may cause the profitability of the referral program to be overrated. To estimate the customer's referral value, Kumar et al.'s (2007, 2010) surveyed referral receivers and their results indicated that 50% of all referred customers would have signed up anyway irrespective of referrals. On a similar note, Libai et al. (2013) divided the overall contribution of WOM seeding campaigns into market expansion and the simple acceleration of adoption. Using simulations that depend on social network structures and different market conditions, they showed that on an aggregate level only 65% of the WOM seeding program's value is due to market expansion, whereas 35% should instead be considered acceleration.

To account for the maximum profitability of referral rewards programs, previous studies have explored the optimal design of referral program schemes. Biyalogorsky et al. (2001) designed a model to identify the optimal referral rewards under different price levels, and their results show “delighted customers, i.e., customers who achieve a high level of satisfaction, engage in referrals that in turn lead to increased sales” (p. 83). Their model suggests that the effectiveness of a referral reward will depend on the extent to “delight” customers, and the optimal referral reward could be estimated based on a combination of customer delight and product pricing. When customers are easy to delight, firms should not offer referral rewards and instead rely on a lower price to encourage referrals; whereas when customers are hard to delight, referral rewards are likely not sufficient enough to encourage referrals. Therefore, the referral reward program works best when customers’ delight threshold is at an intermediate level.

Similarly, Kornish and Li (2010) provided an optimal design of referral reward under different product pricing based on the asymmetric information between a recommendation giver and a receiver. Their result showed the interaction between referral reward programs and various risk preference conditions. When the recommender is risk neutral and doesn’t concern the relationship outcome with the receiver, they find that referral rewards is least preferred and firms should use a low-price strategy instead. As the relationship concern increases, firms should also increase the use of referral rewards. However, higher referral rewards do not necessarily encourage referrals when the recommender is risk averse.

1.3 Employee Referral Programs

Existing studies have studied various aspects of customer referral programs as a consequence of their practical relevance. Some studies have analyzed the value of referred customers (Armelini, Barrot, and Becker 2015; Schmitt et al. 2011) and the profitability of referring customers (Villanueva, Yoo, and Hanssens 2008; Garnefeld et al. 2013). Other research has examined the drivers of recommendation likelihood (Claus, Geyskens, Millet, and Dewitte 2012; Ryu and Feick 2007; Verlegh, Ryu, Tuk, and Feick 2013), and optimal reward designs (Biyalogorsky, Gerstner, and Libai 2001; Kornish and Li 2010), as well as the effectiveness of marketing instruments to stimulate rewarded referrals (Barrot, Becker, and Meyners 2013; Ryu and Feick 2007). However, little research has been conducted on studying a special type of referrals that made by employees to their social ties, namely employee referrals.

Similar to consumer referrals, employees can also engage in WOM communications to convert new customers within their social network. For instance, one company that excels at this is PNC Bank. In 2004, PNC Financial Services Group launched a referral program called "Chairman's Challenge" that encouraged employees to refer their social ties to PNC. By turning their non-sales employees into lead generators, this referral program has brought in over $440 million in new demand deposits and generated $1 billion in deposit and loans balances, and employees also were rewarded with points for every account that was opened through a referral they submit. Additionally, employee referrals have been commonly seen in the labor recruitment market, in which current employees identify and suggest potential candidates from their social network and receive rewards for successful hires. Compared to recruitment through formal sources, employees hired through referrals were found to have longer tenure, better performance and higher levels of job satisfaction (Breaugh 1981; Kirnan, Farley and Geisinger 1989).

As mentioned previously, the antecedents of WOM communication can be either intrinsic or extrinsic. In the context of employee referrals, individuals who have positive job attitudes are likely to engage in positive WOM because of intrinsic motivation. According to Bem's (1972) self-perception theory, individuals infer their attitudes from observing their own behaviors, similarly to how an outside observer would. Therefore, employees who feel positively about their employers may be intrinsically motivated to make referrals as a means for channeling self-involvement and enhancing self-confirmation. On the other hand, employees who do not have positive work attitudes may still engage in positive WOM as a result of extrinsic rewards offered by the firm. Essentially, individuals found themselves behaving in a manner which was conflictive with their beliefs would result in cognitive dissonance. This dissonance will trigger the need for dissonance reduction, which lead the individual to alter his or her beliefs to align them with the behavior in order to achieve consistency within him or herself. Therefore, regardless of their work attitudes, employees will heighten positive attitudes after they made referrals to friends or relatives.

Although employee referrals may be an effective method for acquiring new customers and stimulating employee positive outcomes, it has been neglected in the literature and little guidance can be found to help practitioners design employee referral schemes. To address this research gap, the overall goal of this dissertation is to provide conceptual understanding of the impact of employee referral rewards programs on referral likelihood and effectiveness. Laying on the framework of self-perception theory, identity theory and social identity theory, this dissertation seeks to examine employee recommenders' motivation and outcomes, as well as recipients' responses. It is not only of theoretical interest, but also entails managerial implications pertaining to the optimal design of referral programs. To my best knowledge, no study has investigated the effectiveness of employee referral program from the perspective of employee recommender and receiver simultaneously. Specifically, this dissertation:

(1) reviews the intrinsic and extrinsic motivation of employee referrals

(2) analyzes the likelihood and outcome of employee referrals with different tie strength and referral scheme from the employee and receiver's perspective simultaneously

(3) investigates the moderating effect of relational framing, and brand strength on referral success

Thus, this dissertation contributes to the WOM literature by providing important and novel insights on the effectiveness of employee referral programs. It also seeks to find the best reward scheme for employee referrals to maximize the firm profitability. Towards this end, the rest of dissertation is organized as follows. Chapter 2 reviews pertinent literature on self-perception theory, identity and social identity theory, and social-relational theory to develop the theoretical foundation that helps to explain both the recommender's and receiver's responses to employee referral programs. Chapter 3 provides the rationale followed by presentation of the hypotheses. Chapter 4 describes the experimental setting and procedures of our three studies, along with the reports of results. Finally, Chapter 5 provides a discussion of the results and limitations of the current dissertation as well as future research directions.

Chapter 2 Literature Review

In this study, employee referral program is defined as a form of stimulated WOM, in which a firm explicitly encourages its employees to refer their friends or family as new customers. As conceptualized previously, referral programs may yield extrinsic, material benefits as well as intrinsic, nonmaterial benefits for participating employees.

2.1 Intrinsic versus Extrinsic Motivation

Behavior is considered to be motivated by two different categories of causes: internal or personal causes and external or environmental causes (Kruglanski 1975). Intrinsic motivation is defined as behaviors "that is performed for its own sake rather than for the purpose of acquiring material or social rewards" (Pinder 1998, P. 165). According to Deci (1972), "[a] person is intrinsically motivated if he performs an activity for no apparent reward except the activity itself" (p. 217). In other words, people will be intrinsically motivated when the behavior itself is "inherently interesting or enjoyable" (Ryan and Deci 2000, p. 55). Related research on consumer referral programs referrals suggests that consumers may make referrals because they identify strongly with a firm (Brown et al. 2005), are concerned about their friends' outcomes (Kornish and Li 2010), or feel they will gain recognition from their friends (Gatignon and Robertson 1986). Similarly, in the employee referral context, Shinnar, Yang and Meana (2004) posited that employees who feel positively about their employers may be intrinsically motivated to make referrals due to: (1) self-involvement (to relive the delight of joining or to confirm their joy in being part of the organization); (2) self-confirmation (to reinforce their conviction that they made the right choice in working for the employer); or (3) other involvement (the desire to help or to share the benefits of joining the organization with others).

Extrinsic motivation is defined as “a construct that pertains whenever an activity is done in order to attain some separable outcome” (Ryan and Deci 2000, p. 60). In other words, the satisfaction or pleasure from doing some activity may not be provided through the activity itself, but rather from getting a reward such as money, bonuses or good grades. According to self-perception theory, individual infers causes about his or her own behavior based on external constraints. The presence of a strong external constraint (such as a reward) would lead to the person to conclude that he or she is performing the behavior solely for the reward, which shifts the person’s motivation from intrinsic to extrinsic (Aronson, Akert and Wilson 2010).

Many psychological studies have examined the effects of extrinsic rewards on intrinsic motivation (e.g., Deci 1971, 1972; Higgins and Trope 1990; Kruglanski 1975; Lepper 1981) since Deci’s experiment (1971) suggested extrinsic rewards could diminish people’s intrinsic motivation to engage in an interesting task. According to Lepper et al. (1973), these effects of extrinsic rewards on intrinsic motivation are called the overjustification hypothesis. The overjustifaction hypothesis proposed that “a person’s intrinsic interest in an activity may be undermined by inducing him to engage in that activity as an explicit means to some extrinsic goal” (Lepper, et al. 1973, p. 130). They found that when people have both extrinsic rewards and intrinsically interesting tasks to perform, they will discount their intrinsically interesting tasks and attribute their behavior to the extrinsic reward. Furthermore, Deci, Benware and Landy (1974) investigated how extrinsic reward size affects a person’s intrinsic motivation and their results showed a negative association between the two. When people are given high extrinsic rewards, people' intrinsic motivation tends to be lower, compared to when people are given low extrinsic rewards, their intrinsic motivation tends to be higher. Based on the overjustifaction hypothesis, when receivers know that recommenders have received referral rewards as extrinsic reward for their recommendation, the receivers will be more likely to attribute the recommendation behavior to the extrinsic reward rather than no intrinsic motivation.

Conventional wisdom suggests that extrinsic rewards because of their high economic benefits, should be equally or more effective in motivating customer referrals than voluntary rewards. However, studies have shown that monetary reward performs poorly in motivating blood donations (Lacetera and Macis 2010), workplace productivity (Dur et al. 2010), and the egalitarian distribution of resources (DeVoe and Iyengar 2010). Heyman and Ariely (2004) proposed that the use of monetary rewards invokes market-pricing norms, according to which the amount of compensation directly determines the level of effort; while by contrast a social norm is invoked when money is not involved, according to which effort is shaped by altruism. In other words, monetary rewards prime people for business transactions rather than social relationships such that they demonstrate less cooperative, communal, and altruistic behavior (Vohs, Mead, and Goode 2006). This also in turn increases consumers' perceived social costs by casting doubt on the altruistic nature of a referral. Moreover, the situation may be exacerbated when recommendation is difficult to justify. As a result, social relationships between the recommenders and receivers often suffer and seldom recover as a consequence of the introduction of money (Burgoyne and Routh 1991).

2.2 Identity and Social Identity

Identity theory (e.g., Stryker 1968; Turner 1978; McCall and Simmons 1978) and social identity theory (e.g., Tajfel and Turner 1979; Turner 1982, 1985; Turner et al. 1987) are two perspectives on explaining the social basis of the self-concept and the formation of normative behavior, with emphases on the multi-faceted self as constituted by society to mediate the relationship between social structure and individual behaviors. These two perspectives have many overlaps and similarities. For example, both theories posit that the self is reflexive as it can take itself as an object to categorize, classify in particular ways in relation to other social categories or classifications. This process is called *self-categorization* in social identity theory (Turner et al. 1987), and *identification* in identity theory (McCall and Simmons 1978), through which an identity is formed. The next section begins by reviewing those two theories and then explains their relevance for understanding behavior outcomes of employee referrals of friends.

2.2.1 Social Identity Theory

Social identity theory was developed by Tajfel and Turner in the 1970s and the 1980s, which asserts that group membership creates in-group/self-categorization and enhancement in ways that favor the in-group at the expense of the out-group. The study of Turner and Tajfel (1986) showed that the mere act of individuals categorizing themselves as group members was sufficient to lead them to display in-group favoritism. After the categorization of a group membership, individuals seek to achieve positive self-esteem by positively differentiating their in-group membership from a comparison with that of out-group on some valued dimensions. This quest for positive distinctiveness means that people's sense of who they are is actually defined in terms of 'we' rather than 'I'.

Individuals are likely to display favoritism when an in-group is central to their self-definition and a given comparison is meaningful or the outcome is contestable. Tajfel and Turner (1979) identified three variables which contribute to the emergence of in-group favoritism: 1) the extent to which individuals identify with an in-group to internalize that group membership as an aspect of their self-concept; 2) the extent to which the prevailing context provides ground for comparison between groups; 3) the perceived relevance of the comparison group, which itself will be shaped by the relative and absolute status of the in-group.

Three processes involved in forming this in-group/out-group mentality, namely social categorization, social identification, and social comparison:

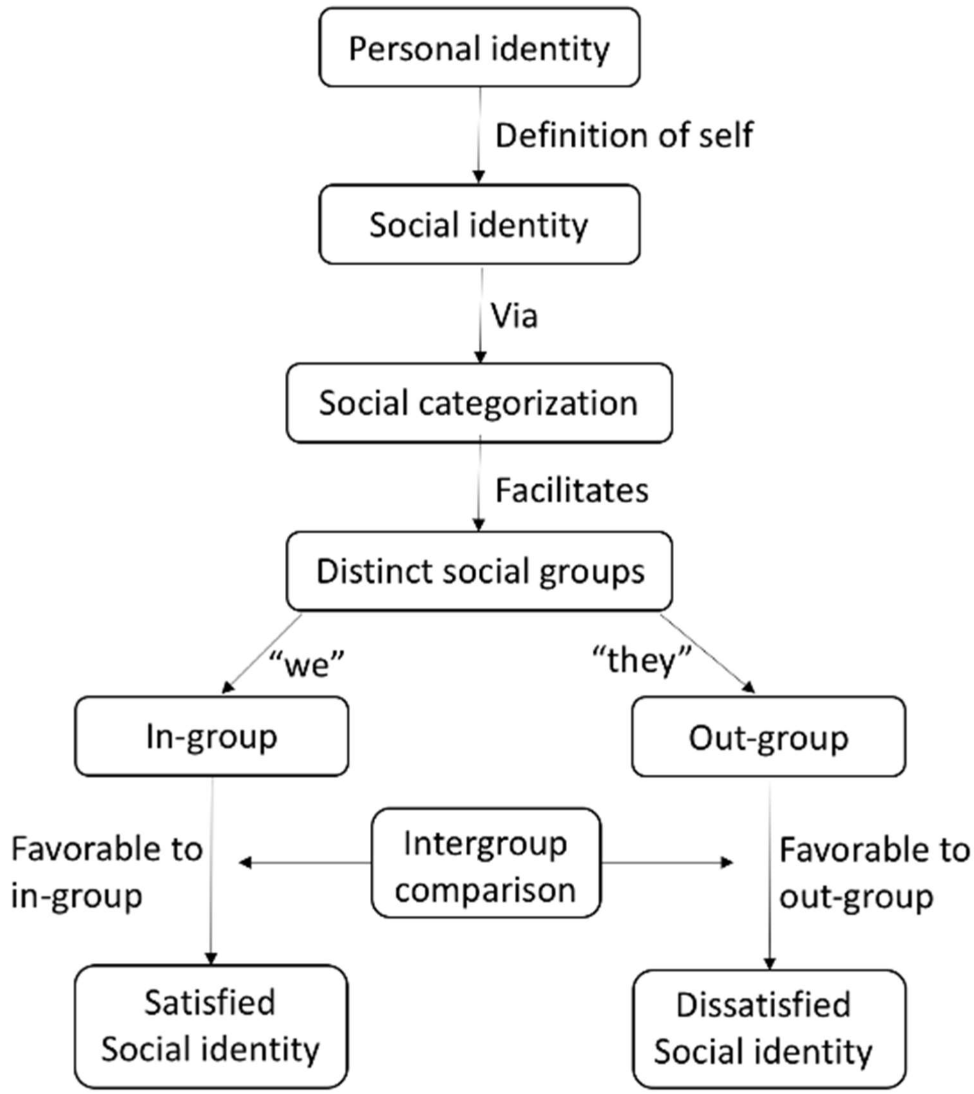

Figure 1. Social Identity Forming Process (Tajfel and Turner 1979)

Social identity theory explains that part of a person's concept of self comes from the groups to which he/she belongs. Different social contexts may trigger an individual to think, feel and act on basis of his personal, family or national "level of self" (Turner et al. 1987). Apart from the "level of self," an individual has multiple selves and identities associated with their affiliated groups. Hence, a person might act differently in varying social contexts according to the groups they belong to, and the individual's cognition and choice of behavior is posited to be largely dictated by the identity that is temporarily salient (Oakes 1987; Reed 2004). Salience refers to the extent to which an identity is an activated component of a person's "social self-schema" and "fluctuates in response to situational cues" (Forehand, Deshpande, and Reed 2002).

More importantly, when an identity is salient, individuals are more sensitive to identity-relevant stimuli and are more likely to engage in behaviors that are consistent with that identity. As such, individuals may choose to ''match their behavior to the behaviors relevant to the social identity, so as to confirm and enhance their social identification with the group'' (Stets and Burke 2000, p. 232). For instance, LeBoeuf, Shafir, and Bayuk (2010) found that employees had a greater preference for work-related activities when their occupational identity had been evoked as compared to family-related activities when family identity evoked. Similarly, Van Dick et al. (2005) showed that teachers reported more school related behaviors when their school identity was more salient.

2.2.2 Identity Theory

Identity theory explains human behaviors in terms of the reciprocal relations between the self and society. Although it was originally formulated by Stryker (e.g. Stryker 1968), the term is now used more widely to refer to related theoretical works that acknowledge links between a multifaceted notion of self and the wider social structure (Burke 1980; McCall and Simmons 1978; Turner 1978). The early identity theory is strongly associated with the symbolic interactionists' view that the self is a product of social interaction, in that people come to know who they are through their interactions with others (e.g. Mead 1934; Cooley

1902). Because people tend to interact in groups, therefore people may have as many distinct selves as there are distinct groups whose opinions matter to them (James 1950). These two essential ideas give birth to the identity theory, which views the self not as an autonomous psychological entity but as a multifaceted social construct that emerges from one's roles in society. Stryker (1968, 1980) proposed that we have distinct components of self, called role identities, for each of the role positions in society that we occupy. For example, a person's role identities may include the fact that she is a mother, a wife, a daughter, a teacher, a social worker, etc. Furthermore, role identities are self-conceptions, self- referent cognitions, or self-definitions that people apply to themselves as a consequence of the structural role positions they occupy in society. It is ultimately through social interaction that identities acquire self-meaning and self-definition. From an identity theory perspective, a role is a set of expectations prescribing behavior that is considered appropriate by others (Simon 1992). Satisfactory enactment of roles not only confirms and validates a person's status as a role member (Callero 1985), but also reflects positively on self-evaluation and enhance feelings of self-esteem. Poor role performance, on the other hand, may create doubts about one's self-worth, and may even produce symptoms of psychological distress (Stryker and Serpe 1982). For instance, distress arises if feedback from others or suggested by others' behaviors is perceived to be incongruent with one's identity, and activate one’s dissonance-reduction mechanism whereby one modifies his/her behavior to achieve a match with his/her internalized identity standards.

Identity theory links role identities to affective and behavioral outcomes, and acknowledges that some identities have more self-relevance than other. Identity salience is conceptualized as the likelihood that the identity will be invoked in diverse situations. The direct and explicit implication of this behavioral notion of identity salience is that identities positioned higher in the salience hierarchy are tied more closely to behavior outcomes. Thus, people with the same role identities may behave differently in a given context because of differences in identity salience (Callero 1985). For example, one person may work on the weekend while another may spend time with the children, although both may have a "parent" role identity. People also may enact role-congruent behavior even in situations that are not role-relevant: for example, people with a salient "parent" identity may, at work, engage inappropriately in behaviors related to their roles as parents. A consequence of this behavioral flexibility is in that the enactment of social roles is not a binary phenomenon. People can be viewed as performing all, some, or none of a role’s critical behaviors. Furthermore, to the extent that people perform these critical behaviors, they can perform them in different ways, each of which will be viewed as being more or less role appropriate. Role performances are judged as meeting (or falling short of) expectations to a greater or lesser degree.

It is proposed that the salience of a particular identity will be determined by the person's commitment to that role. Commitment to a particular role identity is high if people perceive that many of their important social relationships are predicated on occupancy of that role. The consequence of vacating such a role is at loss of a social network that is psychologically important for the self-concept and for self-esteem (Hoelter 1983). Stryker (1980) identified two types of commitment: 1) interactional commitment, referring to the number of roles associated with a particular identity (the extensivity of commitment), and 2) affective commitment, reflecting the importance of the relationships associated with the identity (the intensivity of commitment). The more strongly committed a person is to an identity-in terms of both interactional and affective commitment-the higher the level of identity salience will be. In terms of network relationships, the more fully a person's important social relationships are based on occupancy of a particular identity, in comparison with other identities, the more salient that identity will be (Stryker and Serpe 1982).

In summary, both social identity theory and identity theory address the structure and function of the socially constructed self (called *social identity* or *identity*) as a dynamic construct that mediates the relationship between social structure and individual social behavior. Reciprocal links between society and self are acknowledged by both theories, while behaviors are considered to be organized into meaningful units that are summoned by specific self-definitions: identity theory discusses the organization of behavior in terms of “roles”, while social identity theory in terms of “norms, stereotypes, and prototypes” (Hogg et al. 1995). Both theories also discussed the activation of identities in situations and the concept of salience is explained in each theory. A salient social identity indicates “one which is functioning psychologically to increase the influence of one’s membership in that group on perception and behavior” (Oakes 1987). In identity theory, salience has been understood as the probability that an identity will be activated in situation. Identity theory scholars have been concerned more about understanding the effect of persons’ roles in the society on the likelihood that those persons will activate one social identity rather than another (Setes and Burke 2000). Lastly, both theories also discuss the core process in which identities are internalized and used to define self. Social identity theory speaks of social identification and the process of self-categorization in which seeing the self as an embodiment of the in-group prototype. It holds that activation of a social identity is sufficient to result in depersonalization. Similar to depersonalization in social identity theory, a central cognitive process in identity theory is referred to “self-verification” in which process a person sees the self in terms of the role as embodied in the identity standard and behaves so as to maintain consistency with it.

2.2.3 Social Identity or Role Conflict

Both social identity and identity theories regard the self as a dynamic construct differentiated into multiple identities that reside in circumscribed practices, norms, or roles. Although both theories acknowledge identity salience as an active identity to result in consistent behaviors with that identity, inter-group or role conflict grapples when multiple identities are hold in the context in which one identity takes precedence over another. In other words, people may find themselves in situations in which sufficiently meeting the core expectations (norms) of one role (in-group activity) means falling short of the core expectations of another. For example, Proudford and Smith (2003) analyzed business cases of social identity conflict in a large financial institution and their study illustrated that every player in the organization represents multiple identities (relating, for example, to their function, position in the hierarchy, gender or ethnicity). A change in the composition of players within a group will shift the salience of a given identity as well as the locus of the tension or potential conflict.

Research has uncovered the complex relationship between roles in social interaction and the construction process of identity. Individuals do not equally embrace all identities associated with roles. Individuals vary in the extent to which they are committed to or identify with their different roles. Stryker (1968) proposed a salience hierarchy, or the probability of role expectations associated with an identity being displayed in a role performance. Turner (1978) wrote of the role-person merger, the process through which the person becomes what his or her role is, rather than merely performing a particular role in a given situation. Incongruity between a person's identity and roles results in person-role conflict. Erving Goffman (1961) spoke of role distance, or the way in which individuals separated themselves from particular roles that conflict with their identities. According to Turner (2002), the dynamic reconstruction and role-making and the resolution of role conflicts are governed by three principles of functionality, representationality, and tenability. In other words, modified roles are constantly frame and reframed in relation to what people are seen to represent to supply a tenable balance of benefits to costs for role incumbents.

The above literature review is highly relevant for understanding the motivation and behavior outcomes of employee referrals of friends. That is, assuming that referrals are a behavior that confirms one’s identity/role as a member of a firm, an employee may be more likely to refer his or her friends when that identity is salient. However, the identity salience will only increase referral likelihood when referrals are also consistent with an employee’s identity as a friend.

2.2.4 Friendship Norms

Friendship is a personal relationship that is grounded in a concern on the part of each friend for the welfare of the other, for the other’s sake, and that involves some degree of intimacy.

For centuries, friendships are expected to have an intrinsic orientation. In Aristotle's view, three general lovable qualities that serve as the motives for friendship: utility, pleasure, and the good. Moreover, each type of friendship, to be an actual friendship, has the following attributes: "To be friends therefore, men must (1) feel goodwill for each other, that is, wish each other's good, and (2) be aware of each other's goodwill, and (3) the cause of their goodwill must be one of the lovable qualities mentioned above. Mitchell (1997) stated the existence of friendship depended on how much the relationship is motivated by "wishing the other well for the other's sake." Friends pursue the relationship because of each other's "unique and irreplaceable qualities" (Silver 1990). And they are "loved for themselves alone" (Du Bois 1975). Pangle (2003) described the best form of friendship is one in which "the partners love each other for themselves, cherishing each other for their characters" (p.43). This perspective on friendship has been widely reinforced by contemporary scholarship, as some researchers have called this an expressive (rather than an intrinsic) orientation because emotional expressions often are what make friendships intrinsically enjoyable (Price and Arnould 1999; Wolf 1966).

When scholars note that the friendship role necessitates an intrinsic orientation, they frequently emphasize that it also encourages a minimal or nonexistent instrumental orientation. Aristotle described the ideal friendship as one in which the partners seek only intrinsic benefits, and partners who seek benefits beyond the relationship are merely "friends coincidentally" or friends "in only a truncated sense." Sliver (1990) believed that "the moral quality of friendship is enhanced precisely because it involves matters that do not enter into 'self-interested commerce'."

In summary, friendship is based on voluntary social interaction and motivated by a communal orientation. Friends are expected to seek out each other's company willingly rather than interact only to exploit bureaucratic demands or practical convenience. Also, friendship roles include the expectation for an exclusively intrinsic orientation. This characteristic is particularly important to the current research. Since ideal friendships encourage a lack of instrumentality it creates conflict with commercial exchange relationships in which at least some instrumental considerations are involved.

2.3 Conflicts in Social Relations

The interactionist views individuals' adoption and action of roles through social interaction. Individuals perform their roles to others in a social context (role-performing), and take on the role of others in order to anticipate their actions and perspectives (role-taking) and continually produce and reproduce roles (role-making) (Turner 1956). As an outcome of these interactions, individuals identify themselves and are identified by others as holding particular social statuses or positions (Stryker 1968). Next, I will explain how employee referral behavior evokes social identity or role conflicts in sufficient details by applying social relational framework.

To reflect on the social interaction, I rely on Fiske's social-relational theory. According to Fiske (1991, 1992), people use four elementary models to generate, interpret, coordinate, contest, plan, remember, evaluate, and think about most aspects of most social interaction in human societies. These models are (a) communal sharing (based on a bounded group of people who are equivalent to each other, e.g., family and friends), (b) authority ranking (based on an ordinal ranking of the social world, e.g., the military), (c) equality matching (based on reciprocity in the giving and taking of favors, e.g., acquaintances or colleagues), and (d) market pricing (based on a utility metric in social exchange, e.g., business partners). Usually, there is one relational model that is dominant within an interaction. As noted by Fiske, there are no transitional forms within relational theory and each schema is a qualitatively distinct structure (Haslam and Fiske 1992).

While all four relation models may be relevant for studying employee referrals of friends, this dissertation focus on communal sharing and market pricing in the analysis. Communal sharing is ‘‘based on a conception of some bounded group of people as equivalent and undifferentiated’’ (Fiske 1992, p. 690). In this model, all members have the same rights, but are also expected to show concern and to help each other (McGraw and Tetlock 2005). Market pricing, on the other hand, is based on proportionality in social exchange. In this model, people organize their interactions with reference to a utility metric (usually money based) that allows for a comparison of costs and benefits (Fiske 1992). In sum, communal sharing and market pricing are based on two different norms of exchange in that the former model emphasizes social exchange, whereas the latter model highlights monetary exchange.

Table 1. Social Relational Models (Fiske 1992)

Relation Model	Description	Examples
Communal Sharing (CS)	People treat some dyad or group as equivalent and undifferentiated with respect to the social domain in question.	people using a commons (CS with respect to utilization of the particular resource); people intensely in love (CS with respect to their social selves); people who "ask not for whom the bell tolls, for it tolls for thee" (CS with respect to shared suffering and common well-being); people who kill any member of an enemy group indiscriminately in retaliation for an attack (CS with respect to collective responsibility)
Authority Ranking (AR)	People have asymmetric positions in a linear hierarchy in which subordinates defer, respect, and (perhaps) obey, while superiors take precedence and take pastoral responsibility for subordinates. AR relationships are based on perceptions of legitimate asymmetries, not coercive power; they are not inherently exploitative (although they may involve power or cause harm).	military hierarchies (AR in decisions, control, and many other matters); ancestor worship (AR in offerings of filial piety and expectations of protection and enforcement of norms); monotheistic religious moralities (AR for the definition of right and wrong by commandments or will of God); social status systems such as class or ethnic rankings (AR with respect to social value of identities); rankings such as sports team standings (AR with respect

		to prestige); they are not inherently exploitative (although they may involve power or cause harm)
Equality Matching (EM)	People keep track of the balance or difference among participants and know what would be required to restore balance; common manifestations are turn-taking, one-person one-vote elections, equal share distributions, and vengeance based on an-eye-for-an-eye, a-tooth-for-a-tooth.	sports and games (EM with respect to the rules, procedures, equipment and terrain); baby-sitting coops (EM with respect to the exchange of child care); restitution in-kind (EM with respect to righting a wrong)
Market Pricing (MP)	MP relationships are oriented to socially meaningful ratios or rates such as prices, wages, interest, rents, tithes, or cost-benefit analyses. Money need not be the medium, and MP relationships need not be selfish, competitive, maximizing, or materialistic -- any of the four models may exhibit any of these features. MP relationships are not necessarily individualistic; a family may be the CS or AR unit running a business that operates in an MP mode with respect to other enterprises.	property that can be bought, sold, or treated as investment capital (land or objects as MP); marriages organized contractually or implicitly in terms of costs and benefits to the partners, prostitution (sex as MP); bureaucratic cost-effectiveness standards (resource allocation as MP); utilitarian judgments about the greatest good for the greatest number, or standards of equity in judging entitlements in proportion to contributions (two forms of morality as MP); considerations of spending time efficiently, and estimates of expected kill ratios (aggression as MP)

Hence, communal sharing and market pricing models are particularly useful for understanding employee referrals. That is, encouraging employees to refer their friends may evoke two different social relational models. On one hand, friendships are usually based on communal sharing and social exchange that is intrinsically enjoyable; on the other hand, employees may feel that convincing a friend to become a customer is reminiscent of a market pricing model. Importantly, people feel resistant to apply market pricing norms to relationships based on communal sharing, as they often believe that the norms of these two models are incompatible. In particular, they often feel that using market pricing norms in a communal sharing relationship may produce conflict and "may put their identity as a caring friend into question" (Fiske and Tetlock 1997). From another perspective, a conflict of this kind may arise because friendships encourage an intrinsic orientation. That is, people feel that friendships should be formed for their own sake and not for extrinsic benefits that may accrue from the relationship (Allan 1979). As a result, people are often reluctant to engage in commercial exchange with their friends.

The above argument clarifies why employees may hesitate to make referrals to their friends. With their friends, employees are likely to have friendship norms based on communal sharing, while engaging in referrals or recommendations to friends may evoke perceptions of market pricing. That is, employees may think that turning their friends into customers is akin to applying market pricing norms in a social domain that is supposed to be free of commercial interests (Fiske and Tetlock 1997). To put it simply, employees may feel that referrals create a conflict between their identity as an employee and their identity as a friend and such conflict may adversely affect their friendships.

2.4 Moderating Effect of Relational Framing

The behavior analytic approach explains language and cognition as arbitrarily applicable relational responding, and moreover that such responding is amenable to a learning or operant analysis, which also known as "relational frames." The term 'arbitrarily applicable' is used when social conventions define the relationships among stimuli. For example, a girl is more likely to be named Emily than Mick because social conventions dictate the relationship between the person Emily and the name Emily.

Relational frame theory argues that the building block of human language and higher cognition is "relating." People do not only relate to objects based on their physical relation alone but also use contextual cues or relational frames to help decide how to relate. It is contrasted with associative learning in which links are formed between stimuli in the form of the strength of associations in memory, while relational framing also specifies the type of relation as well as the dimension along which they are to be related.

Relational framing theory identifies two dimensions of relational communication that aid people in interpreting messages in interactions: the dominance–submissiveness frame vs. the affiliation–disaffiliation frame. Those two frames are in competition with one another, and act as cognitive frames, aiding people in making sense of interactions and filling in missing information when messages are unclear. The hierarchy of influences on frame activation is depicted in Fig. 2. The simultaneous operation of both frames would undermine efficient process (Dillard et al. 1999). The final dimension of relational communication, called involvement, acts to intensify the salient frame and differentiate between degrees of strength for the substance of the interaction.

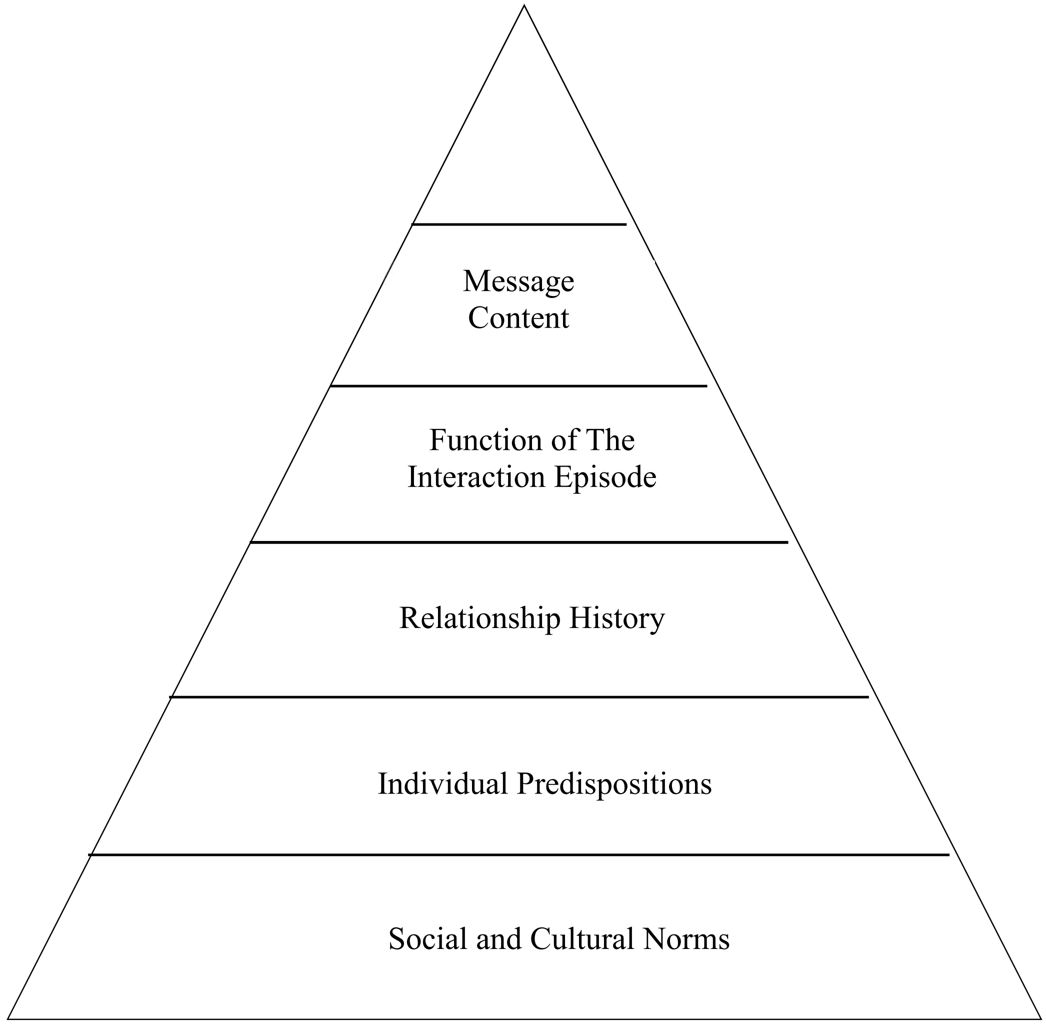

Figure 2. Influence on Frame Activation (Solomon 2006)

While people may feel reluctant to apply market pricing norms in communal sharing interactions, they may often find it difficult to determine the nature of a specific exchange to be reflective of market pricing or communal sharing. As noted by Fiske and Tetlock (1997), ''there is always ambiguity about which model(s) apply and how to apply them—leaving more or less space for interpretation'' (p. 263). Since the norms of can be ambiguous, people may pay particular attention to the terms in which the exchange is framed. For instance, McGraw et al. (2011) examined how consumers reacted to a value-based pricing strategy employed by a pharmaceutical firm (i.e., setting selling prices for drugs based on perceived value rather than costs). Participants found this strategy more acceptable when it was framed in communal terms (i.e., emphasizing that this strategy would allow the firm to continue groundbreaking research that would benefit everyone) rather than market pricing terms (i.e., emphasizing that this strategy would allow the firm to earn record-breaking profits). Similarly, McGraw and Tetlock (2005) tested how students respond when being asked by their roommate to do a household chore who offered either to pay them money or to pay an additional share of the electric bill (for the same amount) in return. Students were found more likely to accept the latter offer because it disguised the fact that they were getting paid to do a chore and was more reminiscent of a reciprocal relationship.

To understand the effects of relational framing, it is important to note that difficult trade-offs are cognitively taxing and trigger unpleasant emotions that people tend to avoid (McGraw, Schwartz, and Tetlock 2011). Thus, when people are offered an alternative explanation that reframes a difficult trade-off into something less distressing, they may be motivated to accept that explanation and the corresponding trade-off. In the current research context, employees may find referrals of friends more acceptable if they feel that they are reflective of communal sharing rather than market pricing. For instance, if firms portray referrals as an efficient way of acquiring new customers and increasing revenues, employees may feel that promoting their firm's product or services is equivalent to extending market pricing norms into domains that have a special, even sacred status (Grayson 2007; Price and Arnould 1999). As a result, they may show little inclination. Conversely, employees may feel more motivated if they see referrals are framed in a communal sharing way or as an intrinsically motivated act. For example, Mary Kay consultants assert that they do not sell cosmetics but teach consumers about skin care (Biggart 1989). Service firms may emphasize that employees can help their friends by giving expert advice and by ensuring that they will only buy a service that meets their needs. Such framing may increase referral likelihood as it activates communal norms, and reduces employee's social identity or role conflict.

Chapter 3 Hypothesis Development

In this section, I will discuss the main effect hypothesis from employee's perspective as well as the referral receiver's perspective, followed by moderating effect hypothesis.

3.1 Referral Rewards Scheme and Tie Strength

3.1.1 Without referral rewards

As elaborated earlier, employees may be more willing to make referrals or recommendations when their employee identity is salient, and this effect only prevails when referrals are framed in communal terms. In the no rewards situation, employees make referrals motivated by intrinsic motivation. Ryan and Deci (2000) argue that people are more likely to be motivated when the things they do are inherently interesting or enjoyable. Without referral rewards, employees are motivated intrinsically and activating the communal framing mechanism, which enhances their salience identity of employee status. According to Shinnar, Yang and Meana (2004), employees who feel positively about their employers may be intrinsically motivated to make referrals due to: (1) self-involvement (to relive the delight of joining or to confirm their joy in being part of the organization); (2) self-confirmation (to reinforce their conviction that they made the right choice in working for the employer); or (3) other involvement (the desire to help or to share the benefits of joining the organization with others). As for the recommendation receivers, they will have no doubts about recommender's motives because there is no extrinsic reward for doing so. Therefore, the only possible attribution receivers can make is that the recommendation was intrinsically motivated and they genuinely liked the product and thought the receivers would as well. As a result, recommendation receiver will have higher purchase likelihood.

As all referrals occur within social structure, tie strength is integral to the examination of the phenomenon. People interact with others through a spectrum of degrees of tie strength, ranging from strong tie relations such as a close friend to weak tie relations such as seldom-contacted acquaintance or colleague at work. Research has shown that tie strength is an important property of relationships in determining how social context affects referrals (e.g., Brown and Reingen 1987; Reingen and Kernan 1986; Ryu and Feick 2007; Wirtz et al. 2012). In social exchange theory, interactions between strong ties are often described as altruistic and compassionate forms of exchange, while the maintenance of the relationship is more important than the material content in the exchange (Sahlins 1972). In other words, with strong ties, people tend to have communal relationships in which they feel general concern about the other person's welfare. They respond to the other's needs but do not expect anything in return. With weak ties, however, people typically have a balanced exchange relationship rather than a communal sharing, which is more economic in nature and reciprocity is considered important (Clark and Mills 1979). Prior research has already established a relationship between tie strength and recommendations. Specifically, people are more likely to make recommendations to strong, compared to weak, tie relations and strong ties, in turns, are more likely to be sought for recommendations (Bansal and Voyer 2000; Bristor 1990; Brown and Reingen 1987). In addition, recommendations by strong ties have a stronger influence on the recipient's subsequent behavior than those from weak ties because more trust and greater knowledge about the needs and preference associated with the strength of ties (Bansal and Voyer 2000; Frenzen and Nakamoto 1993).

Therefore, I propose:

H1a: Employees will have more referral likelihood with strong ties than weak ties

when no incentives are offered.

H1b: Referral recipients will have higher purchase intention with non-incentive referrals made by strong ties compared to weak ties.

3.1.2 With Referral Rewards

From the exchange theory perspective, a customer's decision to engage in referrals depends on the perceived costs and benefits of the exchange. When the satisfaction or pleasure from such activity is not sufficient to offset the perceived costs (such as the risk of providing inappropriate advice which may jeopardize social relationships), referral completion may need to add extrinsic motivation. Hence in practice, firms often offer rewards to increase the likelihood of referrals.

Incentives will change the nature of recommendation and the outcome of relational framing. According to the overjustification hypothesis proposed by Deci (1971), individual infers causes about his or her own behavior based on external constraints. The presence of a strong external constraint (such as a reward) for recommender would lead him or her to attribute his or her referral behavior solely to rewards, which undermines his or intrinsic motivation and shifts it to extrinsic motivation (Deci 1971). As mentioned before, it is also important to note that different relational models are associated with different sets of behaviors, rules, and norms (Fiske 1992). And the associations between relational models and behavioral norms may help people to infer what kind of model can be appropriately applied to an exchange. In an incentivized referral situation, referral rewards for a recommender reminiscent of a market-based transaction will activate recommender's market pricing framing which induce the conflict that “may put their identity as a caring friend into question” when receiving rewards (Fiske and Tetlock 1997). However, when rewards are allocated to the recommendation receiver, employees may be less concerned about undermining communal norms since they’re not receiving any extrinsic rewards. And furthermore, they would attribute their referral behavior to altruism because they feel they are not only helping their friends by providing advice but also by giving them opportunity to win a reward, which also greatly enhance their self-esteem when employee identity is salient.

The reward scheme is also likely to be moderated by tie strength. Based on relationship norms, the nature of strong ties is characterized with closeness, cooperation, and altruism. As stated previously, with strong ties, people tend to have communal relationships in which they feel genuinely concerned about others’ welfare. Meanwhile, strong tie relations trust each other, and recipients tend to believe that any help given to them is other-oriented (Barnett et al, 2000). Thus, when rewards are directed to referral recipients, it will maximize the referral likelihood as well as purchase intention with strong ties. Employees concerns about inappropriate advices would also be lessened because their friends are actually getting extrinsic rewards because of their referrals. As for receivers, their purchase intention also increases not only because they get extra rewards for purchase, but also showing their appreciation for strong tie’s altruistic offer by concurring their advices. With weak ties, on the other hand, people typically focus more on extrinsic constraints as well as reciprocity such that a recommender can be motivated by self-interest and less likely to be concerned about the weak tie’s welfare. Therefore, referral rewards motivate the recommender to make referrals more to weak ties than to strong ties. Thus, I expect

H2a: Employees will have less referral likelihood with strong ties than weak ties when rewards are allocated to the recommenders.

H2b: Employees will have more referral likelihood with strong ties than weak ties when rewards are allocated to the recipients.

H2c: Referral recipients will have higher purchase intention with referral rewards allocated to themselves rather than to the recommender, and with referrals made by strong ties rather than by weak ties.

3.2 Moderating Effect of Relational Framing

As mentioned previously, while people may feel reluctant to apply market pricing norms in communal sharing interactions, they often find it difficult to determine the nature of a specific exchange and such norm ambiguity leaves space for interpretation by themselves. For example, McGraw and Tetlock (2005) showed that activating the norms linked to a particular relational schema could change the perceptions of and reactions to a proposed exchange. Their results confirmed Aggarwal's (2004) claim that shifts in the framing of a relationship could profoundly influence the interpretation and perceived acceptability of an exchange. In other words, as people may have difficulties evaluating tradeoffs which entails comparisons of the relative importance of secular values such as money, time, and convenience with sacred values, relational framing is especially effective when they seek ways to make trade-offs that would undermine claims to desired social identities (McGraw and Telock 2005). While people are continually implicitly or explicitly negotiating the meanings of transactions and the nature of the social identities they would like to establish in the eyes of others, their choice of adoption of relational scheme may be exaggerated by how they are framed. In the current research context, employees may find referrals of friends more acceptable if they feel that they are reflective of communal sharing rather than market pricing. For instance, if firms portray referrals as an efficient way of acquiring new customers and increasing revenues, employees may feel that promoting their firm's product or services is equivalent to extending market pricing norms into domains that have a special, even sacred status (Grayson 2007; Price and Arnould 1999). As a result, they may show little inclination. Conversely, employees may feel more motivated if they see referrals are framed in a communal sharing way or as an intrinsically motivated act such as to help their friends by giving expert advice. Therefore, I propose relational framing moderate the referral likelihood with strong ties as it helps to frame a communal sharing model which reduce employee's social identity or role conflict. Relational framing will not significantly change referral likelihood with week ties as people usually have a balanced exchange relationship rather than a communal sharing, which is more economic in nature and related to marketing pricing scheme. Thus, I propose:

H3a: When referrals are framed in communal sharing ways rather than in marketing pricing norms, employees will have greater referral likelihood with strong ties regardless of rewards allocation.

H3b: Relational framing has no significant effect on employees' referral likelihood with week ties regardless of rewards allocation.

3.3 Moderating Effect of Brand Strength

Finally, I focus on how brand strength should moderate employees' referral likelihood. Following Keller's (1993) work, I operationalize brand strength as in terms of brand awareness and brand associations. Prior research has shown that consumers respond differently to strong brand vs. weak brands. For example, price promotion has great impact on stronger brand than on weak brand (Heath et al. 2000). I also expect that brand strength should moderate employees' referral likelihood. Specifically, I argue that the brand strength affect employee referrals likelihood with strong ties. With strong ties, people tend to have communal relationships in which they feel general concern about the other person's welfare. They respond to the other's needs but do not expect anything in return. In other words, people's referrals are mostly driven by intrinsic motivation rather than extrinsic rewards. Compared to weak brands, people tend to have more self-involvement associated with strong brand and they often feel a sense of pride for joining and working for the company. In addition, they will have higher confidence when making referrals to friends without worrying the product performance affects relationship outcome. When their employee identity is salient, the strong brand confidence and association will enhance that identity salience as well as the intrinsic motivation, compensating for the identity conflict between their roles as an employee and a friend. In contrast, strong brand has limited impact on rewarded referrals to weak ties, as people typically have a balanced exchange relationship in the weak tie relationship, which is more economic in nature. Referrals for weak brands are likely to lack intrinsic motivation and hence driven by extrinsic rewards. Therefore, I propose:

H4: Brand strength positively moderates employees' referral likelihood with strong

ties regardless of rewards scheme.

Chapter 4 Methodology

Experiment data purchased from a marketing consulting agency is used to test the hypotheses proposed in Chapter 3. The experiments of data varied reward schemes (no reward, reward recommender, reward receiver), relational framing (communal sharing, market pricing), brand strength (strong, weak), and tie strength (strong, weak) to examine the employee recommender's referral likelihood and receiver's purchase intension. In each experiment, pairs of subjects were randomly assigned as either employee recommender or receiver with tie strength manipulated in strong or weak relationship.

4.1 Study 1

The purpose of Study 1 was to test Hypotheses 1a, 1b, 3a, and 3b. It is a two-staged process. In the pretest, it examined Hypotheses 1a, 1b when no rewards no relational framing provided. The research design of step two was a 2 (strong tie, weak tie) X 2 (relational reframing: communal sharing, market pricing) between subjects design. A total of 172 participants were recruited by the marketing agency to participate in exchange for financial compensation. In return for their service, each participant was paid ¥10 RMB (~$1.5 USD) for participation. After excluding cases with significant missing data or errors, our sample in the current study consists of 158 participants (84 females, 74 males), bringing the response rate close to 91.8%. On average, participants were 28.4 years old and with an employee tenure of 6.3 years. 34.1% of participants completed college or equivalent degrees and 17.1% with graduate degrees.

4.1.1 Independent Variables

Tie Strength

There were two types of tie strength in the study: strong tie (close friends or family) and weak tie (distant friends). The relationship between the recommender and the receiver was manipulated following the procedure of Frenzen and Nakamoto (1993) as close as possible. Specifically, participants were asked to identify (using initials) either “one of your closest friend” for strong ties or a “casual acquaintance – someone you interact with from time to time, but someone not close enough to count as a friend (e.g. a classmate you have recently met)” for weak ties.

Relational Framing

While people may feel reluctant to apply market pricing norms in communal sharing interactions, they may often find it difficult to determine the nature of a specific exchange to be reflective of market pricing or communal sharing. Since the norms of can be ambiguous, people may pay particular attention to the terms in which the exchange is framed. To understand the effects of relational framing in the current study, referrals are framed in two ways following the procedure of Wentzel, Tomczak and Henkel (2014). In the communal sharing condition, referrals are framed as a way to “help a friend with a complicated, yet necessary decision” of purchasing financial services they needed. In the market pricing condition, referrals are framed as a way to generate additional revenue for the firm.

4.1.2 Dependent Variables

Referral Likelihood

Referral likelihood was measured as an average of three 7-point items adapted from Cheema and Kaikate (2010). Specifically, "How likely are you to recommend the service of your firm to your friends?", "I will tell my friends good things about the service of my firm", and "I will recommend that my friend buy the service of my firm." (Cronbach $\alpha=0.87$)

Purchase Intention

Purchase intention was measured as an average of three 7-point items adapted from Hardesty, Carlson, and Bearden (2002). Specifically, "I would intend to buy the service that the recommender recommends", "My willingness to buy the service that the recommender recommends is high", "I have a high intention to buy the service that the recommender recommends". (Cronbach $\alpha=0.91$)

4.1.3 Procedure

Participants were randomly assigned to one of the two groups, either recommender or receiver. Random selection resulted 83 participants in the "recommender" group and 75 participants in the "receiver" group. Recommenders were instructed to read a role-playing scenario that was created to stimulate the employee identity, and receivers were asked to read a scenario to imagine a close friend A or a distant acquaintance B. While role-playing scenarios are often criticized for not reflecting real decision processes, they are frequently used in service and WOM research (e.g., Cheema and Kaikati 2010; Wirtz et al. 2013). In the current context, the use of scenarios had three advantages. First, a scenario approach minimizes cognitive bias resulting from memory errors. Second, this approach allows the efficient manipulation of independent variables and reduces experimental noise by controlling for the effects of extraneous variables. Third, it controls heterogeneity across participants and thus provides a standardized setting for each participant (Wentzel, Tomczak, and Henkel 2014).

After completing the first task, participants in "recommender" group were exposed to another hypothetical scenario. Participants were instructed to read an article that described that an employee referral program called "Family and Friends" from their company and then asked their willingness to make referrals to either a close friend or an acquaintance. Then, they were randomly assigned to the conditions of 2 X 2 between subjects design experiment. For "communal sharing" manipulation, participants would be provided with a short description framing referrals as a way of helping their friends with a complicated yet necessary decision in purchasing financial products/services they really need. For "market pricing" condition, participant would be provided with a description framing referrals as a market-based transaction that was mainly dictated by firm's financial interests. That is, the description would encourage "employee" to make referrals to help generate additional revenue for the firm. At last, all "recommender" participants were asked to indicate their referral likelihood to a close friend or distant acquaintance. Participants in "receiver" group were instructed to read the hypothetical referral scenario and rate their purchase intention. Tie strength manipulation for both groups remain the same.

4.1.4 Manipulation Checks

To check the successful manipulation of employee identity (mean>5), participants were asked to what extent they recalled their job titles and responsibilities as the indication of employee identity salience (mean=6.71, t=26.18, p<0.001). As a check on relational framing, participants indicated on one item the extent to which they considered referrals framed in communal norms or market norms ("the referral program emphasized that I can help my friends in making a good decision by recommending our services", "the referral program emphasized that I can help in generating new profits by recommending our services"). Participants in the communal norm conditions felt more strongly about the communal sharing rather than market pricing perspective for referrals (M_{cs}=5.39, M_{mp}=2.64, t=16.19, p<0.001), and vice versa (M_{cs}=1.49 M_{mp}=5.13, t=17.24, p<0.001). To check the tie strength manipulation, participants were asked to rate a 7-scale item: "How close do you feel to the friend A/B?" Both levels of tie strength manipulation were successful, M_{st}=6.39, M_{wt}=2.08, t=22.11, p<0.001).

4.1.5 Results

Hypothesis Testing

When no rewards provided, referral likelihood with strong ties is significantly higher than with weak ties (M_{ref_st}=4.19, M_{ref_wt}=3.13, t=4.66, p<0.001). Hypothesis 1a supported. Recommendation receivers' purchase intention also varies across different tie relationships. Recommendation made though strong tie is associated with significant higher purchase intention than weak tie (M_{pi_st}=5.24, M_{pi_wt}=1.95, t=18.11, p<0.001). Hypothesis 1b supported.

To test other between subject factors, I analyzed referrals using a 2 X 2 analysis of variance (ANOVA). As expected, relational reframing significantly influence the referral likelihood, M_{ref_cs}=4.78, M_{ref_mp}=2.96, $F(1, 79)=29.90$, $p<0.001$, and tie strength itself has insignificant effect, M_{ref_st}=3.95, M_{ref_wt}=3.79, $F(1, 79)=0.241$, $p>0.62$. Importantly, relational reframing interacts with tie strength to influence referral likelihood, $F(1, 79)=12.91$, $p<0.001$. When no rewards offered, referrals framed in communal sharing ways have higher likelihood with strong ties than in referrals based on marketing pricing norms, $M_{ref\_cs\_st}$=5.46, $M_{ref\_mp\_st}$=2.44, and not significant difference with weak ties, $M_{ref\_cs\_wt}$=4.10, $M_{ref\_mp\_wt}$=3.48.

Table 2. Referral Likelihood with No Rewards

Relational Framing	Tie Strength	Mean	Std. Deviation	N
Marketing Pricing	Weak Tie	3.4762	1.63153	21
	Strong Tie	2.4444	1.46417	18
	Total	3.0000	1.62221	39
Communal Sharing	Weak Tie	4.1000	1.55259	20
	Strong Tie	5.4583	1.38247	24
	Total	4.8409	1.59859	44

Discussion

Study 1 showed that when no rewards provided, referral likelihood is determined by the interaction between relational framing and tie strength. In general, employees show greater interests in referring strong ties as an altruistic action for the consideration of their friends benefit. Additionally, employees are more likely to participate in referral programs that framed in communal sharing ways than in market pricing ways. More importantly, relational framing and tie strength interact to influence referral likelihood. When referrals are framed and interpreted in communal norms rather than in market norms, it significantly increases employees' referral likelihood with strong ties as it enhances employee's social identity as a caring friend. However, the effect is not significant with weak ties, as individuals usually have a more balanced relationship with weak ties. Recommendation receivers naturally have more trust in strong tie relationships and thus show higher purchase intention when referrals made by strong ties.

4.2 Study 2

In study 2, rewards were offered with referrals. The results of study 2 was used to test Hypotheses 2a, 2b, 2c, 3a, and 3b. It investigated the likelihood of rewarded referrals (rewards to recommender, rewards to receiver) to as well as purchase intentions by strong ties and weak ties. In additional, it further examined the moderating effect of relational framing by using a 2 (tie strength: strong tie, weak tie) X 2 (relational reframing: communal sharing, market pricing) X 2 (rewards allocation: reward recommender, reward receiver) between subjects research design. Similarly, a total of 254 participants were recruited through a marketing agency for participation in exchange for financial compensation. After excluding cases with significant missing data or errors, the sample in the current study consists of 243 participants (154 females, 89 males), bringing the response rate close to 95.7%. On average, participants were 34.6 years old and with an employee tenure of 8.1

years. 41.7% of participants completed college or equivalent degrees and 9.8% with graduate degrees.

4.2.1 Procedure

Participants were randomly assigned to one of the two roles, either recommender or receiver. In the current study, 151 participants were assigned to the "recommender" group and 92 participants in the "receiver" group. Recommenders were given instructions to read a role-playing scenario that was created to stimulate the employee identity, and receivers were asked to read a scenario to imagine a close friend A or a distant acquaintance B. Following this, both "recommender" and "receiver" participants were exposed to read the hypothetical scenarios to stimulate treatments. "Recommender" participants were instructed to read an article that describes an employee referral program called "Family and Friends" from their company including details about the reward allocations. By playing the "recommender" role, participants were assigned to a 2 (strong tie, weak tie) X 2 (communal sharing, market pricing) X 2 (reward recommender, reward receiver) between subjects design experiment for manipulation by random selection. The manipulation of tie strength and relational framing follow the same procedure as in study 1. For The referral reward worth ¥10 RMB ($1.5 USD, equivalent to the compensation offered for participating this study) with each successful referral, either given to recommenders or to receivers. Both "recommender" and "receiver" participants were asked to indicate their referral likelihood to and purchase intention upon referrals by a close friend or distant acquaintance, respectively.

4.2.2 Results

Hypothesis Testing

In study 2, the analysis revealed insignificant main effects for tie strength, $F(1, 147)=0.58$, $p>0.44$, and rewards allocation, $F(1, 147)=2.02$, $p>0.15$. However, the interaction of tie strength and rewards allocation yields a significant effect on employee referral likelihood, $F(1, 147)=43.56$, $p<0.001$. When rewards are allocated to recommenders, employees are more likely to make referrals to weak ties than to strong ties, $M_{rrefem\_wt}=5.55>$ $M_{rrefem\_st}=4.17$, whereas when rewards are allocated to receivers, they are more likely to make referrals to strong ties than weak ties, $M_{rreffr\_st}=5.68>$ $M_{rreffr\_wt}=4.58$. Therefore, hypotheses 2a, 2b supported.

Table 3. Study 2a Referral Likelihood with Rewards

Tie Strength	Rewards Allocation	Mean	Std. Deviation	N
Weak Tie	Receiver	4.5833	.96732	36
	Recommender	5.5526	.92114	38
	Total	5.0811	1.05670	74
Strong Tie	Receiver	5.6757	1.13172	37
	Recommender	4.1750	1.46563	40
	Total	4.8961	1.50948	77
Total	Receiver	5.1370	1.18222	73
	Recommender	4.8462	1.40571	78
	Total	4.9868	1.30633	151

Table 4. Study 2a Tests of Between-Subjects Effects on Referral Likelihood

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	61.946[a]	3	20.649	15.644	.000
Intercept	3764.263	1	3764.263	2851.893	.000
Tie Strength	.767	1	.767	.581	.447
Rewards Scheme	2.661	1	2.661	2.016	.158
Tie Strength * Rewards Scheme	57.489	1	57.489	43.555	.000
Error	194.028	147	1.320		
Total	4011.000	151			
Corrected Total	255.974	150			

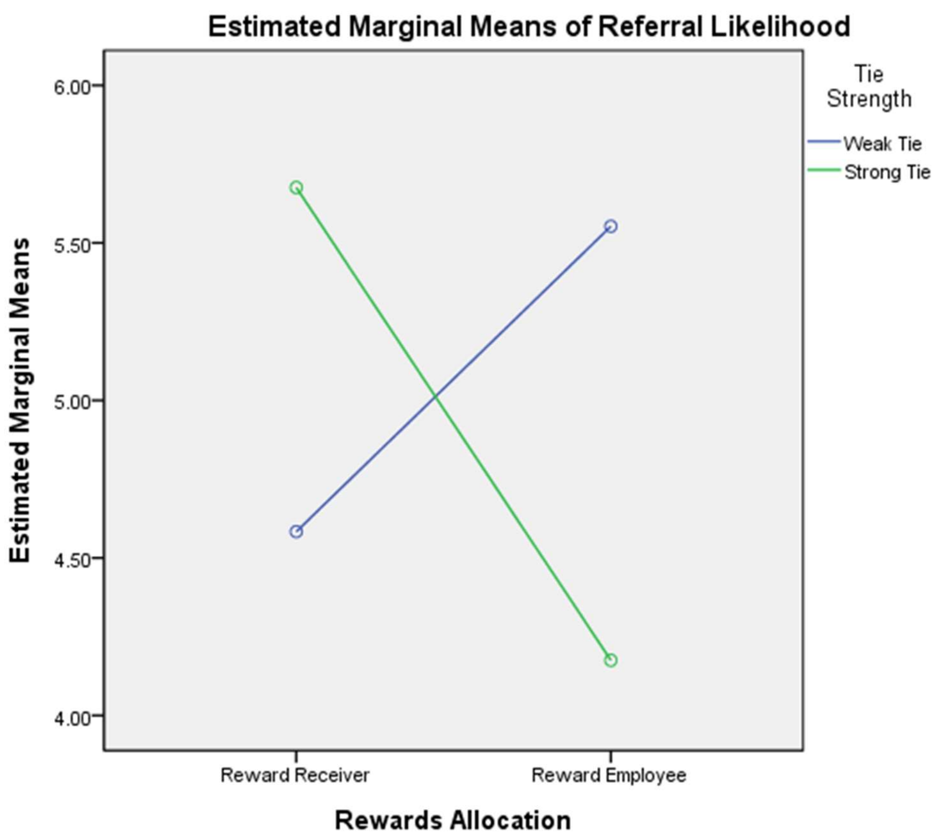

Figure 3. Interaction Effect of Rewards Allocation and Tie Strength

To test the moderating effect of relational framing, I analyzed employee referrals using a 2 X 2 X 2 analysis of variance (ANOVA). Consistent with results in study 1, relational framing moderates the effect of tie strength on referral likelihood, hypotheses 3a, 3b supported. As indicated by table 5 and 6, when referrals are framed in communal sharing ways rather than marketing pricing norms, employees have greater referral likelihood with strong ties regardless rewards allocated to recommender or receiver. However, as also illustrated in figure 4, the relational reframing does not significantly change employee's referral likelihood with weak ties.

Table 5. Study 2b Referral Likelihood with Rewards

Tie Strength	**Rewards Allocation**	**Relational Framing**	Mean	Std. Deviation	N
Weak Tie	Reward Receiver	MP	4.3077	0.85485	13
		CS	4.7391	1.00983	23
		Total	4.5833	0.96732	36
	Reward Recommender	MP	5.7895	0.71328	19
		CS	5.3158	1.05686	19
		Total	5.5526	0.92114	38
	Total	MP	5.1875	1.06066	32
		CS	5.0000	1.05922	42
		Total	5.0811	1.0567	74
Strong Tie	Reward Receiver	MP	4.6667	0.89974	15
		CS	6.3636	0.65795	22
		Total	5.6757	1.13172	37
	Reward Recommender	MP	3.4286	1.24786	21
		CS	5.0000	1.24722	19
		Total	4.175	1.46563	40
	Total	MP	3.9444	1.26366	36
		CS	5.7317	1.18373	41
		Total	4.8961	1.50948	77
Total	Reward Receiver	MP	4.5000	0.88192	28
		CS	5.5333	1.17937	45
		Total	5.137	1.18222	73
	Reward Recommender	MP	4.5500	1.56811	40
		CS	5.1579	1.15141	38
		Total	4.8462	1.40571	78
	Total	MP	4.5294	1.32113	68
		CS	5.3614	1.17472	83
		Total	4.9868	1.30633	151

Table 6. Study 2b Tests of Between-Subjects Effects on Referral Likelihood

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	115.939[a]	7	16.563	16.914	.000
Intercept	3581.959	1	3581.959	3657.820	.000
Tie Strength	1.097	1	1.097	1.120	.292
Rewards Allocation	.674	1	.674	.688	.408
Relational Framing	23.761	1	23.761	24.264	.000
Tie Strength * Rewards Allocation	49.579	1	49.579	50.629	.000
Tie Strength * Relational Framing	25.022	1	25.022	25.552	.000
Rewards Allocation * Relational Framing	2.425	1	2.425	2.476	.118
Tie Strength * Rewards Allocation * Relational Framing	1.387	1	1.387	1.417	.236
Error	140.034	143	.979		
Total	4011.000	151			
Corrected Total	255.974	150			

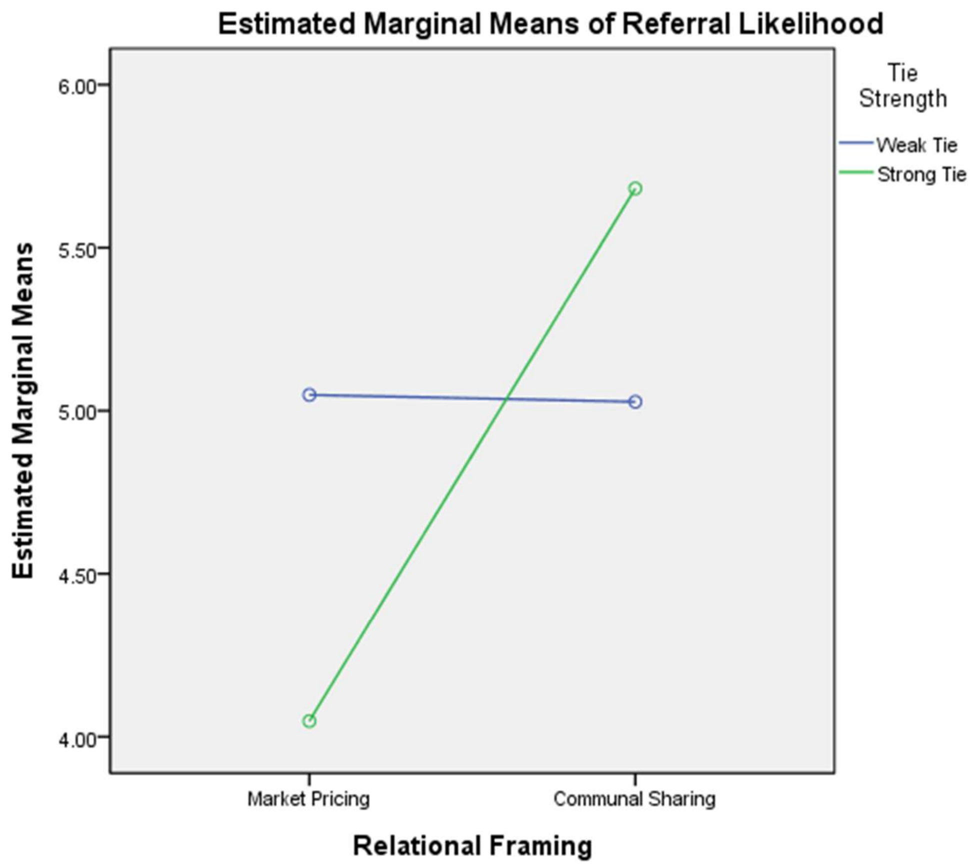

Figure 4. Moderating Effect of Relational Framing on Strong Ties

To examine referral outcomes, I analyzed "receivers" purchase intention by using a 2 (Rewards Allocation: reward recommender, reward receiver) X 2 (Tie Strength: strong tie, weak tie) analysis of variance (ANOVA). As shown in the results, the main effects of rewards allocation, $F(1, 88)=30.94$, $p<0.001$, and tie strength, $F(1, 88)=29.06$, $p<0.001$, are significant however the interaction effect is insignificant, $F(1,88)=0.105$, $p>0.74$. Particularly, recommendation receivers have higher purchase intention when rewards allocated to themselves rather than the recommender, and with referrals made by strong ties rather than weak ties. Therefore, hypothesis 2c supported.

Table 7. Purchase Intention

Rewards Allocation	Tie Strength	Mean	Std. Deviation	N
Reward Receiver	Weak Tie	5.2174	1.04257	23
	Strong Tie	6.5000	.72232	24
	Total	5.8723	1.09578	47
Reward Recommender	Weak Tie	3.7273	1.72328	22
	Strong Tie	5.1739	1.19286	23
	Total	4.4667	1.63207	45
Total	Weak Tie	4.4889	1.59006	45
	Strong Tie	5.8511	1.17914	47
	Total	5.1848	1.54727	92

Table 8. Study 2 Tests of Between-Subjects Effects on Purchase Intention

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	88.278[a]	3	29.426	19.983	.000	.405
Intercept	2442.160	1	2442.160	1658.500	.000	.950
Rewards Allocation	45.560	1	45.560	30.940	.000	.260
Tie Strength	42.790	1	42.790	29.059	.000	.248
Rewards Allocation * Tie Strength	.155	1	.155	.105	.747	.001
Error	129.581	88	1.473			
Total	2691.000	92				
Corrected Total	217.859	91				

a. R Squared = .405 (Adjusted R Squared = .385)

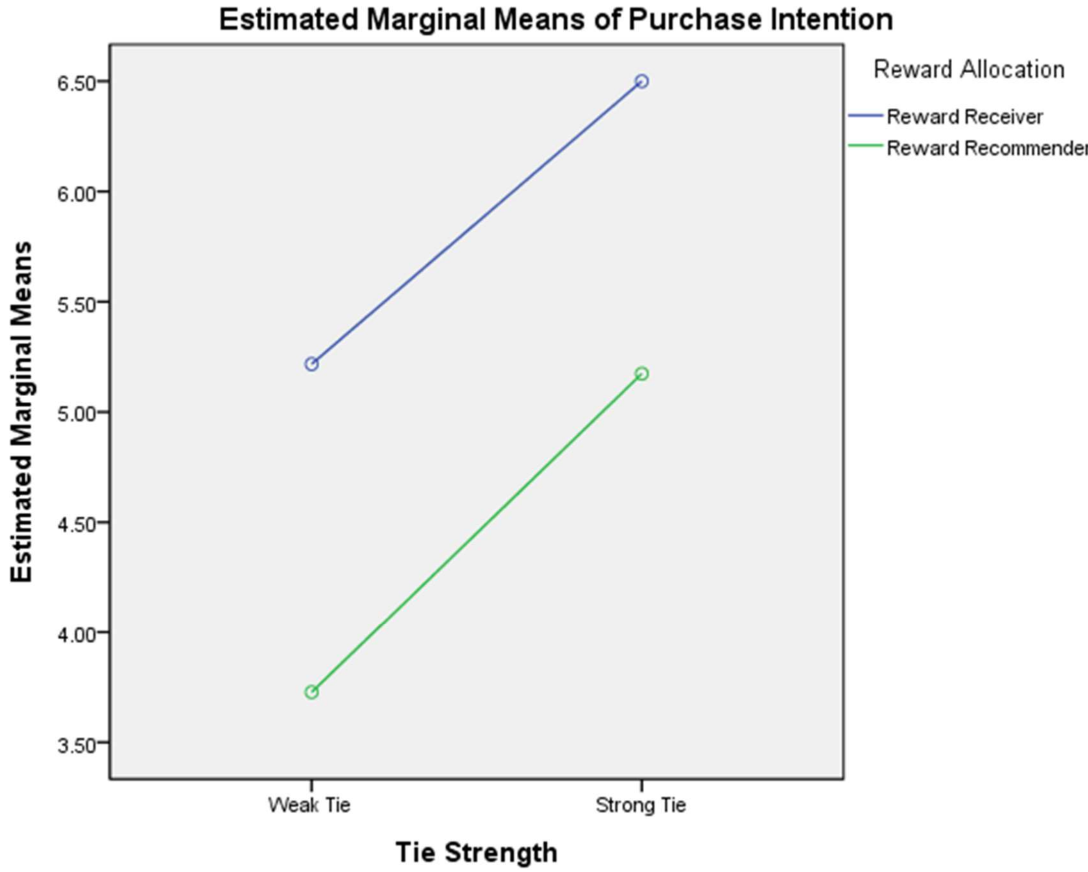

Figure 5. Marginal Effect of Rewards Allocation of Purchase Intention

Discussion

The results from Study 2 showed that when rewards provided, referral likelihood is determined by the interaction between rewards allocation and tie strength. When rewards offered to employees, they are more likely to make recommendations to weak ties to avoid identity conflict; whereas when rewards paid to receivers, they have the highest likelihood to make recommendations to strong ties (M_{rreffr_st}=5.68). Regardless of rewards allocation (no rewards, reward recommender, reward receiver), referrals framed in communal sharing ways positively moderate referral likelihood with strong ties, and no significant effect on weak ties. Arguably, because people usually have a more balanced relationship with weak ties, the relational framing effect is less prominent in resolving identity conflicts. Referral receivers have higher purchase intention when rewards allocated to themselves, and with referrals made by strong ties.

4.3 Study 3

The purpose of study 3 was to test Hypothesis 4 by investigating the moderating effect of brand strength. 64 participated are recruited through a marketing agency for this follow up study. On average, participants were 27.4 years old and with an employee tenure of 8.5 years. 34.4% of participants completed college or equivalent degrees and 7.8% with graduate degrees.

4.3.1 Procedure

The purpose of the current study is to examine the moderating effect of brand strength on referral likelihood with strong ties. Participants were instructed to read a role-playing scenario that was used to stimulate the employee identity. Following this, participants were instructed to read an article that describes an employee referral program called "Family and Friends," and consider how likely they were going to participant by making recommendations to family or close friends. To reduce the complexity of the study, the article described how referral program works and left out cues for relational framing. In additional, participants were provided with only two rewards conditions, with or without rewards (reward value is still ¥10 RMB, equivalent to the compensation offered for participating the current study).

The experiment was a 2 X 2 between subjects factorial research design in which brand strength and rewards scheme varied. To manipulate brand strength, a brief description of reputation and quality was presented for a hypothetical brand. To “minimize or eliminate the effects of product influences on respondents,” I used the “general product concept” proposed by Rierson (1966) and Lillis and Narayama (1974). For strong brand manipulation, the product was described as “one of the leading brands in its category, recognized for its high quality and reputation,” and the weak brand was described as a “not well-known in market, with reasonable quality” Manipulation check of brand strength was successfully confirmed.

4.3.2 Results

As H4 proposed, brand strength increases employee referral likelihood with strong ties regardless of rewards scheme. Referral likelihood of strong brands to strong ties is M_{sb_wor}=5.56 without rewards, and M_{sb_wr}=5.80 with rewards. The likelihood of referrals for weak brands is much lower, M_{wb_wor}=3.35 without rewards, and M_{wb_wr}=3.50 with rewards. Hypothesis 4 supported.

Table 9. Referral Likelihood for Brand

Brand Strength	Rewards Scheme	Mean	Std. Deviation	N
Weak	Without Rewards	3.3571	1.15073	14
	With Rewards	3.5000	1.15045	18
	Total	3.4375	1.13415	32
Strong	Without Rewards	5.5625	.89209	16
	With Rewards	5.8000	.94112	15
	Total	5.6774	.90874	31
Total	Without Rewards	4.5333	1.50249	30
	With Rewards	4.5455	1.56307	33
	Total	4.5397	1.52215	63

Table 10. Study 3 Tests of Between-Subjects Effects

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	79.599[a]	3	26.533	24.440	.000
Intercept	1295.937	1	1295.937	1193.726	.000
Brand Strength	79.243	1	79.243	72.993	.000
Rewards Scheme	.565	1	.565	.520	.474
Brand Strength * Rewards Scheme	.035	1	.035	.032	.858
Error	64.052	59	1.086		
Total	1442.000	63			
Corrected Total	143.651	62			

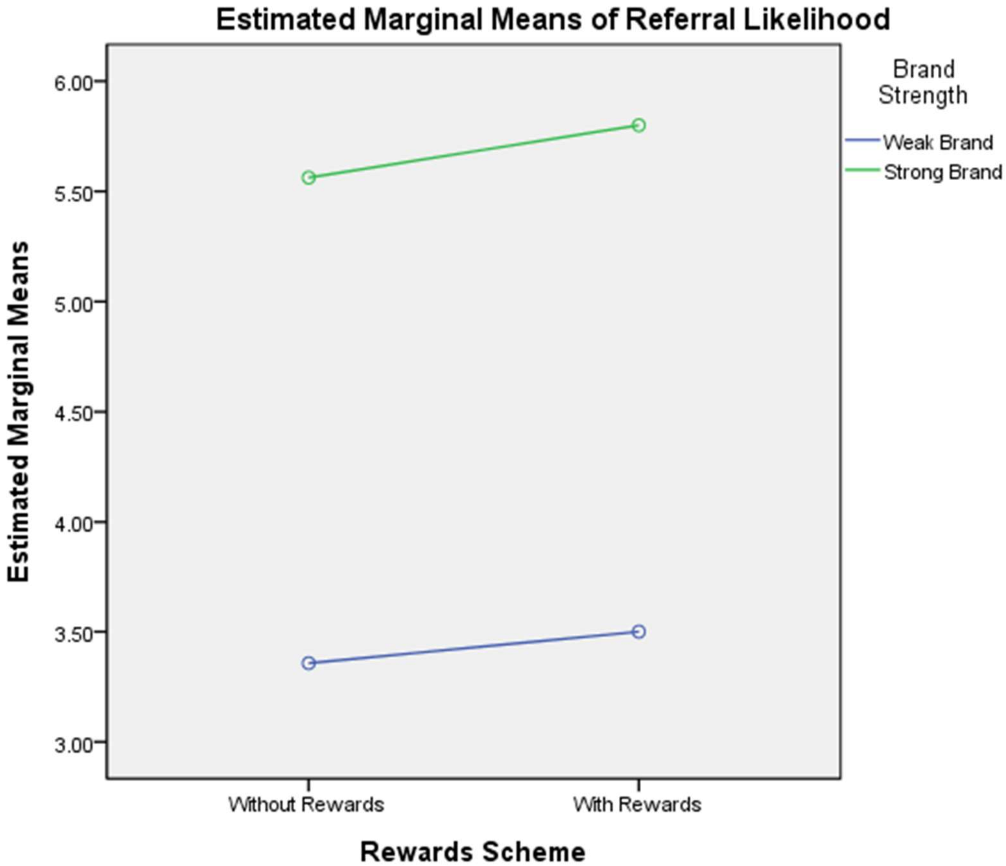

Figure 6. Moderating Effect of Brand Strength

Chapter 5 Conclusion

Customer referral programs, which encourage existing customers to recommend a firm's product or services in their social network, have become a popular marketing tool. Existing studies have studied various aspects of customer referral programs as a consequence of their practical relevance, however little research has been conducted on employee referrals, a special type of referral made by employees to their social ties. Similar to consumer referrals, employees can also engage in WOM communications to convert new customers within their social network. According to the self-perception theory, employees who feel positively about their employers may be intrinsically motivated to make referrals as a means for channeling self-involvement and enhancing self-confirmation. On the other hand, employees who do not have positive work attitudes may still engage in positive WOM as a result of extrinsic rewards offered by the firm.

Although employee referrals haven been an effective method for acquiring new customers and stimulating employee positive outcomes, it has been neglected in the literature and little guidance can be found to help practitioners design employee referral schemes. To address this research gap, this dissertation aims to provide conceptual understanding of the impact of employee referral rewards programs on referral likelihood and its effectiveness on customers' purchase intension.

Previous research had showed that people are more likely to make recommendations to strong tie relations than weak ties and strong ties, in turns, are more likely to be sought for recommendations (Bansal and Voyer 2000; Bristor 1990; Brown and Reingen 1987). Consistent with prior studies, study 1 in my research context also shows greater referral likelihood and purchase intention with strong ties when no rewards offered. Furthermore, the referral likelihood is determined by the interaction between relational framing and tie strength. Employees are more likely to participant in referral programs that framed in communal sharing ways than in market pricing ways. When referrals are framed and interpreted in communal norms rather than in market norms, it significantly increases employees' referral likelihood with strong ties as it enhances employee's social identity as a caring friend. However, the effect is not significant with weak ties, as individuals usually have a more balanced relationship with weak ties. Recommendation receivers naturally have more trust in strong tie relationships and thus show higher purchase intention when referrals made by strong ties.

Rewards changed the nature of the interpersonal communication between both the recommendation giver and recipient. From the perspective of the recommendation giver, an economic reward for making a recommendation might result in a trade-off between conflicting motives of self-interest and protection of a relationship (Kornish and Li 2010). From the perspective of the recipient, the recommendation giver may no longer be perceived as a sincere and object when the incentive is visible or becomes apparent (Xiao, Tang, and Wirtz 2011). In Study 2, the findings suggested that when rewards provided, employee referral likelihood is determined by the interaction between rewards allocation and tie strength. When rewards offered to employees, they are more likely to make recommendations to weak ties to avoid identity conflict; whereas when rewards paid to receivers, they have the highest likelihood to make recommendations to strong ties (M_{rreffr_st}=5.68). Regardless of rewards allocation (no rewards, reward recommender, reward receiver), referrals framed in communal sharing ways positively moderate referral likelihood with strong ties resulting greater referral likelihood, yet no significant effect on weak ties. Also, referral receivers have higher purchase intention when rewards allocated to themselves, and with referrals made by strong ties. The moderating effect of brand strength on referral likelihood with strong ties is confirmed in study 3. With strong ties, people tend to apply communal norms in which they feel general concern about others' welfare. Compared to weak brands, they tend to have more self-involvement associated with strong brand and also have higher confidence when make referrals to friends without worrying the product performance affects relationship outcome.

This dissertation makes several contributions to the literature. First, by simultaneously considering employee recommenders' referral likelihood as well as receivers' purchase intention, this research provided conceptual understanding and empirical evidence to employee referral marketing, which received little attention in literature. Secondly, this research shows that an employee's decision to refer a friend is determined by the interplay of referral framing and rewards scheme. Specifically, my dissertation not only shows that employees experience identity conflicts when offered rewards, but also shows how managers can address this conflict by framing referrals in communal norms. Thirdly, this dissertation provided novel insights of the moderating effect of brand strength in the employee referral reward context.

The findings of this research also have important managerial implications. Notably, this research suggests how firms should leverage their employees' social networks for acquiring new customers by creating an optimal referral program. Firms need to be well advised to create campaigns when introducing an employee referral program. Referral programs should be framed in communing norms and understate its role in firm's objectives. At last, managers should be also thoughtful when they design rewards allocation rules. The potential tradeoffs between rewards and cost should be carefully evaluated.

Table 11. Study Results

Hypotheses	Results
H1a: Employees will have more referral likelihood with strong ties than weak ties when no incentives offered.	Supported, Study 1
H1b: Referral recipients will have higher purchase intention with non-incentive referrals made by strong ties compared to weak ties.	Supported, Study 1
H2a: Employees will have less referral likelihood with strong ties than weak ties when rewards allocated to recommender.	Supported, Study 2
H2b: Employees will have more referral likelihood with strong ties than weak ties when rewards allocated to recipients.	Supported, Study 2
H2c: Referral recipients will have higher purchase intention with referral rewards allocated to themselves rather than the recommender, and with referrals made by strong tie rather than weak ties.	Supported, Study 2
H3a: When referrals are framed in communal sharing ways, employees will have greater referral likelihood with strong ties (than in marketing pricing norms) regardless of rewards allocation.	Supported, Study1 & 2
H3b: When referrals are framed in communal sharing ways, there will be no significant difference in employees' referral likelihood with weak ties (than in marketing pricing norms) regardless of rewards allocation.	Supported, Study1 & 2
H4: Brand strength will increase employee referral likelihood with strong ties regardless of rewards scheme.	Supported, Study 3

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