

ABSTRACT

Title of Dissertation: **PROFESSIONAL REFERRALS: KEEPING-
WHILE-GIVING, RECIPROCATION, AND THE
TRANSFER OF OPPORTUNITIES AMONG
ENTREPRENEURIAL PROFESSIONALS**

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Through inductive research, I explored the dynamic process between entrepreneurial professionals in sending and receiving professional referrals. I define a professional referral as an entrepreneurial professional advising a client to instead do business with a specific other professional within the same industry. While considering the needs of the client, these entrepreneurs involved in the professions must transfer a valuable opportunity to a competitor. Prior research indicates that entrepreneurial professionals should refer opportunities based on skill and specialty, should receive fees for referrals, and should select referral recipients based on tie formation mechanisms, trust, and reputation protection. Yet professional referrals involve unique complexities, as they occupy a vague conceptual space between economic and social exchange. This paper addresses the interplay of these obligations. By using a grounded theory methodology, I was able to generate an emergent model and mid-level theory. I interviewed 42 lawyers, using semi-structured interviews.

The model is arranged into three transitional decisions: refer the opportunity, select a referral recipient, and establish (or terminate) a referral routine. For the first decision, in addition to referrals based on objective skill and specialty, I found that entrepreneurial professionals will refer business on subjective costs, including emotional

toll and being morally compromised; I term this new dimension social referrals. Next, the entrepreneurial professional must decide to whom the referral will be sent. I found that entrepreneurial professionals are possessive of their clients, as each client represents a long-term revenue stream. Possessiveness results in reciprocity expectations, the most important of which is keeping-while-giving, or the expectation of the return of the same client relationship. Entrepreneurial professionals also set dependability expectations. Expectations directly impact selection, and these relationships are amplified by the presence of tie formation mechanisms. Finally, entrepreneurial professionals establish referral routines; they repeatedly send their referral business to no more than three individuals within a given dimension for exchange. Breaching reciprocity and dependability expectations can cause routines to be terminated, but overall, this final transitional decision occurs by default and can continue indefinitely. These interconnected steps combine to form a middle-range theory of professional referral dynamics.

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ENTREPRENEURIAL PROFESSIONALS

by

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INTRODUCTION

Professional referrals are a crucial source of business for entrepreneurial professionals (Dagher, Nish, & Maxey, 2012). These entrepreneurs who are involved in the professions—such as lawyers, doctors, or financial advisors—want to be the recipient of recommendations of potential clients through professional referrals. There is a huge practitioner cottage industry surrounding building business through referrals (e.g. Burg, 2005; Misner & Davis, 1998), but while the focus of the popular press is on the *receiving* of referrals, a professional referral must first start with the *giving* of referrals. Before an individual can be the recipient of a professional referral, another entrepreneurial professional must first choose to decline the business and select that specific individual from the universe of potential recipients. Professional referrals are an important source of business for entrepreneurial professionals (Nam, Gruca, & Tracy, 2010), and to understand the receiving of professional referrals, scholarly attention must first be focused on the giving of professional referrals.

Due to finite resources, including time, money, and skills, entrepreneurial professionals must frequently give away paying clients, through a professional referral, to another entrepreneurial professional. While considering the needs of the client, the entrepreneurial professional must also choose the appropriate recipient. The professional referral process is a dynamic activity that begins with a client approaching an entrepreneurial professional with a potential piece of business and ends (ideally) with a reciprocal exchange between two professionals that lasts decades. While research to date has touched on elements essential to understanding the process, scholarship has overlooked the dynamics involved in the professional referral phenomenon. The

economics literature addresses referrals among firms (Hada, Grewel, & Lilien, 2010), predicting when an opportunity is likely to be referred. The social exchange literature touches on the relationships among professionals (Cropanzano & Mitchell, 2005), focusing on reciprocity. The customer relationship management literature addresses the bond between a professional service provider and his or her client (Gutek, 1995), emphasizing the important role of the professional/ client relationship. Finally, the literature on tie formation predicts what factors give rise to relationships, which can be extended to referral exchanges (Rivera, Soderstrom, & Uzzi, 2010). Thus, the first goal of this research is to thoroughly review current scholarship to gain a better understanding of how these disparate literatures fit together and inform the professional referral process.

However, professional referrals involve their own unique problems and further attention is warranted. Professional referrals occupy a vague space between economic and social exchange. Entrepreneurial professionals are in business to earn revenue (Shane, 2012) and therefore face economic concerns; however, when sending professional referrals, they are not bound by contracts but only by social obligations (Cropanzano & Mitchell, 2005). Furthermore, there is a third stakeholder—the client—who is essential to, and yet distinct from the exchange. According to economic theory, entrepreneurial professionals should refer business that is either outside their area of speciality or beyond their skill level (Zamir, Medina, & Segal, 2012). However, the customer relationship management literature would stress that entrepreneurial professionals should attempt to maintain most client relationships, as they are a source of future revenue opportunities (Chatain, 2010). There is a need to reconcile these competing goals.

Additionally, reciprocity should play a role in professional referral exchange, but what form it should take is unclear. Economic theory suggests that fees are sufficient payment for a referral (Arbatskaya & Konishi, 2008), while social exchange theory emphasizes that exchanges are more valued if what is reciprocated is equivalent in type and worth to that which was given (Foa & Foa, 1980). The current referral literatures (e.g. new ventures, Vissa, 2012; products, Trusov, Bucklin, & Pauwels, 2009; employment, Fernandez, Castilla, & Moore, 2000), also do not feature reciprocity prominently in their predictions. Reciprocity is important, but various literatures offer differing recommendations.

Finally, it is unclear how individuals are selected as referral recipients. Extant literature offers mixed predictions as to the role that tie formation mechanisms play in entrepreneurial activity (Vissa, 2012; Grossman, Yli-Renko, & Janakiraman, 2012), while the trust and reputation protection research suggests that both are necessary (Schoorman, Mayer, & Davis, 2007; Fernandez et al., 2000), and the social exchange perspective adds that referrals should be reciprocated to those who have sent them in the past (Gouldner, 1960). There is further need to integrate these competing obligations and tensions.

Together, these limitations of current theory and research indicate the need for a better understanding of the phenomenon. Therefore, the second, and more important, goal is to inductively generate a middle-range theory of professional referrals. The practice of giving and receiving professional referrals is a huge driver of new business (Nam et al., 2010), and a better understanding of the professional referral dynamic is warranted. I begin with a review of extant theory and research, piecing together current

findings to assess the current state of the literature. I then present my findings; through inductive data collection I was able to generate an emergent model of the professional referral dynamic. I sought to answer three questions: 1) How does the transfer of a client relationship as a revenue generation opportunity impact professional referral dynamics?; 2) Why are professional referral recipients initially selected and how does a first time referral develop into an on-going relationship?; and 3) What do entrepreneurial professionals consider sufficient reciprocity when transferring professional referrals, and how does a first time referral develop into an on-going relationship? Using a grounded theory approach, I explored the phenomenon of professional referrals, focusing on the reciprocation and return of client relationships and the repetition of referrals to the same recipient.

THEORETICAL BACKGROUND: Relevant Perspectives on Professional Referrals

The first goal of this study is to gain a better understanding of the professional referral process. To do so, I examine a range of literatures to assess and synthesize the current state of the scholarly knowledge surrounding professional referrals and to determine what aspects of the referral phenomenon can, and cannot, be addressed by extant theory and research. In this section, I first define professional referrals, establishing my population and area of interest. As this is a study of the exchange of referrals, I primarily look to the exchange-based literatures, including economic and social exchange. However, the study of other forms of referrals, including entrepreneurial ties, client, and recruitment referrals also inform the research, as do findings from the marketing literature. Exchange theory emphasizes the form of the economic and social relations between individuals, while the sociological literature looks at the characteristics of those exchanging, and the marketing literature addresses the content of the interaction, the client relationship. Together, these literatures offer relevant perspectives on professional referrals.

Professional Referrals, Defined

I define a *professional referral* as an entrepreneurial professional advising a client to instead do business with a specific other professional within the same industry.¹ This definition has several important elements. First, this research examines *professionals*. Professionals are hired for their skill and expertise in producing an outcome of value to their clients (Abbott, 1988; Adler, Kwon, & Heckscher, 2008). They involve “exclusive

¹ I originally used the term “business referrals” to describe my phenomenon of interest. Therefore, both the IRB application and interview protocol use this phrasing. However, in order to be more precise in my vocabulary, I changed the terminology to “professional referrals” to more accurately describe the phenomena as referrals among professionals.

occupational groups that apply somewhat abstract knowledge to particular cases” (Abbott, 1988: 8), including, for example, doctors, architects, lawyers, and accountants. Professional services are provided in the form of information, advice, experience, or discussion, and are intangible, frequently involve the client in co-producing the process and outcome, and are often produced and consumed simultaneously (Bowen & Schneider, 1988). For example, while a surgeon provides medical service in the form of knowledge and experience, the patient also participates in the service interaction and “consumes” the outcome while it is being produced.

Defined broadly, an *entrepreneur* is “a major owner and manager of a business venture who is not employed elsewhere” (Brockhaus, 1980). Research has shown that the entrepreneurs themselves are key determinants of profitability; the individual traits and behaviors of entrepreneurs have been shown to be predictive of venture success (Baum, Locke, & Smith, 2001). I assume that the goal of entrepreneurial professionals is to earn revenue in order to ensure the continued success of their venture (Shane & Venkataraman, 2000; Shane, 2012). This is not to say that the only goal of entrepreneurial professionals is to maximize profits—they may also have other goals as well—but overall, entrepreneurs are in business for themselves to make money. Furthermore, this research only examines *private-sector* professionals. While there are professionals employed in the public sphere, for example city attorneys or doctors with Veterans Affairs, these individuals are provided with a ready supply of clients and do not need to seek out business. As these professionals are not self-employed, they do not fit the parameters of this study.

Historically, there has been little consensus among entrepreneurship scholars regarding the definition of the domain (Shane & Venkataraman, 2000). While some require that innovation and/or newness is a prerequisite for entrepreneurship (e.g. Sørensen & Fassiotto, 2011; McMullen & Shephard, 2006; Schumpeter, 1942), I use a broad definition here because a basic form of entrepreneurship is small business ownership (Shane, 2012; Blanchflower & Oswald, 1998). Following Katz (2003) and Baum, Frese, Baron, & Katz (2007), who allow for multiple conceptualizations of the field, I define my entrepreneurial population as active founders and purchasers of businesses, regardless of recency, who do not necessarily dream of rapid growth or significant scale. Furthermore, scholars acknowledge the role of the entrepreneur him- or herself in setting the growth trajectory of their firm; some entrepreneurs, particularly women and minorities, may intentionally grow their venture more slowly and not pursue opportunities for work-life balance or lifestyle reasons (Cliff, 1998; Wiklund & Shepherd, 2003; Jennings & McDougald, 2007). Shane and Venkataraman (2000) placed entrepreneurship as the nexus between individuals and opportunities, and this this research focuses on what opportunities entrepreneurial professionals choose *not* to pursue. Thus, the focus of this work is on small scale entrepreneurs who decline opportunities, instead giving them to other entrepreneurs.

A referral involves the transfer of a *client* from one professional to another. These clients are profession-specific customers; in medicine they are called “patients,” in accounting they are termed “clients,” and in the law they are called either “clients” or “cases.” Furthermore, while the term client traditionally refers only to a customer who has exchanged resources for goods or services in the past, this study also allows for those

individuals who are in need of professional services, but who may not have yet formally engaged a professional service provider (Abbott, 1988). For example, if an individual comes to an architect seeking professional services, that individual would be a potential client and could be subject to a professional referral, and thus is included in this research. While there is a distinction between potential and actual clients, both are of interest here.

Finally, the referrals of interest here are those instances when an entrepreneurial professional recommends that their customer *do business with a specific other within the same industry*. The entrepreneurial professional is suggesting a specific person with a personal recommendation; he or she both chooses to refer away the client and the person to whom the client is referred. Both of these decisions are voluntary; the entrepreneurial professional is not obligated to refer the client, nor is he or she contractually required to choose a specific recipient. Within the professional services, once a professional is licensed, he or she can engage in any of the many subfields of a discipline. This differentiation based on jurisdiction, or authority within a defined area of responsibility, is not to be confused with specialization, which addresses specific, circumscribed tasks and roles (Abbott, 1988). For example, within my data, all participants were licensed lawyers and authorized to practice in the legal jurisdiction, and yet all but one had engaged in a sending a referral based on specialization (and this one exception had only passed the bar exam one month previously). In giving a referral within the same jurisdiction, the sender is implicitly both foregoing their own potential revenue at that moment in time, and giving the potential revenue to a referral recipient. Rational choice theory would predict that individuals, when presented with an opportunity to gain wealth, would choose to do so (Friedman, 1953). However, I am interested in the phenomenon

whereby individuals send certain business—that they themselves could do but choose not to—to another. I focus only on cases in which the two professionals—the sender and the recipient of the referral—are in the same industry; sharing jurisdiction is a boundary condition of this research.

While various forms of referrals have been studied in other business disciplines, this study exclusively examines professional referrals, not client, recruitment, product, or venture capital financing referrals. Professional referrals do have some elements in common with these other literatures, but, overall, these are distinct from my phenomenon of interest. First, a professional referral is different from a client referral, also known as a client reference (Kumar, Petersen, & Leone, 2013) or word-of-mouth referral (Trusov et al., 2009). A client referral pertains to the personal recommendation by a current or past client to another potential client to use a given professional. Client referrals are valuable sources of business for service professionals (Hagenbuch, Wiese, Dose, & Bruce, 2008). However, clients are not experts (which is why they are in need of professional services in the first place). Therefore their lay-person opinions on professional services are less relevant, which is why I focus on the transfer of a client relationship from one entrepreneurial professional to another. Second, with a professional referral, there is only one client forming a contractually exclusive relationship for the duration of the needed service, and thus the sender of the referral is declining to earn revenue from that client at that moment. In contrast, a premise of much of the existing product referral and venture capital research is that the referring party has and will continue to use the product of interest (e.g. Trusov et al., 2009) or continue to invest in the company (e.g. Hallen, 2008).

In addition, I focus on the transfer of revenue and other value-creating opportunities—the daily activities that individuals engage in as part of their core business. In contrast to referrals for venture capital financing, the need for which typically ends after a firm has reached a certain level of maturity (Sorenson & Stuart, 2008), entrepreneurial professionals engage in professional referrals throughout their career. Finally, professional referrals may involve high-stakes, valuable outcomes, while in past referral research, the object studied is often low stakes (e.g. Mp3 players, Ryu & Feick, 2007; or coffee, Holmes & Lett, 1977), or unspecified (i.e. referrals in general, Garicano & Santos, 2003; Hada et al., 2010). In the arena of professional services, the client often has only one opportunity to conduct the business, for example, a surgery or a divorce, and large sums of money can be at stake. Furthermore, the client cannot conduct the service him- or herself, as it requires specialized knowledge and years of additional education.

In sum, a professional referral, as defined by this study, looks somewhat like this: Elizabeth, a client, approaches her accountant, Alexander, with some new business. Alexander decides that he does not want this business, and prefers to send the work to a different accountant. Therefore, Alexander engages in a professional referral, sending Elizabeth and her business to Catherine, another accountant. However, according to theory and research, this seemingly basic transaction is also impacted by economic and social exchange, as well as tie formation mechanisms, trust and reciprocity, and concerns about the client relationship.

The Exchange of Opportunities

The giving of professional referrals is an act of exchange, or “the act of giving or taking one thing in return for another” (Exchange, 2013). Although a professional referral is obviously the act of giving a current business opportunity, what is received in return remains unclear. There are two different exchange lenses with which to approach professional referrals—economic and social exchange—but, rather than competing theories, they can be complementary approaches to understanding professional referrals. Professional referrals occupy a tenuous space between economic and social exchanges. As entrepreneurial professionals are in business to earn revenue (Shane, 2012), the economic concerns of maximizing utility pertain. However, the exchange is between two entrepreneurial professionals who are not bound by contracts, but only by social relationships (Emerson, 1972). Therefore, social exchange offers a framework to consider both the inducements offered by one and the behavior offered in return.

Economic exchange

Economists assume that competition in the market encourages businesses to maximize profits in order to survive (Alchian, 1950), and this assumption can be extended to entrepreneurial professionals. As entrepreneurial professionals must earn at least some revenue to stay in business (Shane, 2012), it is reasonable to argue that the rational choice perspective of increasing financial utility, at least in part, drives the professional referral process. According to the limited extant economic theory on referrals, referrals will occur between firms offering differentiated products (Arbatskaya & Konishi, 2008; Garicano & Santos, 2003; Zamir et al., 2012). The product or service space can be conceptualized as a Cartesian plane, with domain of expertise along the

horizontal axis and skill of the service provider along the vertical. This can be extended to specialization within a given professional service field. If the work is outside the scope of expertise of the professional, it constitutes the need for a *horizontal* referral. Alternately, if the work is either too difficult or too simple for the professional to handle, a *vertical* referral would occur. For an example of this dimensional structure, please see Figure 1.

Figure 1

With professional services, individuals are hired for their knowledge; these services are purchased infrequently and are specialized, and thus are difficult to assess by a consumer. Therefore, horizontal referrals benefit the customer by helping them arrive at the service provider who will best be able to meet their needs (Arbatskaya & Konishi, 2008). Looking at the research on vertical referrals, efficient matching requires more skilled agents to refer the less valuable opportunities to those less skilled, and vice versa (Garicano & Santos, 2003). In addition, scholarship has emphasized the necessity of referral fees; the referral fee system is what creates the incentive for less skilled agents to refer the more valuable opportunities (Zamir et al., 2012). Extending this logic to professional referrals, entrepreneurial professionals should engage in referrals in exchange for referral fees because there are few financial benefits for less-skilled entrepreneurial professionals to refer away potential customers.

Together, the economic literature suggests that entrepreneurial professionals should keep everything they could do, unless these individuals receive compensation through a referral fee or are too skilled for the opportunity. Entrepreneurial professionals should refer work that is beyond their scope of expertise (via a horizontal referral) or

outside their skill level (via a vertical referral). Entrepreneurial professionals are also assumed to be rational and thus utility maximizing. As a goal of entrepreneurial professionals is to earn revenue, economic theory certainly pertains. However, purely economic transactions are rarely achieved in life, and nearly all exchanges can also be conceptualized as social (Macneil, 1985).

Social exchange

Social exchange theory proposes that behavior is the result of an exchange process, involving an ongoing and interdependent series of interactions that generate obligations (Blau, 1964). Social exchange relationships are enforced only by the norm of reciprocity, which is the expectation that individuals will respond favorably to one another and return benefits for benefits (Gouldner, 1960). This norm is universal and can be found in all value systems (Wang, Tsui, Zhang, & Ma, 2003), but not all individuals subscribe equally to it (Cotterell, Eisenberger, & Speicher, 1992).

According to the norm of reciprocity, individuals should feel obligated to reciprocate if someone has given to them. Those who receive without engaging in reciprocity should feel an uncomfortable burden of indebtedness and should reciprocate in order to remove this strain (Greenberg & Westcott, 1983). This would suggest that ongoing patterns of professional referrals are the result of relatively balanced reciprocal exchanges (e.g. tit for tat, quid pro quo).

Like economic exchange, social exchange is based on rational choice; it is assumed that individuals engage in exchange with the purpose of maximizing benefits while minimizing costs (Zafirovski, 2001). But, whereas in economic exchange obligations are explicit, in social exchange obligations are unspecified and left to the

discretion of the exchanging parties (Cropanzano & Mitchell, 2005). Therefore, reciprocity can, in theory, take a myriad of forms; *any* action or material good can be exchanged for another within the social exchange framework. For example, as theorized by the economics literature, the payment of a referral fee may be considered sufficient reciprocity for a professional referral. However, social exchange theory suggests that exchanges are most valued if made between similar resources (Foa & Foa, 1980). This would indicate that entrepreneurial professionals would most prefer to receive a reciprocal professional referral if they initiate by sending a professional referral.

In sum, the exchange-based literatures address under what circumstances referrals are likely to occur and focus on reciprocation. The economic exchange perspective would suggest that entrepreneurial professionals will refer all business that is either too difficult, too easy, or outside their area of specialty, in an effort to maximize financial gain (Garicano & Santos, 2003; Arbatskaya & Konishi, 2008). The social exchange perspective would add that there is a universal norm of reciprocity, that all individuals should feel obligated to reciprocate when given something of value (Gouldner, 1960), and that future reciprocity is likely to take the form of reciprocal referrals. Exchange theory captures the dynamic back-and-forth between individuals, emphasizing a cycle of giving/ receiving/ reciprocating. However, the exchange literature only focuses on the form of the economic and social relations between individuals, rather than the characteristics of the actors or the content of the interaction (Emerson, 1972). To understand the actors themselves, I now look to the tie formation, trust, and reputation protection literatures.

Relationships with Other Entrepreneurial Professionals

While exchange theory helps to explain the structure of the exchanges between individuals, it does not account for what may encourage individuals to enter into exchange relationships with *specific others*. When sending a referral, the entrepreneurial professional must choose a specific referral recipient. To address why some individuals are chosen as exchange partners but not others, I look to the tie formation, reputation protection, and trust literatures.

Tie formation in social networks

A discussion of exchange transactions is incomplete unless it acknowledges that entrepreneurial professionals are embedded in larger networks; it is the ongoing relationships with others that provide both the constraints to and opportunities for individuals to engage in referrals. Thus, in social network analysis, the focus is on the relationships among groups of actors and how this may influence subsequent behavior. As this study is at the meso-level of analysis, both individual (e.g. Wong & Boh, 2010; Flynn, 2005) and organizational level (e.g. Hallen, 2008; Shipolov & Li, 2008) scholarship can inform the research. Professional referrals occur within a dyadic pair, and thus can be informed by individual level theory. But, it is the entrepreneurs—the owners of the organization—who are engaging in the referrals, and therefore research at higher levels of analysis is also pertinent.

The research into tie formation addresses the draw between people that leads to relationships; Rivera et al. (2010) proposed a typology of mechanisms by which dyadic relationships between individuals form, persist, and dissolve. They offered that assortative, relational, and proximity perspectives can each be used to better understand

the nature of dyadic relationships. *Assortative mechanisms* reflect the associations between individuals' similarities and dissimilarities and the resulting likelihood of forming ties, while *proximity mechanisms* address the phenomenon of propinquity and focus on the social interactions between dyadic partners. Finally, *relational mechanisms* reflect the trust, information, and network position that result from network structure. Together, these three mechanisms are also useful in understanding how and why relationships form between potential referral partners. Professionals may send business to another based on any, or a combination, of these three factors. For example, a female public relations professional may send a client to another professional in the same town (proximity), to another professional who is in the Chamber of Commerce and who is seen frequently (relational), or to another woman (assortative).

Assortative mechanisms address the likelihood of forming ties based on similarities and dissimilarities. This can occur via homophily, or the tendency for individuals to form ties with similar others (McPherson, Smith-Lovin, & Cook, 2001). However, while there is a strong human desire to form ties with similar others, research has shown that diverse networks are valuable when attempting economic production, such as professional referrals, because they connect individuals and organizations with others that possess complementary skills and qualities (Poldony, 1994). But, simply having a complementary skill set is insufficient to establish ties; individuals seek contact with others who they believe have complementary and relevant skills, but who also are a pleasure to work with (Casciaro & Lobo, 2008).

Assortative tie formation mechanisms have received decades of empirical support (for a meta-analysis, see Montoya, Horton, & Kirchner, 2008); however, there are mixed

findings as to its importance within the specific context of entrepreneurial activity. Research has shown that entrepreneurs tend to draw on pre-existing relationships when starting new ventures (Aldrich & Carter, 2004; Hallen & Eisenhardt, 2012), and that founding teams are frequently homophilous (Ruef, Aldrich, & Carter, 2003), indicating that social similarity should play an important role in entrepreneurship. However, recent publications have offered contradictory findings. Vissa (2011) found that social similarity among Indian entrepreneurs directly resulted in greater tie formation intentions. In contrast, Grossman et al. (2012) predicted that interpersonal similarity between entrepreneurs would lead to increased perceived value as an exchange partner, but found no support for this main effect. Instead, they found that similarity only played a moderating role. These findings indicate that, while there is a relationship between interpersonal similarity and entrepreneurial exchange, it is complex and not yet fully understood.

Relational mechanisms are those which address the resources exchanged in dyadic relationships, and can occur through reciprocity and friendship. Reciprocity results in dyadic relationships because individuals tend to like others who like them (Montoya & Insko, 2008), and thus tend to respond favorably to individuals who first offer friendships and other relationships. Dyadic relationships result from repetitive ties due to the human tendency to form relationships with individuals whom they frequently encounter (Uzzi, 1997). For example, Uzzi and Spiro (2005) found that individuals show a significant propensity to work with others with whom they have collaborated in the past. Together, the relational mechanisms of reciprocity and repetition can logically predict how the exchange of resources results in dyadic ties; entrepreneurial professionals

will choose to refer back to those who have sent them business in the past, not only because of the norm of reciprocity (Gouldner, 1960), but also because past alliances give rise to current alliances.

Finally, relationships can occur via proximity mechanisms, which address the phenomenon of propinquity. Individuals are more likely to develop ties with others who are geographically close (Bossard, 1932). However, the concept of proximity is expanding to include “social, psychological, legal, or physical entities around which joint activities are organized” (Feld, 1981: 1016). Due to advances in technology, geography as a primary basis for dyadic relationships may be giving way to other, more dominant foci of attachment (Rivera et al., 2010). Thus, while research suggests that geography will play a role in professional referral, other factors, such as children who are on the same sports teams, may override simple spatial closeness between individuals.

Extending tie formation to the entrepreneurship and inter-firm network literatures, scholars studying network ties have shown that stronger ties result in positive outcomes such as the sharing of resources (Ahuja, 2000), an increase in financial capital raised (Hallen, 2008), and overall firm survival (Hager, Galaskiewicz, & Larson, 2004). The research on inter-firm networks focuses on the long-term cooperative relationships between organizations and their customers, competitors, and other actors (Brass, Galaskiewicz, Greve, & Tsai, 2004). Inter-firm networks can be formally contracted, such as with strategic alliances, or, of greater interest to this research, form from informal relationships, such as board interlocks, consortia, or cooperative organizations (Rosenkopf & Schleicher, 2008). While in these partnerships the rules and norms of reciprocity ensure cooperation (Uzzi, 1997), the organizations typically retain control of

their resources, jointly deciding on their use (Ebers, 1997). To form ties, firms have to engage in active search for potential partners, which is difficult and costly to obtain. Like work at the individual level, scholarship has shown that firms are likely to engage in self-reinforcing alliances, forming new relationships with previous alliance partners (Gulati & Gargiulo, 1999). Additionally, firms can rely on any of the three tie formation mechanisms mentioned above: relational (e.g. board interlocks, Rosenkopf & Schleicher, 2008); assortative (e.g. status homophily, Dahlander & McFarland, 2013), or proximity (e.g. spatial distribution, Sorenson & Stuart, 2001).

Trust and risk-taking

Scholarship has also acknowledged the importance of trust in forming ties at both the individual and organizational level (Granovetter, 1985; Levin & Cross, 2004). As professional referrals are voluntary—they are not governed by binding agreements—any time an entrepreneurial professional engages in exchange with another he or she is taking a risk (Molm, Takahashi, & Peterson, 2000). When an individual takes a risk in a relationship, he or she must first deem the other party trustworthy, as trust is a necessary antecedent to accepting risk (Mayer, Davis, & Schoorman, 1995; Molm et al., 2000). There are three general factors of trustworthiness: ability, integrity, and benevolence (Mayer et al., 1995; Schoorman et al., 2007). Each of these dimensions offers a distinct attribute of trustworthiness, and together are the foundation for trust in another party. Ability is that group of skills and competencies that enables one to have influence within a task- and situation-specific domain. Benevolence refers to the extent to which a trustee is believed to want to do good to the trustor. Integrity reflects the trustor's perception that the trustee adheres to a set of principles. These three factors, while related to each

other, are separable. Furthermore, trust can be considered on a continuum, and not all three factors must be high in order to engage in risk-taking in a relationship. Mayer and colleagues (Mayer et al., 1995; Schoorman et al., 2007) argued that these factors are domain specific, and in order to ensure a parsimonious and generalizable model, did not offer predictions as to the relative importance of each factor.

Reputation protection

Additionally, the recruitment literature has looked extensively at employment referrals (e.g. Granovetter, 1974) in order to understand the post-hire performance effect of those hired based on employee recommendations (e.g. Saks, 1994; Kirnan, Farley, & Geisunger, 1989). Fernandez et al. (2000) proposed several distinct mechanisms by which employers benefit through the use of referred individuals. Of relevance here is the reputation protection mechanism; to address the risk that referrers recommend inferior applicants, it is assumed that referrers should feel concerned about damaging their reputation in the case of a poor referral (Saloner, 1985). The literature suggests that, to the extent individuals fear that their reputation could be harmed by the qualities or the skill of the referred individual, they will refer only qualified others (Daniels & Martin, 1999). Furthermore, this issue of reputation protection does not depend on other mechanisms, such as similarity, as even underperforming employees should be concerned about their reputation (Saloner, 1985). Thus, the recruitment literature views an employee's fear of reputation harm as an explanation for why only qualified applicants should be recommended. This same logic may be applied to the referral process; entrepreneurial professionals value their reputations, and thus should hesitate to refer to individuals who may harm it.

The tie formation, trust, and reputation protection literatures address to whom entrepreneurial professionals should send their referrals. Assortative, proximity, and relational tie formation mechanisms should all impact the selection of a specific recipient. Trust, including ability, benevolence, and integrity, also plays an important role in referrals, as it is necessary precursor to risk-taking. Finally, entrepreneurial professionals should be concerned with reputation protection. Together, these capture the characteristics of the actors, predicting between which specific individuals interaction is likely. However, in a professional referral there is also a third stakeholder to the exchange, the client being referred.

Considering the Relationship with the Client

Professional referrals are unique in that they involve both the relationships between entrepreneurial professionals, and also that with the client. In a highly competitive environment, such as professional services, a crucial business tenet is customer retention (Allenby, Garratt, & Rossi, 2010; Colgate & Danaher, 2000). Scholarship has shown that keeping satisfied current customers is far less costly than obtaining new clients (Reichheld & Sasser, 1990). Investments in relationship marketing have a direct effect on firm performance (Palmatier, Dant, Grewal, & Evans, 2006). The repetitive interactions between service providers and customers allow for relationships to develop (Lengnich-Hall, Claycomb, & Inks, 2000). Thus, a basic tenant of the professional service relationship is to try to maintain client relationships, as they result in positive financial outcomes. From the client's perspective, remaining a regular client to a specific service professional is a risk-reduction strategy, as the client knows about and is comfortable with the service provider (Patterson, 2007). From the professional's point of

view, the association between stable customer relationships and firm profitability is well supported (Chatain, 2010).

Client relationships are considered valuable assets (Chatain, 2010), representing both a source of current and future income. Once a professional has provided a service to a client, they have forged a tie, and this relationship often leads to repeat business. Furthermore, client relationships are not valuable strictly for the revenue potential that they themselves offer for a service provider. The client is also the linking-pin between the service provider and a larger network of potential revenue; the client possesses a personal network of friends, family, and colleagues to which the professional is now connected (Koza & Lewin, 1999). Past and current clients are likely to give positive recommendations about the quality of the professional service to this extended network.

Drawing on the relationship marketing literature, Gutek (1995) proposed a typology of customer/ service provider relationships: encounters, pseudo-relationships, and personal service relationships. Of interest here are personal service relationships, which emerge when customers have repeated interactions with the same individual service provider, such as hairdressers, but also doctors, lawyers, and other professionals. Through repeated contact, the customer and the service provider become well-acquainted. A high quality personal service relationship is marked by mutual trust, a degree of comfort, confidence, and personal recognition at the individual level, and sometimes may even grow into a friendship (Gutek, Bhappu, Liao-Troth, & Cherry, 1999).

However, extant literature also suggests that not all customer relationships should be maintained. There is a substream of the customer relationship management literature that advocates the segmentation of consumers based on their profitability or risk level

(Hibbert, Piacentini, Hogg, 2012; Zeithaml, Rust, & Lemon, 2001). This work encourages firms to gain a thorough understanding of each segment and develop strategies that either transform low-value consumers into profitable ones or to adjust the firm's offering to profitably meet the customer's needs. Building the understanding of consumers, educating and providing feedback to consumers, and renegotiating the value proposition are all suggested strategies that firms should follow before taking the drastic measure of severing ties with a paying customer (Hibbert et al., 2012).

Together, the relationship marketing literature addresses the content of the exchange, or who precisely is being referred. Extending this work to professional referrals, it suggests that entrepreneurial professionals should seek to maintain their client relationships, as these individuals represent streams of future income. Furthermore, past and current clients are the link to their extended networks of friends and family, giving entrepreneurial professionals access to an even larger pool of potential clients. The literature also suggests that entrepreneurial professionals and clients can develop personal relationships, by working closely together, which by extension, should impact the selection of another entrepreneurial professional as a referral recipient.

In synthesizing extant theory and empirical findings, it becomes evident that the exchange of professional referrals is a dynamic activity that involves several interconnected steps, and each is informed by a different body of literature. According to economic theory, the entrepreneurial professional must first evaluate the work and determine if it is within his or her functional area and level of expertise. If the opportunity is not within both the horizontal and vertical dimensions of specialization, then the entrepreneurial professional should decide to refer the client away. Furthermore,

the entrepreneurial professional should be compensated for referring valuable opportunities through referral fees. Next, the entrepreneurial professional must decide, from the universe of potential recipients, to whom specifically the referral will be sent. Sociological theory informs which specific recipient is chosen: trust, reputation protection, and tie formation mechanisms impact this decision. Entrepreneurial professionals must trust their recipients, who are likely to be socially similar, and are concerned with protecting their reputation. Finally, based on social exchange theory, both the sender and the recipient of the referral should engage in repeated reciprocity, as they each should feel obligated to return to the other. In addition, the customer relationship should impact the entire process, as entrepreneurial professionals form personal relationships with their clients, who also represent a future revenue stream. Please see Figure 2 for the model of findings from extant theory.

Figure 2

The Need for a Grounded, Middle-Range Theory

While there is a wide body of past theory and research from which I can draw, there are also several key areas that have not yet been the focus of scholarship. According to economic theory, entrepreneurial professionals are assumed to be utility maximizing; they should attempt to maximize revenue when possible, and refer all business that is either outside their area of speciality or beyond their skill level (Arbatskaya & Konishi, 2008). While economic theory allows for the use of referral fees to compensate for the lost revenue of that opportunity, ultimately a professional referral involves giving a client away to a competitor. However, the current literature on client relationships primarily addresses encouraging clients to remain clients as they are a

source of both current and future revenue (Chatain, 2010). These client relationships can be conceptualized as entrepreneurial opportunities, as they offer the entrepreneurial professional the opportunity to recombine their resources to create value (Shane, 2012). The marketing literature does suggest firms should “fire” the less profitable clients (Zeithaml et al., 2001), while the entrepreneurship literature hints that individuals may choose to not accept growth opportunities for lifestyle reasons (Jennings & McDougald, 2007; Pollack, Vanepps, Hayes, 2012). Current theory must be extended to reflect how individuals can balance their revenue maximization with the voluntary transfer of clients, and under what circumstances opportunities should be rejected. Therefore, my first research question is:

***Research Question 1:** How does the transfer of a client relationship as a revenue generation opportunity impact professional referral dynamics?*

Using social network analysis, the entrepreneurship literature has examined some of the conditions surrounding exchange relationships; extant research is useful in understanding entrepreneurial tie formation. While the literature suggests that strong ties should result in the exchange of business (Bowler & Brass, 2006) and that past alliances beget current alliances (Gulati & Gargiulo, 1999), this strategy should only work for established entrepreneurs with extensive past alliances (Rosenkopf & Schleicher, 2008). Furthermore, theory does not address whether the exchange of daily business-generating activities, such as referrals, is different from the exchange of venture capital funding for firm ownership (e.g. Kirsch, Goldfarb, & Gera, 2009). In addition, the sociology-based literatures would suggest that tie formation mechanisms, reputation protection, and trust should impact recipient selection (Rivera et al., 2010; Saloner, 1985, Schoorman et al.,

2007). My second research question attempts to integrate these competing obligations and tensions:

Research Question 2: How are professional referral recipients initially selected?

Based on the expectations of utility maximization and the norm of reciprocity, entrepreneurial professionals should expect something in return for the sending of a referral; however, currently the form and importance of this reciprocation is unclear. Economic theory suggests that fees are sufficient payment for a referral (Arbatskaya & Konishi, 2008). In contrast, social exchange theory states that exchanges are more valued if what is reciprocated is equivalent in type and worth to that which was given (Foa & Foa, 1980), suggesting client referrals should be reciprocated with client referrals. In addition, while the norm of reciprocity is understood to be universal and found in all value systems (Wang et al., 2003), not all individuals subscribe equally to it (Cotterell et al., 1992). Furthermore, extant referral scholarship, such as new venture (Vissa, 2012), product (Trusov et al., 2009), and employment referrals (Fernandez et al., 2000), focuses on the conditions under which referrals arise and possible outcomes, but disregards how reciprocity concerns impact referral practices. According to social exchange theory, norm of reciprocity should drive repeated series of tit-for-tat exchanges, but according to social network analysis, it is past tie formation that drives future alliances (Gulati & Gargiulo, 1999). Clearly reciprocity is important, but various literatures offer differing recommendations. Therefore, my final research question is:

Research Question 3: What do entrepreneurial professionals consider sufficient reciprocity when transferring professional referrals, and how does a first time referral develop into an on-going relationship?

These research questions address how entrepreneurial professionals understand their professional referral process; as a result, a grounded theory study is the most appropriate method by which to study the phenomenon (Suddaby, 2006). Grounded theory is best suited for the investigation of complex, multifaceted phenomenon (Corbin & Strauss, 2008), as it can provide rigorous insight into areas that are relatively unknown, accommodating social issues (Glaser & Strauss, 1967) and socially constructed experiences (Charmaz, 2003). Grounded theory allows issues to emerge inductively; I therefore use this method to explore professional referrals by engaging with entrepreneurial professionals who experience the phenomenon daily.

METHODOLOGY

This study offers exploratory theory development; by borrowing from multiple literatures and by using a grounded approach, I sought to understand the causal links of the professional referral process. By engaging directly with entrepreneurial professionals, I was able to inductively explore the dynamic interactions between them. Grounded theory is a systematic methodology used for the generation—not the verification—of middle-range theory (Glaser & Strauss, 1967; Sousa & Hendricks, 2006; Eisenhardt, 1989). A middle-range theory proposes solutions to problems that contain a limited number of assumptions and considerable accuracy and detail in the problem specification (Merton, 1952).

Sample

For this research I interviewed private-sector lawyers, most of whom were partners in their firm. I used *purposive sampling*, intentionally choosing participants who were best able to answer my research questions (Charmaz, 2006). As firm partners, these lawyers were solo- or partial- owners of their organization, thereby meeting a baseline definition of entrepreneurs as small-business owners (Blanchflower & Oswald, 1998). However, I also interviewed non-partners who expressed a desire to eventually become partners, and, of the eight participants who were not partners at the time of my interview, four participants did become partners subsequently. Furthermore, the law as a profession is representative of important and profitable professional services market (Abbott, 1988), and has been used in past management research as generalizable to other populations (e.g. Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Agarwal, Ganco, & Ziedonis, 2009). Additionally, in the legal field the base-rate of professional referrals is

high (Kritzer & Krishnan, 1999; Daniels & Martin, 1999), and I was therefore better able to investigate my phenomenon of interest.

My final sample consisted of 42 respondents (26% women, 74% men) ranging in age from 25 to 74 ($M = 49$ years). The sample was 79% White, 12% Black, 2% Asian, and 7% Hispanic, and came from 9 different states. These individuals averaged 22 years of work experience ($SD = 14$) in a wide range of legal specialties including: family law, insurance defense, corporate litigation, civil litigation, criminal defense, entertainment law, workers compensation, and international law. I recruited participants from my personal and professional networks, and also relied on a snowballing strategy (Berg, 2007); some participants I knew directly, and some offered the contact information of their referral partners or other members of their professional networks. Furthermore, as I used a purposive sampling strategy, I enlisted participants in specific demographics and with specific experiences to deepen understanding of the complex phenomenon. For example, my final sample is more diverse than the general population of lawyers (only 4.4%, 4.3%, and 4.0% of practicing lawyers are Black, Asian, and Hispanic, respectively, Current Population Survey, 2013), as I sought to understand the importance of social similarity on referral recipient selection.

The sample included 22 senior partners, 12 partners, and 8 non-partner lawyers. These 42 individuals each discussed at least one referral, with the exception of #1006. This participant had never given a professional referral, as he had only been practicing law for one month at the time of the interview. All 41 other participants discussed at least one referral that he or she had sent to another entrepreneurial professional, and some participants discussed several ($n = 55$ referrals sent to another entrepreneurial

professional; $M = 1.3$ referrals per respondent). Thus, my unit of analysis was these 55 critical cases. I numbered each case first by the participant, (e.g. #1015), then, if they discussed more than one referral recipient, named each distinct recipient by letter (e.g. #1016a, #1016b). However, participants also were asked general questions about their business practices, so there are citations throughout this paper that may only list the participant number, as the quote is in response to a broad question. For the complete list of sample demographics and characteristics, see Table 1.

Table 1

Data Collection

As with many grounded theory studies (Birks & Mills, 2011), I used semi-structured interviews to generate data. These in-depth interviews allowed participants to shape the research by guiding the conversation to the topics and that he or she found most relevant and informative (Rubin & Rubin, 2005). I interviewed the participants using an interview protocol developed for this study based on the critical incident interview technique (CIIT; Flanagan, 1954). In using the CIIT method, I asked participants to describe specific events via a narrative approach, leading to a more in-depth understanding of my phenomenon (Folkman & Moskowitz; 2004). Even though the data were retrospective in nature, the validity and reliability of this method is robust because such a high level of detail is asked for, and because the participant selects what specifically to discuss (Druskat & Wheeler, 2003; Motowidlo, Garter, Dunnette, Tippins, Werner, Burnett, & Vaughan, 1992). Interviews were conducted both in-person and over the phone, audio recorded (with the exception of #1027, where I took meticulous notes),

and then transcribed by a professional transcription service. The interviews lasted between 20 and 90 minutes.

Prior to the start of this research, I obtained approval from the University of Maryland's Institutional Review Board to conduct the proposed research (see Appendix A). Participants were asked to sign the stamped IRB-approved consent form (see Appendix B). All data were handled within IRB guidelines. This means the identities of all participants were and will remain confidential and all audio recordings and transcripts have only an identification label associated with a given participant.

Interview questions were arranged in a funnel shape, beginning with broad, general questions, and narrowing into more pointed ones (Berg, 2007). Using this strategy, I began by encouraging participants to generally reflect on their business, asking "Tell me a little bit about how you generate business." After speaking broadly about their business generating strategies, I asked about a specific referral situation, asking, "Please think specifically about business you sent to another individual. Tell me about this." Throughout the interviews, I probed the participants to elaborate on concepts mentioned and to explain their answer more fully (Rubin & Rubin, 2005).

Consistent with a grounded methodology, my area of inquiry was sharpened and refined as the project progressed. Thus, my research questions shifted over time, as I better understood the professional referral dynamic. For example, my initial research questions did not feature the client relationship at all, focusing solely on the relationship between the sender and recipient of the referral. As a result, my interview protocol also shifted over the course of the three phases of data collection.

Initial Data Collection Phase

I began by interviewing an initial sample of 14 lawyers. In these early interviews I asked about both professional referrals sent to and received from other entrepreneurial professionals. I eventually realized that the most insightful comments pertained only to those professional referrals sent by participants to other entrepreneurial professionals. I found that when asked about why they received a referral from a given entrepreneurial professional, participants simply inferred the reasons for selection. Furthermore, due to natural human bias, participants emphasized their own skill and other positive attributes, thus giving a fairly unbalanced response. In contrast, when asked about why they chose another individual to receive their professional referral, participants gave more complete answers, as they themselves had selected that person and could better articulate the reasons. Therefore, after the initial data collection phase I dropped the series of questions that pertained to inferences regarding received referrals, and focused on the more concrete reasons for identifying, evaluating, and selecting a referral recipient.

Main Data Collection Phase

After conducting analysis on the initial sample, I then collected an additional 19 interviews. During these first two phases, I pursued a line of questioning about the social similarity between the participant and their chosen referral recipient. Based on theory and research, I focused several interview questions on social similarity; my protocol included a series of questions on “What do you have in common with your referral recipient?” and “How are you different?” It was only after interviewing and coding that I realized the importance of the client relationships, causing a shift in my research focus. It became evident that clients played a larger role in the referral dynamic than I originally

anticipated. While social similarity does impact entrepreneurial referrals, as I discuss in a later section, it is not the determinative factor in the final choice. After this realization, I refocused my line of questioning to focus on the relationship between the participant and his or her clients.

Confirmatory Data Collection Phase

I concluded with a final 14 interviews (9 new and 5 follow-up interviews of lawyers interviewed during the initial phase). I used these interviews as confirmatory; a grounded theory is only considered complete when *theoretical saturation* is reached, or the point where no further benefit is derived from continued sampling (Glaser & Strauss, 1967). After the first two rounds of data collection I had an emergent theory, and respondents were beginning to give answers to my protocol questions that I had already heard from other participants. But, in order to be sure that I achieved theoretical saturation, and to informally test my induced categories and relationships, I completed a final 14 interviews. At this point, I found that no new insights would result from additional data collection. See Appendix C for the complete final protocol.

Data Analysis

A grounded theory approach calls for an iterative process of data collection, coding, comparison, analysis, and synthesis (Glaser & Strauss, 1967). I used ATLAS.ti qualitative analysis software to assist in coding and data management (Atlas.ti, 2011). After collecting an initial round of interview data, I began with *in-vivo coding*, in which the codes are taken from the language used by the participants (Charmaz, 2006; Birks & Mills, 2011) in order to stay as true to their meaning as possible and to not impose my biases. For example, the quote “...*just the way my clients talk about him and treat him.*

You would be a kind of a fool to try to send them to somebody else” (#1029) was initially coded “clients speak well of recipient,” but was later re-coded to “continue to send business because clients happy.” These granular codes were then grouped into larger *categories*, and these categories into *themes*; these themes were the basis for my resulting theory (Corbin & Strauss, 2008; Locke, 2002). As an example, the codes “desire to keep clients,” “send client back,” and “fear that recipient keeps future cases,” were some of the codes that were all eventually grouped into the category “keeping-while-giving.” Combining the categories “keeping-while-giving” and “new clients” gave me the theme “reciprocity expectations.” The significance of these categories and themes are explained in greater detail below, in the section titled “Reciprocity: Keeping-while-giving and expectations of new clients.” For a more complete example of the final data coding and structure, see Table 2.

Table 2

To facilitate the building of theory, I engaged in a process of *constant comparison*, which involved evaluating current findings against other data collected, existing categories, and the emerging theory. Therefore, with constant comparison, the codes and categories were repeatedly created and fractured in order to best identify relationships between the thoughts and behaviors of the participants and the emerging theory (Corbin & Strauss, 2008). As an example, preliminary analysis of the data led me to think that cases were referred based on personal volition (e.g. the choice to do or not do the work). The category “I WON’T do the work” included “do not want a case that small,” “it is not worth the time (including not worth time to travel within state),” “and “didn’t like client”; while the category “I CAN’T do the work” included “don’t do that

type of law” and “need more specialized/better lawyer.” However, after further analysis and comparison of categories, I realized that this dichotomy did not fully capture the data. I then both separated some codes that I had previously combined (e.g. need more specialized/better lawyer was split), and regrouped the codes into different categories (e.g. horizontal, vertical, and social reasons for referring).

I supplemented analysis of the qualitative data with on-going assessment via memo writing (Glaser & Strauss, 1967), which helped me notice patterns in the data. For example, an important memo started with the realization that:

This is a story of client relationships. Whereas economic and social exchange literatures address relationships between giver and receiver, this is a story of the clients. The clients are people, but are also exchange objects. (Note that in gift exchange they do exchange women).

In addition to memoing, I also organized my data into a matrix (Miles & Huberman, 1984), in order to discern systematic patterns and interrelationships in the data. For a sample of this matrix, please see Table 3.

Table 3

Judging quality in qualitative research

As with all social science research, issues of reflexivity, validity, and reliability are paramount to conducting a high-quality qualitative study (Miles & Huberman, 1984). However, while issues of validity and reliability apply to qualitative research, they have somewhat different conceptualizations (Kvale, 1994; Wolcott, 1994). Furthermore, I address issues of reflexivity as qualitative research is interpretive (Rubin & Rubin, 2005) and meaning is co-constructed between the researcher and the researched (Kvale, 1994).

Validity

Broadly, validity addresses whether the study answered the questions it is intended to answer (Kvale, 1994); thus, external and internal validity are relevant in qualitative research (Miles & Huberman, 1984; Janesick, 1994). External validity in the context of this project addresses whether the findings gleaned from a sample of lawyers are more broadly transferable (Denzin, 1994). To ensure such validity, I looked broadly at the reasons for referring a case, the attitudes toward clients, and the relationships between the referral sender and receiver. I did not focus on the specifics of legal referrals, such as the type of case or value of fees exchanged. I also sampled broadly within the legal field, interviewing professionals of varying demographic backgrounds and from a variety of specialties, in order to ensure generalizability.

To ensure internal validity, I engaged in probing and member checks while interviewing and constant comparison while coding (Silverman & Marvasti, 2008). For example, in attempting to understand the role of reciprocity, participant #1004 said about social similarity: *“The girls, we spend a lot of time and try very hard to refer to each other.”* But, when pushed further, she admitted that she sent referrals to recipients based on their of ability, regardless of gender: *“Most of my referrals are based upon who is the leader [of that type of litigation]. I don’t care if they are male or female as long as I know that they are real lawyers doing real work.”* Throughout the data collection, I interrogated participants to clarify their meaning, maintaining status of critical observer. Furthermore, participants appeared willing to give honest answers, not only socially acceptable responses. This was evident by a number of participants (e.g. #1011, #1033, #1015) desiring repeated assurance at the end of the interview that certain information

would not be disclosed. Participants were consistently forthright in their interviews, discussing, for example, business practices involving strip clubs, their own shortcomings as legal professionals, and how they capitalized on family connections.

Reflexivity

As the primary researcher on this project, I was intimately involved in the generation of data, and therefore I needed to be sensitive to issues of reflexivity. This self-awareness, or *reflexivity*, is the active, systematic process by which researchers gain insight into their work and which guides future actions and interpretations (Birks & Mills, 2011). As interviewer, I had to be reflexive to ensure that I did not impose my own biases or cultural perspectives on my participants (Corbin & Strauss, 2008). Furthermore, I needed to maintain objectivity when interviewing, so as not to “go native” or accept the common viewpoint (Corbin & Strauss, 2008). For example, participants discussed sending referrals to recipients who were “good.” While I had my own, preconceived notions about what this vague word meant, I asked participants to define the term, so as not to impose my interpretations on the understanding of my participants. This nuanced understanding of “good” was incorporated into the theme of “dependability expectations.” Furthermore, I was diligent in probing participants when they made general statements such as “*it goes without saying*” (#1023), or “*all my clients*” (#1042), as these are “red flags” that indicate that biases, assumptions, or beliefs are intruding into the data (Corbin & Strauss, 2008: 80). From an analytic standpoint, I looked for contradictory and opposite viewpoints to see the difference in outcomes when conditions changed.

Reliability

Reliability traditionally addresses the ability to repeat the research and achieve the same results (Schwab, 2005). Qualitative research is embedded within specific contexts, subject to temporal and other considerations; therefore, the notion of repeating a qualitative study to achieve the exact same results is unrealistic. A clear and auditable trail of data collection, coding choices, and decisions made during the research process is considered the best way to demonstrate reliability of a given study (Miles & Huberman, 1984; Morse, 1994). To ensure the reliability of this project, I employed the traditional grounded theory practice of frequent memoing (Glaser & Strauss, 1967), documenting coding and categorization decisions, and crafting a contact summary matrix (Miles & Huberman, 1984).

To further demonstrate reliability, the data were subjected to a final round of selective coding. *Selective coding* is the “integrative process of selecting the core category, systematically relating it to other categories, validating those relationships by searching for confirming and disconfirming examples, and filling in categories that needed further refinement and development” (Strauss & Corbin, 1990: 116), and I accomplished this in two ways. First, I re-read every transcript, fleshing out categories and paying close attention to disconfirming cases and instances when participants contradicted themselves. This was particularly useful in deepening my understanding of the role of social similarity on recipient selection. Additionally, I employed a second individual to independently code a subset (ten percent) of the data (Birks & Mills, 2011). This second coder was trained in grounded theory methodology and was provided a code book consisting of the final, thematically refined, codes, categories, and themes. For

example, take the quote: *“It all emanates from a core of people that you interact with and early on, at some point in your career, if you identify with certain individuals and certain firms that you feel comfortable with, and those are the people that you end up doing business with”* (#1002). While I initially coded this with the in vivo code of “form relationships early,” through the process of analysis I realized this was an example of a referral routine forming around a small number of potential recipients. In support of this analysis, the second coder coded this same phrase as an example of the theme “forming routines” and the codes “refer quickly” and “as a form of automatic processing.” I then recoded the same random sample at a later time (Duriau, Reger, & Pfarrer, 2007). I calculated the Krippendorff alpha ($K \alpha$) of each code to measure the degree of agreement between myself and the second coder, as it is frequently employed in qualitative research to assess interrater reliability (Hayes & Krippendorff, 2007). The alpha scores represented sufficient reliability (Krippendorff, 2004), with an average score of $\alpha = 0.823$. In sum, rigor of the study was enhanced through attention to negative and disconfirming cases, the use of a second coder, and saturation of themes via final selective coding.

As codes became categories and categories became themes, the boxes and arrows of the emerging model were formed, split, positioned, and repositioned. Elements of the model crystalized at different rates; for example, while I realized that referral routines formed after only a dozen interviews, what caused these routines to terminate required additional data collection. This process of coding, memoing, matrix building, and so on continued until the point of theoretical saturation was reached. It is only then that I thought my grounded theory was comprehensive.

RESULTS

Through iterative data collection and analysis, a model of professional referrals ultimately emerged. I found that the phenomenon of professional referrals is inherently dynamic, as the actions and decisions of entrepreneurial professionals are influenced by the behavior of others. While my investigation was driven by distinct research questions, eventually the three questions integrated into one coherent emergent model. The interactions between the entrepreneurial professional and the other parties to the professional referral—the recipient and the client—influence the process, as do individual goals and contextual conditions. Entrepreneurial professionals must repeatedly balance their own objectives against the behaviors of others.

The model begins with a potential opportunity being presented, and ends with either an established or terminated referral routine. Through this process, there are three transitional decisions: 1) decide to refer the opportunity, 2) select a specific recipient, and 3) establish referral routine. Each transition is a defining moment in the process, and completion of one decision results in a new set of considerations and potential actions. Thus, these transitional decisions provide the organizing framework for the model. This realization emerged while coding the reasons why entrepreneurial professionals engaged in a given professional referral. At first, while in vivo coding, I placed all these reasons into one giant “reasons” category. Eventually I split the category into “reason for referring case” and “reason for choosing recipient.” I then further refined this latter category based on whether the reason given was with regards to the first referral sent, or an ongoing pattern of behavior. In analyzing this data, I ultimately realized that while the “reason” constituted the dynamic portion of the model, the “...for referring case,” “...for

choosing recipient,” and “pattern of behavior” categories represented key decisions in the referral process.

Furthermore, through the iterative research process, I realized there are several boundary conditions to the emergent model. While the research was driven by the research questions, participants did discuss additional considerations. Context, time, and the client can all impact referral dynamics. First, a given professional field may also have domain specific reasons for why they must refer away business. Specifically, a conflict of interest occurs when a professional performs a service for a client while concurrently maintaining a relationship or conducting work with another person or organization that could be viewed, by the client, employer, or other interested party, as impairing the professional’s objectivity (Gardner, Lawrence, Willey, 1998). Several participants discussed sending referrals based on conflicts of interest (e.g. #1020, #1030). However, I do not include these conflict of interest referrals into the emergent model of professional referrals because of the role of volition. With a conflict of interest referral, entrepreneurial professionals are ethically obligated to send the business away. In contrast, with vertical, horizontal, and social referrals, the entrepreneurial professional is able to complete the work based on jurisdiction, but chooses to send the work away for objective or subjective reasons.

An additional boundary condition pertains to time constraints; several participants mentioned time as a consideration when presented with more work than they could competently handle. In answer to this quandary, some participants discussed hiring additional lawyers and the resulting benefit of not needing to refer a client away and potentially losing them forever (e.g. #1035). In contrast, while others mentioned that

after hiring additional lawyers, they lost more revenue than they gained: “*Now, what we did was, it turned out to be a major strategic error because the money our own [newly hired lawyers] made was minuscule compared to the money we made from the referrals*” (#1016). Finally, the client perspective is an additional boundary condition; while in the vast majority of cases the client employed the recommended referral, after being rejected by their first choice of representation, clients could choose to go elsewhere, and the remaining model would be immaterial.

The process of professional referrals is thus a series of dynamic interactions, punctuated by transitional decisions. The model starts with an entrepreneurial professional assessing the nature of the opportunity (but, how those opportunities are gained is beyond the scope of this project). According to economic theory, entrepreneurial professionals will refer work that is either outside their area of expertise (horizontal referral), or skill level (vertical). However, I also found evidence of an additional conceptual category, social referrals, which include interpersonal and moral reasons for referring away an opportunity. The next step involves selecting a specific referral recipient. Because of the importance of the client relationship, the entrepreneurial professional develops reciprocity and dependability expectations as to the anticipated behavior of a potential referral recipient. These expectations proximally predict recipient selection. I found that while tie formation mechanisms impact the referral dynamic, they are more distal in their effects. Finally, the model ends with either the establishment of a referral routine or a decision to terminate the referral relationship. Entrepreneurial professionals assume that their reciprocity and dependability expectations will be met, and form referral routines as the default decision. However, if the

entrepreneurial professional determines that expectations have been breached, then the professional referral routine is terminated. For the emergent model, see Figure 3.

Figure 3

Evaluate the Opportunity

My first research question asked “*How does the transfer of a client relationship as a revenue generation opportunity impact professional referral dynamics?*” To investigate the transfer of opportunities among competitors, I asked the participants “Please think of a business referral that you that you sent to another individual. What was the business that you sent? Tell me a little about it” and “What was the nature of the case/business?” I found that, when presented by a client with potential business, an entrepreneurial professional must first diagnose the work and determine if he or she is the right person for the job, subjectively weighing the potential for revenue with the features of the opportunity. This assessment of the opportunity is especially relevant within professional services; once licensed, a professional can technically engage in any of the many subfields of a jurisdiction. In general support of the economics literature, participants discussed sending professional referrals based on both level of expertise (vertical) and functional area (horizontal). However, I was also able to achieve a greater theoretical understanding of the vertical referral dimension, broadening it beyond skill level. More importantly, I found evidence of an additional conceptual category which I have termed social referrals.

Vertical referrals

A professional may choose to send the work based on vertical differentiation, which addresses the value of an opportunity relative to the skill required. Consistent with

the economics literature, I found that participants frequently sent vertical referrals to others willing to take smaller and less profitable cases. As an example of a referral due to skill differentiation, #1008 explained: *“I just don’t want to deal with that [small] case because I don’t have time for it.”* Several participants discussed sending such vertical referrals (e.g. #1013, #1015, #1019).

However, I found that entrepreneurial professionals also engaged in vertical referrals due to anticipated costs of time, including leisure and travel. This is a natural extension of the vertical referral dimension. At its core, a vertical referral is an analysis of objective costs versus potential revenue, and professionals are able to calculate their hourly rate, and therefore assign an objective cost to a given opportunity. For example, a Palm Beach-based lawyer explained his reason for referring a case: *“I would refer that...medium range case in Tampa...over to [the referral recipient].... Now, if I had a good liability \$10 million case in Tampa, I would not refer that out. I would do it myself”* (#1016). This participant, as did others, extended the objective value vs. cost calculation to include travel (e.g. #1012, #1034, #1036).

In addition, some discussed referring away cases that would require sacrificing more leisure time than they were currently willing to expend, relative to the potential value. For example, as #1040 honestly explained, *“I get cases all the time, but the bigger cases, I do not want to do the work that’s required in order to get that end result.”* Instead, this person prioritized being available *“at 3:30...with my son, waiting for him to finish his tennis lesson...You see, that’s the reason why I refer those cases out to [#1007], it’s because I don’t want to put the time and the resources that it takes in order to get either a lesser result or the same result.”* In support of the current literature on venture

growth, some participants declined opportunities for work-life balance reasons (Jennings & McDougald, 2007).

Thus, vertical differentiation is not strictly a matter of more skill/ less skill, but includes other considerations. In support of the economic concept of vertical referrals, I found that lawyers did refer cases based on talent (Garicano & Santos, 2003). However, there often was greater nuance involved in the decision making, and the dimension of vertical referrals should be broadened to include other objective costs, including geography and lifestyle reasons.

Horizontal referrals

Horizontal referrals represent those instances where a professional is offered work that is outside their field of expertise. In full support of the extant literature, a number of participants discussed referrals they sent for horizontal reasons; for instance, several civil litigation participants discussed their horizontal referrals of family law matters (e.g. #1037, #1005a, #1011). When asked specifically what types of cases he refers away, #1038 said, "*Areas where I don't have expertise...I think it was F. Lee Bailey who used the term 'practicing law' meaning that when you take a case that's outside your area of expertise—and he meant it disparagingly—you're really just 'practicing law.'*" This participant, as did others (e.g. #1003, 1004, 1039), referred their business away because they perceived that the needed service was outside their area of proficiency, thus offering support to extant literature (Arbatskaya & Konishi, 2008).

Social referrals

Most importantly, I found instances when the participant was capable and qualified to do the work, but still referred the case away for subjective reasons. In

addition to horizontal and vertical referrals, individuals may choose to refer work for social reasons. I define a *social referral* as an instance where an entrepreneurial professional is qualified, both in specialty and skill, to deal with an opportunity, but refers the work for subjective reasons. This conceptual category is very much based on individual perception, for what one person decides is a reason to refer away a client may not be the same for others. However, there are two general types of social referrals, those based on interpersonal reasons and those based on a moral discomfort.

In some instances, the professional chooses to refer away cases because of a perceived interpersonal disconnect with the client. As an example, #1001, using some colorful description, said: *“Sometimes [cases] are in my area but they’re just too blender-heady, festery, or something’s just a little too much. Then I refer it out because I have...learned that those are the cases...where people will drive you insane, so you’re just saving yourself.”* Similarly, #1031a explained that,

I’m picky about the ones that I want to handle. I don’t like it when you get too emotionally involved. Like if there’s stress over who is the appropriate parent, or if there’s any kind of violence, I’m not interested in handling it...If it stresses me out, screw them, I’m not going to do it.

Both these participants performed a cost/ benefit analysis, and determined that the emotional effort and toll of dealing with interpersonally challenging clients outweighed any potential revenue.

In other instances, professionals refused to take a case because of moral discomfort with the client. As #1030 explained:

The relationship has to be one in which everybody's got confidence in the other party and it doesn't go just client to lawyer, it's from lawyer to client...We don't represent anybody we don't like. You have to work with them a lot...So we don't bear company that is obnoxious and difficult or...if they lie to us. So if we catch them – if they tell us [something] and then we investigate and it's just false, then that's a non-starter.

This participant refuses to work with clients who are interpersonally intolerable or ethically unprincipled.

The social category encompasses professional referrals in which the work in question is within the purview of the entrepreneurial professional, both vertically and horizontally, and yet he or she still chooses to refer the case away due to some subjective social reason. As with vertical and horizontal referrals, the entrepreneurial professional weighs the costs and benefits of completing an opportunity. However, with vertical and horizontal referrals the costs are objective, such as time, travel costs, or skill, whereas with social referrals the costs are subjective. Like interpersonal conflict, which is the perceived struggle between at least two interdependent parties with due to incompatible goals and/or scarce resources (Wilmot and Hocker, 2001), social referrals reflect an incompatibility between an entrepreneurial professional and a client. However, the discord between an entrepreneurial professional and his or her client does not have to reach the level of conflict to constitute a social referral; simply being viewed as disagreeable may be sufficient to deem a client worthy of being referred away.

The category of social referrals is also distinct from other extant constructs. Social referrals are not the same as negative reciprocity. Negative reciprocity represents

the effort to get something for nothing (Sahlins, 1972); the individual on the receiving end of the exchange is simply trying to maximize his or her own gains, at the expense of others. In contrast, social referrals represent a professional making a legitimate offer of a paying client to another recipient. Furthermore, while there is extant research indicating clients who violate interpersonal norms can be deemed “difficult” (Stevens & Searcy, working paper), there is no extant theory suggesting that professionals would forgo revenue to avoid working with undesirable clients. While the relationship marketing literature does encourage firms to focus their efforts on profitable clients and suggests that firms should, as a last resort, sever ties with the least profitable clients (Hibbert et al., 2012), this literature focuses on the value equation of profit and loss, and does not take into account subjective costs. Finally, the category of social referrals is distinct from conflict of interest referrals because of the role of volition. With a social referral, the referring professional chooses to make a referral, whereas with a conflict of interest referral, the referring professional is obligated to reject the work due to a perceived lack of impartiality. With a conflict of interest the referring professional is ethically required to send the work away, while with a social referral he or she sends the work away because the client or work is undesirable.

Summary. In partial answer to first research question of “*How does the transfer of a client relationship as a revenue generation opportunity impact professional referral dynamics,*” I found that entrepreneurial professionals assess a potential opportunity on three dimensions. If their specialty, skill (including travel, time, leisure, and effort calculations), and interpersonal and moral inclinations do not correspond, then they will decide to refer the opportunity. Social referrals represent an additional dimension of why

a professional might choose to refer away business for subjective reasons. This expands current understanding of reasons for referring. Entrepreneurial professionals are utility maximizing, balancing potential revenue against cost. However, their cost calculations include not just objective costs, but also subjective costs, including emotional toll and being morally compromised. After the entrepreneurial professional makes this first transition decision, he or she then proceeds to the next phase, selecting a referral recipient.

Select the Referral Recipient

After determining that an opportunity is to be referred, an entrepreneurial professional must determine which specific individual is to be the recipient of the client relationship. Seeking to address my second research question (*How are professional referral recipients initially selected?*), I questioned participants about whom they selected as a referral recipient. I asked participants “Why did you send the business to this person and not someone else?” However, I soon realized that I was also answering, in part, my other two research questions, as both considerations regarding the transfer of a client relationship (research question 1) and attitudes toward reciprocity (research question 3) also impacted recipient selection. Rather than a straightforward set of positive attributes, the reasons given were multi-faceted and based on expected behavior of the recipient. For example, #1020 said a recipient was chosen because “*they were qualified, trustworthy, competent, and I was comfortable that they would do a good job and that the client would not have a bad experience.*” This loaded response included characteristics of the recipient and reflections on their past behaviors, but most importantly, future-looking statements about the predicted outcome of the referral. I found that entrepreneurial

professionals form expectations, anticipating the future performance of a given potential recipient.

These *expectations* are future-oriented beliefs about the behavior and job performance of the referral recipient, and are directly predictive of recipient selection. Despite the previous decision to refer the opportunity away, entrepreneurial professionals still expect to achieve certain outcomes with regards to the exchange practices, professionalism, and trustworthiness of the referral recipient. These expectations of the reciprocity and dependability of the referral recipient are impacted by both the entrepreneurial professional's attitudes toward his or her clients and tie formation mechanisms. Entrepreneurial professionals are possessive of their clients, as clients represent access to a future revenue stream. In addition, this research supports recent scholarship that tie formation mechanisms can influence selection of a specific individual, but are distally causal (Grossman et al., 2012). Of greater importance to the selection of a referral recipient are the expectations that the entrepreneurial professional forms with regards to the reciprocity and dependability of the recipient. Expectations are the more proximal cause of recipient selection; if an entrepreneurial professional anticipates that a potential recipient will meet their expectations, then that person is likely to be given the referral.

Client relationship

After analyzing responses to the broad opening question of “tell me about how you generate business,” it was clear to me that entrepreneurial professionals view their past clients as an important source of future revenue. Entrepreneurial professionals know that clients have a choice when selecting or recommending future professional

representation, and want to be sure that they receive the future work. As #1040 explained, “*I get my cases based on word-of-mouth, and when the client has an excellent result, I usually get referrals from clients back to me.*” Several participants also discussed the network effects of past clients (e.g. #1018, #1014). For example, #1035 discussed how he came into contact with a current client:

This [case] was from two or three [clients] back. I think it was a former client who was a friend of a client that was originally referred to me by a [client]... Oftentimes, it's like a train of people.

Thus, consistent with the relationship marketing literature, past clients represent an important future revenue source for entrepreneurial professionals, both directly with their own future needs, and indirectly, through recommendations to their networks (Koza & Lewin, 1999). As a result of the potential future income stream, entrepreneurial professionals frequently attempt to help their clients beyond their scope of duty, and, more importantly, are possessive of them.

Entrepreneurial professionals are fundamentally customer service providers—as #1033 explained, “*we're in the personal service business.*” In order to ensure a steady stream of future client recommendations, entrepreneurial professionals will take the time to provide additional customer care. For example, #1002 explained: *Once a person is a client of ours, we tend to help them with a lot of things that we don't get paid for... We take the time for goodwill to try to help them out in the hopes that they will come back to us for other things.* Because of the intensive attention required to complete a professional service opportunity, not only did this entrepreneurial professionals form a personal

service relationships with his customer (Guttek et al., 1999), he began to view the client as “*ours*.”

Client possession. As a result of the potential long-term revenue ramifications of client relationships and of these personal service relationships, entrepreneurial professionals develop feelings of possession toward their clients. The language of how entrepreneurial professionals talk about their client relationships is riddled with possession. In my first interview, #1005 used the phrases “*his client*” and “*their client*” in referring to the client of a competitor. Similarly, in another early interview, #1019 said that her job was to “*serve our clients well*.” Despite these early indications of client possessiveness, it took me until phase two of the data collection to truly understand the significance of this phrasing. The difference between *mine* and *not mine* is a key distinction made by an entrepreneurial professional in making a professional referral. It is this psychological distinction that gives rise to differential expectations. Thus, I place the word *mine* and *not mine* in italics, for while entrepreneurial professionals cannot physically possess their clients, they can feel possessive of the relationship with them.

This dichotomy of client possession is determined by the outreach of a professional to secure a new client, who did not previously have a relationship with another entrepreneurial professional in that field. As #1018 explained:

It's always understood that the clients that you produce from your [non-lawyer] referral sources, from your marketing, et cetera are “your clients”...in our industry, it's our unwritten rule, that the clients that you bring in are “your clients,” no matter what.

Clients who first come into contact with a given professional field through an entrepreneurial professional's personal connections, advertising, client referrals, or off the street are considered *mine*. In contrast, the status of *not mine* would refer to those clients who came to one entrepreneurial professional via another entrepreneurial professional in the same field. Several participants discussed making a referral of a referral, or a double referral; in other words, another entrepreneurial professional came to them with an opportunity which they declined and then referred to another recipient (e.g. #1004, #1005c). However, in my data set, the status of *mine* was more common, representing 78% of the cases.²

Fundamentally, it is the initial contact between an entrepreneurial professional and a client that is critical; this first contact determines client control and establishes a bond with the client. As #1031 explained: "*I always defer to the initial relationship, who had them first.*" In establishing possession, professionals follow the first possession heuristic, determining that the person who first possessed something is its owner (Friedman & Neary, 2008). While the first possession heuristic has been empirically supported in both child and broad adult samples testing the relationship between physical objects and feelings of ownership (Friedman, 2008; Friedman & Neary, 2008), it has not been extended to apply to personal relationships in the professional world. However, as clients relationships are considered valuable, it follows that this heuristic would also apply to professional referrals.

I must also note a heuristic that is not followed when determining client possession—subsequent or cumulative possession (Friedman & Neary, 2008).

² This figure was derived from the 49 cases where I could determine possessiveness. I did not ask about the status of *mine* and *not mine* in the initial phase of data collection, so I only have possessiveness data on 49 of 55 critical cases.

Participants explicitly stated that even if another professional had cumulatively more time with or currently was representing a client, it is the professional with the first contact who should claim client control. For example, #1018a was quite upset when another professional, to whom he had referred a female client, insisted on representing that client in a subsequent matter. He strongly felt that the woman was “*my client*,” despite another lawyer having represented her.

The desire to keep clients and not lose any potential long-term revenue can actually drive decision making about referrals. While this project is about the referring of business, some participants did discuss business that they kept, and the reasons for doing so. I found that, due to concerns about maintaining client relationships, entrepreneurial professionals kept opportunities just for the sake of maintaining the client relationship. For example, #1035 explained: “*I had a discussion with [my wife] about getting rid some of the small cases, but not wanting to get rid of them, because later they may have a big case. So, I do take more of the smaller cases than I would, just for the sake of keeping [the clients].*” The desire to keep a long-term revenue stream, thus maximizing his long-term utility, drove his decision *not* to refer client, despite his general desire to do so based on the perceived mismatch between his skill and the client’s needs.

Summary. When sending a professional referral, entrepreneurial professionals are voluntarily giving away their clients to other entrepreneurial professionals who are better able perform the needed work. At the same time, because of the long-term revenue potential (Chatain, 2010) and personal service relationships (Guttek et al., 1999) professionals are possessive of their clients. This paradox of wanting to keep, while needing to give, is at the heart of the professional referral dynamic.

Reciprocity: Keeping-while-giving and expectations of new clients

To answer to the third research question of “*What do entrepreneurial professionals consider sufficient reciprocity when transferring professional referrals?*,” I asked participants “How much business do you tend to give and/or get from this person?” While I sought to answer only this question, the emergent theme of “reciprocity expectations” also addresses research question 1 on the client relationship, and research question 2 on how recipients are selected. Nearly every participant indicated the importance of reciprocity, but at first their comments seemed contradictory. For example, #1031a explained that “*Tit for tat is a big deal. You get referrals, you give referrals, and definitely, reciprocity is key.*” In contrast, #1013 said, “*you have some relationships that are not really quid pro quo. You have some relationships that are more one-way.*” I eventually induced that these seemingly conflicting attitudes toward reciprocity could only be reconciled by accounting for the nature of relationship with the client. Because clients are a source of future revenue, entrepreneurial professionals are possessive of them, and reciprocity expectations form as a result of these feelings of possession. In the context of professional referrals, entrepreneurial professionals conceptualize reciprocity in two ways: as the return of the same client and the reciprocation in the form of new clients.

The return of the same client: the phenomenon of keeping-while-giving. It is because clients represent future income streams that the framework of client possession gives rise to individual expectations regarding the return of the same client. I found that entrepreneurial professionals engage in *keeping-while-giving*, simultaneously *giving*

away a client as a referral, while attempting to *keep* the same client as a source of future revenue.

The epiphany moment of data analysis occurred when #1025 spoke about her attitudes toward both her own clients and those clients whom she had received as referrals from other professionals:

I keep a ledger of every single case referred to me, so if another attorney refers me a case and that case [is successfully resolved] and three years later, I get a call [from the same client], I go to that ledger and I will say, “Okay. Well, you were referred to me by this attorney. He’s a great attorney.” I send them back, so they keep the client.

This respondent keeps a “*ledger*,” as would an accountant listing assets, detailing where each of her clients came from. Those clients who were referrals to her, coming from another legal professional, were considered *not mine*, and were the clients of that referring attorney. In contrast, those clients she cultivated through networking, community events, and so on, were *mine*. This participant demonstrated most clearly the phenomenon of keeping-while-giving; she understood the expectation of the referring attorney was that she would only represent the client for the short term, while the referring attorney kept the client relationship for the long term.

Participants also demonstrated that they expected clients to be returned to them after the matter at hand was completed. As #1031a stated, “*There’s an understanding that, on other matters that would be outside the reason for the referral, they [the client] would be encouraged to go back to me.*” This participant explained that the common expectation within the professional community is that the referral recipients were to only

assist the client on the particular matter being referred. If, in the future the client needed additional legal representation, he or she would be sent “*back to*” the original lawyer. In other words, it is expected within a professional community that referred clients are not given away forever, but are “loaned out,” to be returned to their original entrepreneurial professional for future work.

The term keeping-while-giving was originally coined by Annette Weiner (1992), an anthropologist studying the gift exchanging practices of the Melanesian Trobrianders in Papua New Guinea. Whereas previous scholars focused on the norm of reciprocity as the driver of all exchange (e.g. Mauss, 1990; Levi-Strauss, 1969), Weiner felt that the overemphasis on this dyadic sequence of gift and counter-gift failed to sufficiently explain exchange practices. Instead, she argued that it is the keeping, or feelings of possession, that drives exchange sequences. Central to Weiner’s thesis is the notion of inalienability, or the potential that some possessions are forever associated with the original owner, even if they enter circulation and are exchanged. Weiner examined the patterns and practices in the exchange of cloth and jewelry, and her work has been applied to literature (Hammons, 2010), anthropology (Mills, 2004), and modern consumer gift practices (Curasi, Price, & Arnould, 2004). Here, I extend this concept to the management domain.

The phenomenon of keeping-while-giving of professional referrals extends even to instances where work is referred for social reasons. Recall that social referrals encompass those in which interpersonal incompatibility or moral discomfort with the client result in choosing to refer them away. But, even though the client is referred for these subjective reasons, entrepreneurial professionals still want them returned, because

of the future stream of income that they represent. For example, #1031a expected her interpersonally difficult client (social referral) to be returned, and in a follow-up interview stated that not only was the client was returned, she received client referrals from this person at least “*once a month.*” This participant indicated that just because one client is worthy of a social referral does not mean that their entire extended network of friends and family should also be referred for the same reason.

The phenomenon of keeping-while-giving elucidates why several respondents said that they would continue to send clients to a given referral recipient, despite having never receiving a referral in return (e.g. #1029, #1037). For example, #1032a explained that he sent all divorce cases (horizontal referrals) to one individual:

I haven't got any business from him, but he's an excellent lawyer...So if a client called me up and asked me who – he had a friend that needed a divorce –I would say, “[this person].” It's as simple as that. So that works for me and it works for my client and I don't need to get a referral every time that I refer business. It's two different areas. I'm not really looking for referrals back.

This participant has a clear mental distinction between reciprocity of referrals and happy clients—it is “*two different areas*”—and had a firm expectation that the clients would be returned to him in the end. This is completely in keeping with the predictions of keeping-while-giving. When the client is *mine*, entrepreneurial professionals expect the client back; this form of reciprocity is both necessary and sufficient.

The reciprocation of new clients: Expectations of short-term revenue.

Entrepreneurial professionals also form expectations regarding the reciprocation of new client relationships. In the context of this research, I use the term *new* clients to refer to

those individuals whom an entrepreneurial professional expects to receive via a future professional referral. Based on the first possession heuristic and the rules of keeping-while-giving, new clients received via a future referral are inherently *not mine* and can only represent short-term revenue. This is because once service for the new client is complete, the entrepreneurial professional will have to return the client to the originating professional. The expectation for reciprocation of new clients arises separately from expectations of keeping-while-giving, and can occur under both situations of *mine* and *not mine* possessiveness toward the client.

When the client that is currently being referred is *not mine*, the entrepreneurial professional usually expects future reciprocation of new clients. In ten of the twelve critical cases where the client was considered *not mine*, participants indicated they formed expectations regarding reciprocation in the form of new clients. The entrepreneurial professional is currently losing out on both short-term revenue (because of the referral at hand) and on long-term revenue (because the client is *not mine*). Thus, he or she expects to be compensated in the form of *new* clients (representing other, short-term revenue). When asked what he wanted in reciprocation for his referrals, #1040 said: *“I need to have something that comes back to me and returns to me...And what happens is [the recipient] gets a case...he can’t handle, because it’s too small, he sends them my way.”* This participant had been introduced to the client through another entrepreneurial professional and did not feel possessive of him. However, the participant still expected reciprocity from his recipient in the form of other cases. He had the expectation of short-term revenue, through new client relationships, and had to remind his referral recipient to fulfill his perceived end of the bargain.

However, expectations of reciprocation of new clients can also occur in conjunction with expectations of keeping-while-giving. #1007a discussed sending his vertical referrals to a younger lawyer in town: “*For instance, when I get a small [case]...I’ll send it to a young man named [#1040]... I’ll send him cases and he will send me cases.*” In addition to expectations of keeping-while-giving, #1007a expects reciprocation of new clients from #1040, as exchange for sending vertical referrals. Thus, expectations regarding reciprocation of new clients can arise both in combination with and separate from those of keeping-while-giving, as determined by assumptions regarding the possibility of reciprocity.

When setting expectations of reciprocation of new clients, entrepreneurial professionals are realistic. They make *assumptions* about the potential of new clients, which impact their expectations. Assumptions about the likelihood of reciprocity give rise to expectations. If they do not anticipate that reciprocity is likely, then their expectations for reciprocation of new clients shift. Within a given professional jurisdiction, there are areas of specialization that are more complementary with one another, and thus more likely to give rise to referral opportunities. In other words, entrepreneurial professionals assume that referral recipients in complementary areas are more likely to encounter cases that could result in reciprocation of new clients. As #1014 explained:

I think that there are those lawyers...who have completely different specializations and who you have no expectations of referrals back and forth. They would send you a case because it's not what they do. Then you

have...people who refer back and forth...Those people who we deal with on a regular basis.

He has “*expectations*” of reciprocation of new clients from the latter group of people, but not from the former. Thus, expectations are shaped by assumptions about the likelihood of a return; if an entrepreneurial professional does not predict that reciprocity is possible or likely, then that expectation does not form.

These exchange expectations, both regarding the return of the same client and reciprocation of new clients, are conceptually similar to the construct of the psychological contract (Rousseau, 1995; 2011). The psychological contract represents an individual’s collection of beliefs, based on commitments expressed or implied, regarding the exchange agreement with their employer (Conway & Briner, 2004), and is not to be confused with a formal employment contract. For example, the employment contract *explicitly* addresses an employee’s hours worked in exchange for compensation. In contrast, a psychological contract would include beliefs about the exchange of annual raises for hard work, as *implied* by an organization. As reciprocity expectations of professional referrals include tacit beliefs about the exchange of resources, they are similar to psychological contracts. With both constructs, the individual forms beliefs about what is to be exchanged, which is determined by past experiences, social and professional norms, and professional specialization (Ring & van de Ven, 1994). These beliefs do not arise solely as a result of a specific relationship, but usually predate the exchange at hand.

Entrepreneurial professionals *expect* keeping-while-giving and reciprocity of new clients, but these were never *promised* by the recipient, nor is the recipient *obligated* to

engage in reciprocity. Rather, reciprocity expectations are usually unspoken, and the individual may only be dimly aware that these expectations even exist. Participants described their expectations using language such as the code of “*professional courtesy*” (#1042) or “*unwritten rules*” (#1018). Thus, like a psychological contract, reciprocity expectations are assumed but not always verbalized, but unlike the psychological contract, are formed between two independent individuals, rather than between an employer and the employee.

At this point I must comment on the use of referral fees among entrepreneurial professionals. Economic theory stresses the importance of referral fees (Arbatskaya & Konishi, 2008; Zamir et al., 2012), and I did question participants as to their attitudes and practices with regards to referral fees. While some participants did discuss the exchange of referral fees, I found that receiving a referral fee from a referral recipient was not the stated primary motivator of any participant. Every participant who mentioned referral fees emphasized either keeping-while-giving or reciprocation of new clients. In fact, many participants specifically said they did *not* take referral fees, even when they were allowed to do so by law. For example, #1019 said “*sometimes I don’t even take a referral fee,*” and which #1015 echoed, “*I didn’t ask for a referral fee.*” These participants, like others (e.g. #1021, #1004) viewed new clients as the proper currency for reciprocation, not fees.

Furthermore, it is difficult to theorize about the use of referral fees or prevalence, due to different rules regarding the permissibility of such fees in different states. For example, in Georgia a referring attorney is allowed to collect a referral fee, but only in proportion to the work provided. In contrast, in Pennsylvania, a referral attorney is

allowed to receive a flat 25% fee for no work, while in Utah referral fees are not allowed. Furthermore, referral fees may be allowed only for certain kinds of cases, and this is again regulated by the state. For example, in Florida a referral fee can only be collected on contingency-fee cases, and not on hourly-fee cases. Finally, these regulations only pertain to the legal field; the rules regarding referral fees may differ across professional disciplines.

Summary. Through inductive analysis, I found that feelings of possession lead to differential reciprocity expectations. If the client is viewed as *mine*, then the entrepreneurial professional forms expectations of keeping-while-giving and may expect reciprocation of new client referrals. If the client is *not mine*, then the entrepreneurial professional forms expectations of reciprocation of new clients. These expectations impact the selection of a referral recipient; if the entrepreneurial professional anticipates that a potential recipient will meet their expectations, then that person is likely to be chosen. However, entrepreneurial professionals are involved in the sale of their service for a profit, and therefore are also concerned with outcomes beyond reciprocity that can impact the bottom line.

Dependability: Trustworthiness and professionalism expectations

Entrepreneurial professionals want the clients that they refer away to be served well, so these clients will think positively of them and use or recommend them in the future, should the need arise. This desire to maintain clients as a long-term revenue stream gives rise to expectations with regards to the dependability of their referral recipient. While reciprocity expectations address the desire that the *referral recipient* should return the client, dependability expectations pertain to the wish that the *client* will

approach the entrepreneurial professional with future business. As #1014 explained, after sending a referral *“If [my client] would have a bad outcome, it could reflect poorly on me and indirectly affect my business down the line...They are not going to think positively of me when it comes to referring some case that I would take.”* Entrepreneurial professionals recognize that clients are free to approach whomever when choosing a future service provider; these professionals therefore select a referral recipient who will reflect positively in an attempt to secure the client’s future business.

In order to further answer research question 2 “How are professional referral recipients initially selected?,” I asked participants, “Why did you send the business to this person and not someone else?” From the initial data collection phase, I noted that recipients were chosen for being “good.” In probing participants to better explain this vague word, what emerged was a category that consisted of two dimensions, professionalism and trustworthiness. When attempting to define a broader category of expectations that comprised of both these concepts, I settled on “dependability,” as it is defined as being worthy of “reliance or trust” (Depend, 2013). These expectations of dependability also directly impact recipient selection.

Professionalism expectations. Entrepreneurial professionals set expectations regarding professional standards of conduct. These expectations can be idiosyncratic, as what constitutes correct conduct is a normative expectation which can vary by person and industry. But, participants repeatedly mentioned expectations of good customer service and communication. Together, these expectations of communication and customer service address assumed proper conduct within a given professional field.

Expectations of customer service. Participants expected good customer service from a referral recipient. For example, #1035 discussed only referring to recipients who “...make their clients happy with the services that they hired them for.” Similarly, #1005a explained: “[#1022] is much better at getting to the meat of the coconut than most family-law lawyers. I think he does—in that sense—a better job for the client because they’re billing by the hour.” Entrepreneurial professionals do not select recipients who are not perceived to be poor at customer service or will waste the client’s time, as it results in a poor reflection on them.

Expectations of communication. As a professional norm, good communication was also expected from the referral recipients. For example, when asked why he referred a particular piece of business to his recipient, #1008 said “*He’s a detailed guy. He never drops the ball. He always follows up with them.*” Communications as to the status of the case, being responsive to client questions, and a willingness to take time to answer clients questions were all mentioned as communication expectations.

Trustworthiness expectations. It was only after understanding the importance of keeping-while-giving clients that I understood how sending a professional referral involves an entrepreneurial professional taking a calculated risk. As participant #1040 explained, “*You have to trust the person who you’re doing business with.*” The repeated emphasis on trusting the recipient drew me to the trust literature by Mayer and colleagues (Mayer et al., 1995; Schoorman et al., 2007). These scholars define trust as “the willingness of a party to be vulnerable to the actions of another party based on the *expectation* that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (emphasis added). They

argued that risk-taking is predicated on being deemed trustworthy in one or more of three areas. Sending a professional referral is just such a risk, as it is sent without any guaranteed outcomes. Mayer et al. (1995) proposed three factors of trustworthiness: ability addresses the skills and competencies of the trustee that are task- and situation-specific, benevolence refers to the extent to which a trustee is believed to want to do good to the trustor, and integrity reflects the trustor's perception that the trustee adheres to a set of principles. While in their original theory they did not offer predictions as to the relative importance of each factor in order to ensure a generalizable model, they have subsequently called for research into context-specific areas (Schoorman et al., 2007). As my grounded inquiry specifically investigates professional referrals, I am able to offer further insight as to the relative importance of each trust factor.

Expectations of ability-based trustworthiness. Among entrepreneurial professionals, trust based on ability is both necessary and sufficient when engaging in professional referrals. When making a referral, entrepreneurial professionals must be able to trust that their referral recipient, within a specific domain, will handle the referred piece of business adequately. They set expectations as to the ability of their referral recipients to successfully complete the work, but these expectations only pertain to minimum standards. For example, #1010 will not refer to anyone below a certain threshold: "*My primary goal and criteria in a referral is competency.*" Participants (e.g. #1002, #1032, #1038) stated that they would be willing to send professional referrals to recipients other than the absolute best, but all recipients must possess a minimum level of expertise.

Furthermore, ability can be the only trust factor needed before sending a referral. For example, when asked to whom she refers her social referrals, #1001 explained: “*I send them to my ex-husband...I don’t like my ex-husband. I send them to him. He calls and thanks me. He goes, ‘[#1001] thank you.’ I’m like, ‘Say nothing of it’ (laughing).*” While this participant did not personally like her ex-husband, and thus did not trust his benevolence or integrity, she did respect him as a litigator, and knew that he would serve the client well.

Adding nuance to Mayer and colleagues conceptualizations of trust, I found that entrepreneurial professionals also determine an individual’s trustworthiness by proxy measures. Entrepreneurial professionals do not have the ability to know every other potential referral recipient directly and sometimes must place faith in the general consensus of others, trusting their referral recipient’s ability based on their reputation. For example, #1034 explained that she would feel comfortable sending a vertical referral based on geography to a fellow member of a prestigious lawyer organization, even though she did not know the referral recipient personally: “*...knowing how strict the scrutiny is at the [lawyer organization], I’m very comfortable referring the case to somebody in the academy, in another geographic area even if I don’t know the person.*” In this instance, due to the rigorous entrance requirements for this particular organization, #1034 knew that the recipient was of excellent ability, and therefore was deemed trustworthy. Other proxy factors that can contribute to ability-based trust include family (e.g. “*He’s from a smart family,*” #1029), or being employed by a prominent firm (e.g. “*he’s with a good firm,*” #1042c). As #1026 explained, “*Typically, I would start with somebody that other people in my community speak highly of. So, if I hear from three or*

four people that I know I can trust that this individual is worthy, then I'll go ahead and give him the benefit of the doubt.” While not direct assessments of ability, these proxy measures of reputation, firm status, and other markers of skill are also used by professionals to determine ability-based trustworthiness.

In sum, ability-based trust is a prerequisite for any risk-taking action involving sending a referral. While Mayer et al. (1995) claim that a relationship can be low in any one of the three factors but still result in risk-taking, I found that within the specific domain of professional referrals, trust in the referral recipient's ability is absolutely necessary. Relationships that have either integrity- or benevolence-based trust, as I will discuss below, can also result in referrals, but only if ability-based trust is also present.

Expectations of integrity-based trustworthiness. When sending a referral, the sender is giving away an opportunity of value, with a hope, but no certainty, of reciprocity. Furthermore, as most professional referrals are not bound by contracts, entrepreneurial professionals must trust their recipients to behave within the implied tenets of the exchange. Therefore, entrepreneurial professionals form expectations that the referral recipient will act ethically. #1040 explained this in greater detail: *“You have to trust the person who you're doing business with, as opposed to doing business with a firm strictly on reputation for getting big results, because they might get a big result, but they may screw you in the end.”* This participant was fearful that he would not be paid his deserved referral fee. In order to allay his fears, this participant referred to #1007 with whom he had a long-term successful referral relationship. The recipient was both *“competent”* and would not *“screw”* the participant; the recipient had both integrity- and ability-based trust.

I must emphasize that integrity-based trust expectations were not predictive of selection, but only may result in recipient selection in conjunction with ability-based trust expectations. In every case where integrity-based trust was mentioned as a reason for referral exchange, ability-based trust was also discussed. For example, #1018b sent a referral to a firm where he knew “*the quality of their work*” and “*how they are in their motives*” toward client possession; he knew the recipient was “*somebody that I can trust*” to not steal the client. Furthermore, integrity-based trust expectations are distinct from social referrals. Integrity-based trust addresses the expectations regarding ethical conduct by the referral recipient, while social referrals address, along with interpersonal considerations, concerns regarding the ethical conduct of the client.

Expectations of benevolence-based trustworthiness. Mayer et al. (2007) define benevolence-based trust as the extent to which a trustee is believed to want to do good for the trustor, aside from an egocentric profit motive, and includes loyalty, openness, caring, and supportiveness (Mayer et al., 1995). Within the context of professional referrals, the best evidence of benevolence-based trust was when a potential referral recipient had sent clients to the participant in the past (i.e. the referral recipient was the one to initiate the series of referral exchanges). Sending clients as referrals are evidence that both 1) the sender is not profit-driven (is forgoing current revenue by sending a referral) and 2) wants to help the recipient (by sending that revenue potential to the recipient). For example, #1002 discussed sending cases to a firm that had sent him work in the past:

I would never...refer to firms or attorneys that I didn't respect just because they were sending us work....But, you know the concept of the term “throw a bone?” I mean, if someone comes along and you feel comfortable in making a referral to

this firm...then that's what you do... you have to at least make the attempt to once in a while send business to people who are sending you business.

This participant, like others (e.g. #1007, #1012), would “*never*” refer to firms if he were not “*comfortable*” with the representation that the client would receive.

However, like integrity-based trustworthiness, benevolence-based trustworthiness only results in referral exchanges in conjunction with ability-based trustworthiness. For example, one participant discussed sending several opportunities to a specific recipient over the past twenty years. However, when I asked this recipient about why he had never reciprocated with new clients, despite having many opportunities to do so, he responded that he did not feel the initial referral sender was sufficiently skillful. This individual was not deemed to have sufficient ability, and reciprocation in the form of client referrals has never occurred (although he has been paid referral fees, as allowed by state law).

Summary. Expectations of dependability, both professionalism and trustworthiness, are how the desire for reputation protection is manifested in the professional referral dynamic. Yes, entrepreneurial professionals desire reputation protection as predicted by extant scholarship (e.g. Daniels & Martin, 1999), but their concerns are far more practical. Poor referrals can have an economic impact on the referral sender; entrepreneurial professionals desire a strong reputation so that their clients will either use or recommend them in the future, resulting in future economic revenues. These findings echo work on how third parties, by relaying information to others, can affect an individual’s reputation for something (Mehra, Dixon, Brass, & Robertson, 2006); for example, Wong and Boh (2010) found that third parties can impact a reputation for trustworthiness. Here, I extend this research to the client relationship literature and

expand it to include financial outcomes. As #1038 explained, “*there is really no margin of error in terms of the expectation of the client,*” and on which #1040 echoed: “*you have to be careful because...you don’t want to refer your case...where there’s going to be a bad reflection on you.*” The client employs a professional in order to achieve successful completion of the matter at hand (Abbott, 1988). If the referral recipient does a poor job or is unprofessional, that client will be unhappy and will be unwilling to approach the originating professional again, even if the client were returned because of keeping-while-giving.

The role of tie formation mechanisms

According to current research, tie formation mechanisms are predictive of relationships among individuals and inter-organizational ties between firms (Brass et al., 2004). To investigate research question 2 “How are professional referral recipients initially selected?” and to see if tie formation mechanisms were directly predictive of the exchange of opportunities, in the 33 interviews I conducted during the first two phases of data collection I asked questions regarding tie formation. I examined the three types of mechanisms suggested by Rivera et al., (2010): assortative mechanisms that emphasize similarities between individual’s attributes (e.g. race, gender, hobbies), proximity mechanisms that focus on social interactions in time and space (e.g. propinquity), and relational mechanisms (e.g. friendship, network position). I found that, while all three mechanisms can cause relationships to form between entrepreneurial professionals, these mechanisms are not the determinative factor in the final choice.

While tie formation mechanisms narrow down the universe of potential recipients to a smaller decision set, they are a distal cause of selection. Rather, the proximal reason

for selecting a specific referral recipient is anticipation that he or she will meet reciprocity and dependability expectations; it is both necessary and sufficient for a potential referral recipient to meet such expectations. For example, #1039 mentioned receiving a case from someone whom he had never met before: “*I don’t know him at all...[The referral] was purely because he knew of our work. He knew of our success and so that was the link that he called me.*” A number of participants discussed sending referrals to recipients they had never met, and thus had no common ties, but who met expectations (e.g. #1014, 1009).

Thus, in reconfiguring the model of professional referrals to account for these findings, and echoing those findings of Grossman et al. (2012), I positioned tie formation mechanisms as impacting expectations, but not proximally predicting recipient selection. Tie formation mechanisms can cause two entrepreneurial professionals to meet, form relationships, and offer the opportunity for trust to develop (Rivera et al. 2010), and thus distally result in recipient selection. However, when faced with decisions that impact economic outcomes, meeting expectations are the more proximal cause of specific referral recipient selection.

Assortative mechanisms. I asked participants about surface level similarity, including race and gender, but also about deep-level similarities including religion, hobbies, and schools attended. Participants, for the most part, did share surface-level similarity with their chosen recipients. However, every recipient that mentioned assortative mechanisms playing a role in selection also discussed the referral recipient meeting both dependability and reciprocity expectations. For example, while #1004 did discuss sending cases to a member of the “*secret girl’s network*” within a professional association, her recipient was

not selected because she was female, but rather because the recipient was someone whom the participant “*truly trusted*” and who is “*one of the sharpest lawyers in the mass tort field.*” These individuals were both women and thus socially similar, but the recipient was ultimately selected because she had sufficient ability and was trustworthy. As an additional example, #1009 mentioned that he liked to form relationships “*with lawyers who are in the same age group as me.*” However, when I probed this sentiment further, asking if a specific recipient was in the same age group, he explained “*No... on the bigger money cases I would be uncomfortable that maybe someone who is my age isn’t necessarily or wouldn’t necessarily have the experience to be able to handle it.*” This participant holds certain beliefs about whom he would like to refer to, but his actions contradict these sentiments. Like #1004, this respondent indicated that he believed assortative tie formation mechanisms were important for developing relationships. However, when faced with economic concerns and fears about client representation, he needed his referral recipient to be more than socially similar. A number of participants did discuss in general terms importance of the assortative tie formation mechanisms of age (e.g. #1006, #1008), gender (#1036, #1001, #1034), and race (#1007, #1023). However, when faced with economic decisions that could impact client outcomes, participants also all mentioned meeting dependability and reciprocity expectations.

Proximity mechanisms. Proximity mechanisms affect the professional referral process in that the interaction between entrepreneurial professionals gives rise to opportunities for exchange. The notion of “right place/ right time” is a key feature of proximity mechanisms that participants did mention; for example, #1016, explained:

This is a lawyer I've known for more than 30 years and we never did any business together...About three years ago, he was at a seminar in Las Vegas where I was a speaker...It happened to be that I was talking on a subject where it just clicked with him that I was talking about something that might help in a case he had coming to trial in a few months.

While proximity mechanisms were at work when the sender and recipient attended the same event, the referral occurred because the participant was speaking with authority on a matter and the sender had ability-based trust in him. Having contact with another entrepreneurial professional can influence the choice of referral recipient by establishing a decision set, but proximity mechanisms are not the determinative factor in selection of a specific referral recipient.

Relational mechanisms. The relational mechanisms of friendship, information exchange, and network position can also result in referrals, but only when coupled with meeting expectations. For example, #1007 explained that his firm did not receive cases simply because of their network position in a professional organization (the FJA), because many other firms were also connected via this relational mechanism. Rather, this participant believed his firm received referrals because of the firm's ability: *"I believe it's not necessarily just because we were in the FJA, because most of those lawyers do the same. I believe that [the firm] was getting cases from them—more than other organizations—because [the firm] was proving that [it] could win cases."*

Similarly, #1035a explained that his referral recipient was *"the only bankruptcy attorney I know. I wouldn't send them to him just because he's in my [networking] group. I trust*

him. I think he's good at what he does." These two respondents discussed the importance of network position in conjunction with the importance of demonstrated ability.

Furthermore, friendship can impact referrals, but also only when combined with meeting of dependability expectations. For example, #1007b came into initial contact with his recipient because of a long-time friendship with the recipient's father. However, it took "*a good, three, four, or five years*" of watching this potential recipient "*handle other cases to a successful conclusion*" before the respondent was willing to send the recipient a referral. Participant #1012 also discussed sending referrals to a personal friend, but also mentioned the recipient's ability in the same sentence: "*I think he is a brilliant lawyer that I could certainly learn things from, and again a lot of it is personal relationships. Who do you want to practice with? That was a big part of it.*" In sum, while the relational mechanisms of friendship and network position certainly can impact referrals, they do so when the dependability and reciprocity expectations are first met.

Tie formation mechanisms can amplify selection

Together, the evidence suggests that tie formation mechanisms do play a role in recipient selection, but are not the determinative factor in the final choice. In support of the importance of tie formation mechanisms, specifically assortative mechanisms, I found that women referred to women 54.5% of the time, and minorities to those of the same race 45.4% percent of the time. According to the Census Bureau, only 31.1% of practicing lawyers are women, and 12.7% are minorities (Current Population Survey, 2013). Thus, while I cannot perform statistical analysis on the data, as the sample size is too small, it appears that women and minorities are more likely to refer to those socially similar than would occur by chance.

I probed the issue of tie formation mechanisms at great length. The research on preference awareness and decision making does show that individuals may be unaware of their reason in choosing a certain outcome (e.g. Stefl-Mabry, 2004; Goukens, DeWitte, & Warlop, 2009). Therefore, as part of my purposive sampling strategy, I sought out participants who might be more likely to send referrals based on tie formation mechanisms. I specifically interviewed people of faith (e.g. #1012, #1038), leaders of professional organizations (e.g. #1023, #1015), and minorities and women involved in demographic specific organizations (e.g. #1036, #1007). Participants, while discussing the importance of tie formation mechanisms generally, only would refer to a recipient if they met dependability and reciprocity expectations.

Together, the data suggest that individuals form relationships and friendships with those that are socially similar, as predicted by literature (Rivera et al., 2010). Like Grossman et al. (2012) who predicted, but did not find, main effects for social similarity on entrepreneurial activity, the findings of this research shows that tie formation mechanisms distally impact the selection of a referral recipient through the structure and content of the decision set. However, to select a specific recipient from a given decision set requires anticipations of meeting expectations. Participant #1002 put it best:

There's awesome attorneys, there's really good attorneys, there's good attorneys, and then there's a certain baseline that I would never even consider sending anyone to. Beyond that,...if my choices were send it to a firm that does good work but I have a great relationship with or send it to a firm that does great work but I have no relationship with, in that isolated situation, I would send it to the firm

that does good work that I have a great relationship with because I don't want to injure that relationship with the client.

This person, when forced to choose between two firms of satisfactory ability, will choose the firm that he has formed a relational tie with. But, he would not refer to a firm, even in the presence of a strong relational tie, if they did not meet his “*baseline.*” Tie formation mechanisms allows for social contact, which then gives rise to opportunities for trust to develop (Brass et al., 2004). As a result of the development of trust, specifically ability-based trust, participants may then refer to a potential recipient.

Summary. Together, the preponderance of the data suggest that tie formation mechanisms can impact the selection of a referral recipient, but in conjunction with meeting expectations. If a potential recipient is viewed as likely to either return the client or reciprocate with new clients, and is deemed to have sufficient professionalism and ability, then they are likely to be selected as a referral recipient. My first research question asked “*How does the transfer of a client relationship as a revenue generation opportunity impact professional referral dynamics?*” while my second research question asked “*How are professional referral recipients initially selected?*” In partial answer to both these questions, initially selecting a referral recipient is distally caused by tie formation mechanisms, but proximally predicted by reciprocity and dependability expectations.

Routines and Re-Evaluation

The effort required to select a suitable recipient is extensive. Assessing a potential recipient on the likelihood of reciprocity, asking around for proxy measures of ability, exchanging phone calls to determine communication and customer service all

take a lot of time and effort. Therefore entrepreneurial professionals do not assess potential referral recipients every time they are asked to make a referral, but quickly establish referral routines. Once a client relationship has been transferred via a professional referral, the referral is concluded. However, opportunities for professional referrals arise repeatedly, and rather than repeat the effort of identifying and evaluating a referral recipient, entrepreneurial professionals establish stable patterns of routine referral behavior. This finding answers research question 3, “*How does a first-time referral develop into an on-going relationship?*” This last step of the referral process emerged in coding the questions “Have you ever sent business to this person before?” and “In your experience, have you ever had a ‘failed’ referral?” While these two questions were originally written to address different elements of the exchange process, I realized that the answers of participants addressed the same phase of the exchange, the continuation—or termination—of referral patterns. A referral recipient will become part of an entrepreneurial professional’s referral *routine*, receiving all, or much, of that professional’s referral business.

In developing this middle-range theory, I was only able to understand that expectations arose because of instances of breach. Referral routines will continue, unless upon evaluation, the recipient is deemed to have *breached* expectations. Borrowing from language used to describe the psychological contract (Rousseau, 2011), I use the term *breach* to refer to the cognitive perceptions by the referral sender that the recipient has failed to meet their expectations, while I use *terminate* to refer to routines that are discontinued after instances of breached expectations. Routines develop early in a professional relationship, and, unless terminated through breached expectations, continue

throughout a career. Thus, the final step of the professional referral process addresses the continuation and termination of referral routines.

The referral routine

I started to realize that entrepreneurial professionals engage in referral routines when #1005a explained that, “*Divorce cases I usually refer to [#1022]...[because] he is very good.*” I had asked this participant about a recent referral he had sent, and he said that he “*usually*” sent family law matters to #1022. However, after later speaking with #1022, #1005a’s referral partner, he not only confirmed that #1005 sent him cases, he used stronger language:

[#1005a], for example, he’ll send me all divorce[s]. He even would say, “You know, I don’t know if this is something that is of a size that you’d be interested in,” in referring a matter here, [but], I always would tell him, “Look, whoever it is you refer to me, fine, I will always talk to them.”

#1005a has developed a referral routine of sending all family law matters that come his way to the same family law attorney. He found something that worked and stuck with it, and this routine has persisted for nearly 30 years.

Entrepreneurial professionals form routines so that the next time a similar opportunity presents itself, and after they again decide to refer the opportunity, they select a recipient that resulted in a past successful exchange. Routines form around the three dimensions of a referral opportunity: horizontal, vertical, and social. In the opening example of this section, #1005a discussed sending all of his horizontal, family law referrals to #1022. Similarly, #1036 chooses her recipient based on the vertical dimension of geography: “*I send my workers’ comp cases depending upon where it took*

place...If it's a Fort Lauderdale case or a Miami case, I send all my [workers' compensation] cases to one lawyer. If it's a West Palm Beach case, I send all my [workers' compensation] cases to [#1025]." Finally, #1031a explained why she gave a social referral to her third choice: *"I have my preferences. I like the first two, and then sometimes I send to the third"* because she has *"a personality that can handle"* the difficult client. These participants all engaged in recurrent patterns of behavior, sending all opportunities within a given dimension to the same referral recipient.

Routines are stable patterns of behavior that characterize individual or organizational reactions to particular goals and contexts (Rerup & Feldman, 2011). They have traditionally been described as the "standard operating procedure" of an organization or an individual (Cyert & March 1963: 101), representing the accumulation of practices and rules that are used to deal with uncertainty. The sending of referrals involves risk-taking, so establishing a referral routine may be a risk reduction strategy employed by entrepreneurial professionals. Routines also are effort-reduction strategies that individuals employ to streamline the decision making process, and can directly impact behavior and play an important role in individual decision making (Betsch, Haberstroh, Glöckner, Haar, & Fiedler, 2001). As entrepreneurial professionals are busy people, employing these mental shortcuts saves time and effort. However, I do not investigate the specifics of the routine, only that it is established. It has been argued that, for some research, routines can be taken as the unit of analysis, without considering their internal structure (Pentland & Feldman, 2005), and this is just such a project. For this research, I take the development and continuance of a routine as a phase in the dynamic process of professional referrals.

Even if a professional does not send *all* his or her referrals to the one individual, routines develop nevertheless. For instance, #1041 sends all horizontal, criminal matters to, “*one of three guys... Although I know probably 20 other criminal defense attorneys.*” This participant has narrowed his referral recipient list to three individuals and “*rotates*” between them for referrals. This “rule of three” was repeated by other participants; #1042 stated, “*I might give them the three names,*” while #1029 said there are “*two or three divorce attorneys that I refer cases to,*” and #1031 explained “*I like the first two, and then sometimes I send to the third.*” Consistently, participants indicated that their referral routine had been narrowed to three or fewer individuals. This routine of three or fewer referral recipients is not surprising, as the research on memory and recall (Baddeley, 1994) suggests that humans use a heuristic of a maximum of three items. Similarly, entrepreneurial professionals create a routine of sending referrals to no more than three professionals, within the vertical, horizontal, or social domains.

What is unique about referral routines is that their formation is the default behavior of the entrepreneurial professional. That is to say, unless a recipient overtly breaches expectations, a routine forms and persists. For example, #1037 said:

One of my partners [recommended]...a certain [family law attorney]. I've used that person ever since... Nobody's come back to me and said, "This guy is terrible." You have to understand, they don't come to me and say, "Oh, the guy was great," but I don't hear a complaint so if I don't hear a complaint, I presume...things went well.

This particular professional sends “*all*” his family law referrals to the same recipient, and while he admits that this referral recipient may not be “*great,*” because he doesn’t hear

any complaints, he repeats the referral. Entrepreneurial professionals establish routines by default, continuing them unless given a reason to change.

While social exchange theory suggests that feelings of obligation and the norm of reciprocity should result in ongoing, tit-for-tat exchanges (Cropanzano & Mitchell, 2005), the findings presented here suggest that rather it is routine behavior that give rise to repeated patterns of professional referrals. Participants repeatedly indicated that reciprocation of new clients can be unbalanced, as long as some reciprocity is offered. For example, in the referral exchange between #1010 and #1036, #1010 stated: *“I don’t think I’ve taken a case from her this year. I think she’s been sending me some crap. I’ve been sending her good cases, but I don’t rely on [#1036] for referrals. A requirement of reciprocity is not present as a factor in my game.”* (However, despite #1010’s claim that reciprocity is not *“a factor,”* #1036 has offer reciprocation of new clients in the past.) An unbalance in the sending and receiving of new clients was fairly common (e.g. #1003, #1007, #1013, #1021, #1033, #1034), indicating that an offer of only a few cases was sufficient to fulfill reciprocity expectations.

Despite the asymmetry in reciprocity, participants continued to send their referrals to the same recipients, indicating that on-going patterns of referrals are based more on routine behavior than driven by reciprocity. As additional support, I offer #1008. He boldly claimed: *“I give them one person and if they don’t get me back, they’re on probation until they get me something back.”* However, when probed further, he admitted to engaging in unbalanced reciprocity; I asked him if hypothetically *“a 4:1 ratio”* would be sufficient, and he answered in the affirmative. For this participant, offers of reciprocity were essential, but imbalance in the number of cases sent and received was

also fine. Together, in additional answer to research question 3 on on-going relationships, the data indicate that routines, whether for effort or risk-reduction, give rise to repeated referral behavior.

Summary. When faced with similar opportunities to refer, entrepreneurial professionals engage in routine decision making, repeatedly sending their business within a given dimension to the same recipients. This routine behavior is reflected in the direct arrow between “decide to refer the opportunity” and “establish referral routine” in the emergent model of professional referrals. Once a recipient is initially selected, a routine quickly forms, and the next time an opportunity is presented and the entrepreneurial professional decides to refer it, the more thorough effort required to “Assess Client Relationship,” “Set Expectations,” and “Determine Potential Recipients” is bypassed, moving directly to the “Select a Specific Recipient” transitional decision. The routine is established as a default, but can be discontinued if an exogenous shock to the system occurs in the form of a breached expectation.

Terminating the referral routine: When breached expectations occur

While expectations are established prior to the exchange of business, they are best demonstrated through their breach, which can only occur after the business has been transferred. A breached expectation occurs when the referral recipient does not adhere to the perceived tenets of relationship. Entrepreneurial professionals do terminate referral routines when the recipient does not meet their reciprocity and dependability expectations, but breached expectations, and the resulting terminated routine, are the exception, not the rule. Most participants had only experienced one or two failed

referrals over their careers, and several had not faced any (e.g. #1003, #1023), despite a decade or more of practicing law.

Breached reciprocity expectations

Breached expectations of keeping-while-giving. Participants mentioned breaches of keeping-while-giving, discussing both actual personal experiences and fears based on anecdotal evidence. For example, #1032b spoke of a referral that went awry:

I've referred work to lawyers that tried to steal my client...We had been in negotiations with a major law firm in New York ...[at the same time,] there was an issue that a client wanted us to bring in another law firm to make certain that they were covered. So we brought in the very top lawyer from the firm that was looking to acquire us in New York. But then immediately, [this lawyer] tried to push us out of the picture and take over the representation. So it was very uncomfortable. We never referred any more work to him and the deal broke up.

This person felt that the referral recipient “stole” his client, breaching the expectation that the client would be returned at the conclusion of that particular opportunity. However, this fear of client theft is more counter-factual than reality. While other participants indicated that this was a fear of theirs (e.g. #1011, #1013, #1026, #1033, #1034, #1035), only one other participant gave a specific example of when another professional “stole” his client (#1018a).

Breached expectations of reciprocation of new clients. Additionally, referral routines can be terminated due to a lack of reciprocation of new clients, when it is assumed that such reciprocation is possible. For example, #1035b mentioned terminating a routine because of a lack of reciprocation, as well as a lack of communication: “*I feel*

like it just went into the blue when I did that. When I referred him the case, it just disappeared.” This participant discussed sending several cases to the recipient, thus entering a referral routine, but eventually felt the need to terminate the routine after repeated lack of reciprocity.

More common than terminating a routine due to lack of reciprocation was participant needing to remind their recipients that they should reciprocate (e.g. #1025, #1033). For example, #1021 explained, in giving away a vertical referral of a *not mine* client: “*We initiated it [the referral] and then kind of made the caveat – “Hey, we’ve sent you all this stuff. You need to start sending us some stuff.”* This participant had to have the “*difficult conversation*” of reminding the recipient that new clients were expected to be reciprocated, but did not terminate the referral relationship.

Breached dependability expectations

Breached expectations of professionalism. If a referral recipient breaches dependability expectations of professionalism, then a referral routine will also be terminated. As #1029 explained, a breach of customer service will cause a terminated routine:

The person I'm referring or my client needs work done, he needs work done to their benefit and generally something that I can't provide whether it's knowledge, time, effort or what have you but there are some reasons why I couldn't provide that service to them. I'm still going to want that to be serviced properly.

When a referral recipient does not offer the expected level of service to a referred client, then the routine will be terminated.

However, the more common breach of professionalism expectations was in communication. When asked about failed referrals, #1033 explained that “*usually it’s [because] they won’t return the calls, that’s the major one... If that happens, I usually call the person for the referral and say, ‘Look, we’re sending folks to you. You got to take care of them, be responsive to them.’*” In this participant’s experience, a breach of communication expectations would have been grounds for terminating a referral routine. Similarly, #1035c explained that he terminated a referral routine after perceiving breached communication expectations: “*I had another person I sent cases about family law to...She would never call me back. So I stopped sending cases to her.*” Notice that both of these participants spoke of more than one client. Both mentioned that they had sent several clients to their recipients, and thus had entered a referral routine, but never heard back. It was only after some time passed, and the referral of several clients, that they reassessed the referral routine and realized the breached expectations. #1033 decided to speak with his recipient and give him a second chance, while #1035 decided to terminate the routine. However, both examples give further support to my understanding of the routine as default setting. Entrepreneurial professionals will repeat a referral routine under most circumstances, and it takes an egregious instance of breached expectations for the entrepreneurial professional to decide to terminate.

Breached expectations of trustworthiness. In addition, referral routines can be terminated due to breached trust expectations. These instances of breach were less common than either breaches of broader reciprocity expectations or professionalism expectations. However, breaches of the three types of trust—ability, benevolence, and integrity—were all mentioned as leading to terminated routines. First, breaching ability

expectations can be grounds for terminating a referral routine. This was explained by #1004, who stated: “...*if my clients think that he’s not doing a good job...or if they’re losing trials, then that would affect my evaluation of further referrals.*” But, when asked specifically if losing a case was grounds to terminate a routine, other participants explicitly answered “no” (e.g. #1039, #1019). For example, #1003 said, “*If I send the case to someone and I know it’s a hard case and they’ve done they’ve done the best they could, they’ve done everything competently, [expletive] happens, and that’s not necessarily a reason not to send someone a client anymore.*” Entrepreneurial professionals understand that professional work is demanding with uncertain outcomes (Abbott, 1988), and thus do not hold their referral recipients to unreasonable standards.

Participants also indicated that breaches of expectations of integrity- and/or benevolence-based trust could lead to terminated routines. Integrity as a component of trust includes the expectation that the trustee is not profit-seeking at all costs (Mayer et al., 1995). Thus, many breaches of reciprocity expectations, such as client theft, would also constitute breaches of integrity expectations. However, there are additional reasons for breaching a referral routine, including ethical violations. For example, #1012 stopped sending referrals to a certain recipient because “*the personal proclivities of that lawyer—some things in his personal life bothered me greatly.*” Finally, breaches of benevolence-based trust can lead to terminated routines; I found that participants conceptualize benevolence broadly. Entrepreneurial professionals form expectations of benevolent behavior toward themselves as the sender of the referral, but also toward their firms and their families. For example, #1008 expected his father would be charged a discounted rate by the referral recipient, and when the opposite occurred (the father was “*gouged*”),

the referral routine was terminated. Breaching benevolence-based trust expectations, whether personally or toward important others, can result in terminated routines.

Summary. Entrepreneurial professionals enter into routines, sending their referral business to a few individuals within a given domain. In answer to research question three on “*how does a first time referral develop into an on-going relationship,*” this final step occurs by default rather than by deliberation; if the recipient does not breach expectations then the routine continues. That is not to say that referral routines are established no matter what—an initial bad experience would not result in a routine. Therefore, I placed a hashed arrow between “select a referral recipient” and “terminate referral relationship” to reflect such a possibility. However, entrepreneurial professionals put care into initially identifying and evaluating a referral recipient in order to ensure that breaches of expectations are rare. Furthermore, referral routines can continue indefinitely (or until retirement). As an example, when I asked my three oldest participants how long they had been referring business to the discussed recipient, they said for “over 40 years” (#1037, age 77), for “15 years” (#1039, age 70), and “since 1975” (#1032c, age 70). These individuals most dramatically exhibit the possibilities of routines and repetition.

A More Complete Model

The emergent model of professional referrals contributes both nuance and dramatic additions to existing theory. The professional referral process is a dynamic activity that begins with a client approaching an entrepreneurial professional with a potential piece of business and ends with a referral routine either continuing or terminating. The model is arranged into three transitional decisions: refer the opportunity, select a referral recipient, and engage in (or terminate) a referral routine.

Here, I integrate prior work with new findings into an emergent model of professional referrals.

First, economic theory and research suggested that the entrepreneurial professional must evaluate the work to determine if it is within his or her level of expertise and functional area, and should use referral fees to compensate for lost revenues (Arbatskaya & Konishi, 2008; Zamir et al., 2012). I found that, in addition to the existing horizontal and vertical dimensions, social referrals represent an additional category of reasons for engaging in professional referrals. If an entrepreneurial professional's specialty, skill (which also includes geography, time, and effort calculations), morals, and interpersonal characteristics do not correspond with the client and his or her needs, then he or she will decide to refer the opportunity. Entrepreneurial professionals are utility maximizing, as predicted by theory. However, their cost calculations include both objective costs, such as skill and specialty, and subjective costs, including emotional toll and being morally compromised. Additionally, referral fees are not considered sufficient reciprocity for the exchange of professional referrals.

Next, the entrepreneurial professional must decide to whom specifically the referral will be sent. Existing theory suggested that trust, reputation protection, and tie formation mechanisms impact this decision, and that the client relationship must be considered (Schoorman et al., 2007; Saloner, 1985; Rivera et al., 2010; Zeithaml et al., 2001). I found that entrepreneurial professionals are possessive of their clients, desiring long-term revenue through repeated client business. Client possessiveness gives rise to differential reciprocity expectations, the most important of which is the expectation for keeping-while-giving, or the expectation for the return of the same client relationship.

Entrepreneurial professionals also expect that the referral recipient will be dependable; in order to encourage future business from the client, the entrepreneurial professional sets expectations of professionalism and trustworthiness. While a referral recipient must be deemed trustworthy by the sender, as predicted by theory (Mayer et al., 1995), I found that ability-based trustworthiness is the only required trust factor. In addition, I found that tie formation mechanisms are more distal to selection as a referral recipient. These mechanisms can determine the decision set of possible referral recipients, but the more proximal cause for selection is meeting expectations. If a potential recipient is either likely to return the client or reciprocate with new clients, and is deemed to have sufficient professionalism and ability, then they are likely to be selected as a referral recipient.

Finally, the last step of the model addresses the continuation—or termination—of stable referral routines. When a new opportunity for a referral arises, entrepreneurial professionals do not assess all potential recipients again, but quickly engage in routines. Entrepreneurial professionals send their referral business to only a few individuals within the dimensions of horizontal, vertical, and social referrals. Breaching reciprocity and dependability expectations can cause routines to be terminated, but overall, this final transitional decision occurs by default, not deliberation. Then, the next time a similar opportunity is presented and the entrepreneurial professional decides to refer it, the more thorough effort required to “Assess Client Relationship,” “Set Expectations,” and “Determine Potential Recipients” is bypassed, moving directly to the “Select a Specific Recipient” transitional decision. If the recipient does not breach expectations, then the routine can continue indefinitely, as indicated by the feedback loop present in the referral routine phase of the model. The feedback loop does not connect to an earlier stage of the

model, such as “decide to refer the opportunity,” because every new opportunity presented is unique and thus must be assessed independently of past opportunities.

Together, these interconnected and dynamic steps combine to form a middle-range theory of professional referral dynamics. By inductively investigating the interpersonal processes and the social practices involved in the exchange of professional referrals, this study improves understanding of the professional referral dynamic. I have developed a model that explains and allows for both utility maximization and rejection of entrepreneurial opportunities.

DISCUSSION

This theory provides a framework to both scholars and practitioners to aid in understanding the professional referral phenomenon. Prior research indicated that entrepreneurial professionals should refer opportunities based on skill and specialty and should select referral recipients based on tie formation mechanisms, trust, and reputation protection. Yet professional referrals involve unique complexities, as they occupy a vague conceptual space between economic and social exchange. A professional referral involves the transfer of a valuable opportunity to a competitor, but reciprocity is only bound by a social contract, not a legal one. This paper addresses the interplay of these obligations. At the start of this research I asked three orienting questions, and through grounded methods, I generated a middle-range theory of professional referrals. I will now suggest some answers to questions raised in the opening of the paper, as well as offer some theoretical implications.

Theoretical Implications

Research Question 1: How does the transfer of a client relationship as a revenue generation opportunity impact professional referral dynamics?

In answer to this first research question, the data show that it is the client relationship, specifically the potential future income that clients represent, that fundamentally drives referral decisions. Despite sending a client away as a referral, entrepreneurial professionals want to keep the client as a potential long-term revenue stream. This desire to keep-while-giving leads to the formation of reciprocity expectations. However, the client has agency in selecting professional representation, and the entrepreneurial professional knows that a bad referral will be a poor reflection on

them. Therefore, they form dependability expectations as to the professionalism and trustworthiness of the referral recipient. Both types of expectations form as a result of the possessiveness that entrepreneurial professionals feel toward their client relationships.

Unlike the norm of reciprocity (Gouldner, 1960), which is foundational to most social exchange-based management scholarship (Cropanzano & Mitchell, 2005) and focuses on what is given in a series of exchanges, keeping-while-giving shifts the focus to what is withheld (Weiner, 1995). These findings turn the spotlight on the entrepreneurial professional's attempt to control an opportunity as it enters circulation. Social exchange-based conceptualizations of resource exchange do not address the return of the exact same valued object or individual, instead focusing on the exchange of similar or equivalent resources (Foa & Foa, 1980). Instead, the data presented here suggest that rather than placing the emphasis on behavior and reciprocity, management scholars should also look at what is being withheld from circulation, what is expected to be returned, and if reciprocity even occurs at all.

When sending a referral, an entrepreneurial professional brokers a connection between the client and the referral recipient—two individuals who were previously unconnected (Burt, 1992). According to work on structural holes, networks full of holes present the actor with greater opportunities, diverse experiences, and more resources (Burt, 1992). Furthermore, scholarship also suggests that after closing a structural hole, the broker becomes redundant to the relationship and may not be involved in future interactions between the two newly connected parties (Burt, 1992). Obstfeld (2005) proposed the construct of the *tertius iungens* orientation, the “third who joins,” representing those individuals who close structural holes to add value and increase

opportunities. While Obstfeld (2005: 121) offers the possibility that the *tertius iungens* can maintain an essential coordinative role over time, he admits that “structural holes confer a control that the *tertius* sacrifices when he or she connects people.” The findings presented here suggest that, even after structurally creating a tie between two individuals, the broker may wish to maintain psychological control over the relationship.

The phenomenon of keeping-while-giving suggests that entrepreneurial professionals wish to maintain access to and control of the client they referred away. In contrast to the *tertius iungens* orientation (Obstfeld, 2005), which suggests that closing structural holes is beneficial to the network as a whole and is thus valuable in its own right, participants indicated that this altruistic goal would not be in their economic best interest. While participants wanted their clients to have a positive outcome with the referral recipient, they also indicated that they wanted these ties were to be temporary. Current scholarship does allow for the possibility of temporary ties to address specific problems (Pérez-Nordtvedt, O’Brien, & Rasheed, 2013). However, existing theory has not addressed the issue of how an individual maintains psychological control over a newly formed tie, which they expect will to be severed at the completion of the task at hand. Thus, the current findings regarding keeping-while-giving can both complement and expand the current social exchange and social networks based literature.

Research Question 2: How are professional referral recipients initially selected?

Specific referral recipients are initially selected based on the anticipated likelihood of meeting both reciprocity and dependability expectations. While tie formation mechanisms give rise to relationships, they are distally causal to selection as a referral recipient. Rather, when faced with economic decisions that could impact client

outcomes, participants also all mentioned the more proximal cause of choosing recipients based on expectations of future behavior. Once a specific individual is determined to meet both reciprocity and dependability expectations, entrepreneurial professionals default into using referral routines. When presented with future opportunities, an entrepreneurial professional will bypass the effort of setting expectations based on client possessiveness and tie formation mechanisms, and instead repeat past referral patterns.

This research suggests that tie formation mechanisms increase the likelihood that entrepreneurial professionals will interact with one another, but do not result in a strong enough tie to result in the exchange of opportunities. For example, tie formation mechanisms can place the two entrepreneurial professionals at the same networking event, but each guest at the networking event is assessed on their perceived ability, likelihood of reciprocity, etc., before being selected as a referral recipient. Furthermore, tie formation mechanisms were specifically *not* predictive in a number of cases. Several participants discussed sending cases to or receiving cases from individuals they had never met before, but who received peer consensus as to meeting dependability expectations (e.g. #1014, #1039, #1042). In addition, the presence of friendships does not necessarily result in the exchange of opportunities; as #1029 explained, “*I have some friends that I would never refer people to, literally.*” Together, the preponderance of the data suggest that tie formation mechanisms establishes decision sets of potential referral recipients, but cannot predict which specific recipient will be chosen.

This research would also suggest that the same dependability and reciprocity expectations should impact the relationship between social capital and the exchange of referrals. A fundamental proposition of social capital theory is that network ties provide

individuals and firms with access to resources (Nahapiet & Ghoshal, 1998); social capital allows for greater social interaction, which provides earlier access to and information about potential opportunities (Burt, 1992). However, this research found that social interaction was not the proximal cause of the exchange of referrals. Together, the data would suggest that while individuals high in social capital may indeed be considered for more opportunities, they will only be selected as a referral recipient if they also demonstrate that they would meet dependability and reciprocity expectations. For example, scholarship has shown that at the firm level, trust mediates the relationship between ties and knowledge exchange (Levin & Cross, 2004) and economic exchange (Zaheer & Venkataraman, 1995). Future scholars should examine if other expectations, especially reciprocity expectations, also mediate other social capital-outcome relationships.

Furthermore, when considering network structures and reciprocity, scholars must consider the natural endogeneity (Weinberg, 2006). In other words, the norm of reciprocity may affect social capital (Coleman, 1988), while at the same time, such social capital may give rise to exchange (Blau, 1964). In examining the emergent model, this circularity can account for the repetition of referral routines. One entrepreneurial professional gives a referral, the recipient later sends a referral to the originator, and it is difficult to disentangle whether the second referral is a result of the norm of reciprocity or of social interaction allowing for exchange. Certain findings of the data indicate that social capital effects may be stronger than those of reciprocity. The data suggest that the norm of reciprocity is a weak driver of referral exchange, as participants discussed receiving clients but never reciprocating when the sender was deemed insufficiently

skillful and engaged in asymmetric reciprocity. Furthermore, participants also admitted to recency effects, sending referrals to individuals whom they had just seen at a conference or met at a party. Fundamentally however, both social capital and reciprocity effects are relational tie formation mechanisms (Rivera et al., 2010), and thus the model remains the same regardless of which effect initially caused the tie to form.

Research Question 3: What do entrepreneurial professionals consider sufficient reciprocity when transferring professional referrals, and how does a first time referral develop into an on-going relationship?

In answer to this final research question, I found that entrepreneurial professionals conceptualize reciprocity in two ways: as the return of the same client and the reciprocation of new clients. Interestingly, I also found that participants were willing to continue referral routines where the reciprocity was quite asymmetric. I found that not only did some participants continue to send referrals to recipients who had never reciprocated with a new client (e.g. #1029, #1037), many participants were willing to have unbalanced reciprocal relationships (e.g. #1003, #1007, #1008, #1010, #1013, #1021, #1033, #1034). For example, #1039 said “*I bet I’ve sent or our whole law firm has probably sent [recipient] 30 major divorce cases...three or four cases he sent to us.*” Similarly, #1037 has sent “*about twenty*” clients to his recipient, in exchange for “*about five*” in return over the years.

According to social exchange theory, such imbalance in a relationship is only sustainable if the party with greater power is that which is giving more than it is receiving (Blau, 1964), which is consistent with scholarship on the employee-organization relationship. Situations in which the employer contributes more to the relationship than

does the employee (i.e. the overinvestment relationship) motivate greater workforce commitment and performance, while situations in which the employee contributes more than the employer (i.e. the underinvestment relationship) lead to greater turnover (Tsui, Pearce, Porter, & Tripoli, 1997; Hom, Tsui, Lee, Fu; Wu, Zhang, & Li, 2009). However, the possibility and consequences of unbalanced exchange relationships has not been examined in other social exchange-based domains, such as citizenship behavior (Halbesleben & Wheeler, 2011) or team member exchange (Anand, Vidyarthi, Liden, & Rousseau, 2010).

While this research did not directly measure the power relationships between referral partners, the propensity to engage in unbalanced reciprocal relationships existed regardless of expertise. In other words, even those participants with less expertise on the vertical referral scale, discussed being willing to send more referrals than they received (e.g. #1008; #1040). This potential for sustainable, asymmetric exchange relationships is both a contribution to the literature and needs further investigation.

Practical Implications

Certainly some of the key implications of this research are practical in nature. First, the findings presented here suggest that practitioners become aware of other's expectations. Participants did engage in tie formation mechanisms: they attended networking events (proximity mechanisms, e.g. #1012, #1007, #1008, #1041), joined race or gender specific organizations (assortative mechanisms, e.g. #1004, #1040, #1025), and sent email blasts to their professional networks (relational mechanisms, e.g. #1021, #1033). However, I would encourage entrepreneurial professionals to spend less time on tie formation and more time showing how they would meet reciprocity and

dependability expectations. For example, expectations of keeping-while-giving are an important consideration when identifying and evaluating a referral recipient. When asked why he believed he received a referral, #1013 explained “*Because she knew me from law school and she knows that it is not only the competencies, it’s also the ethics, not stealing a client, or working with the other side. You’re not losing control of your case and that’s something that she knew that I was willing to respect and, at the same time, do a good job for the client so that’s why to me.*” The referral sender knew that this participant would not steal a client and was ethical, indicating that her expectations of reciprocity and dependability would be met. By emphasizing that they conform to expectations, entrepreneurial professionals should thus become more likely to receive referrals in the future.

An additional practical implication extends this research to the consumers of professional referrals, the potential clients. A client seeks out entrepreneurial professionals because their work requires specialization; clients are therefore both unable to perform the work (Abbott, 1988) and to accurately assess service providers (Arbatskaya & Konishi, 2008). I found entrepreneurial professionals form referral routines around a few individuals within a given specialization. While these individuals all surpass ability standards, they might not overall be the most appropriate to meet the needs of a particular client. For example, as mentioned in the results section, #1005a sends *all* his family law referrals to #1022. However, this recipient is a White male in his 60s, and a client who is female, minority, or has a sensitive case involving domestic violence might be more comfortable with or be better served by another professional. Therefore, I would encourage non-professional consumers to be discriminating when

engaging a referred entrepreneurial professional. Like entrepreneurial professionals who form ability-based trust by proxy (e.g. “*if...three or four people that I know I can trust [believe] that this individual is worthy,*” #1026), clients could also seek multiple opinions when searching for professional representation.

While the findings presented here indicate that clients may not be subject to a professional referral that best meets their needs, all the referral practices mentioned are consistent with ethical guidelines. The American Bar Association Rules of Professional Conduct, the document upon which most states Bar Associations model their own rules, states:

A lawyer shall provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness, and preparation reasonably necessary for the representation. (American Bar Association, 2013)

The burden of determining competence falls on the recipient attorney, not the referral sender—there is nothing in the Professional Conduct rules that pertains to the level of care or expertise that a referral sender must consider when choosing a recipient. While the participants in this sample all referred to recipients who met dependability expectations, it is not grounds for sanctions to or disbarment of the referral sender if the referral recipient does not meet the needs of the client (American Bar Association, 2013). Due to referral routines, entrepreneurial professionals may not send their clients to the absolutely most perfect match of a referral recipient. However, due to dependability expectations and the desire that the client should use them in the future, entrepreneurial professionals should recommend their clients to adequate representation.

Strengths

The biggest strength of this project was its qualitative design. By interviewing entrepreneurial professionals who engaged in frequent professional referrals, I was able to gain deeper insight into the phenomenon. For example, in using a qualitative, grounded theory design, I was able to discover the importance of expectations when determining selection of a referral recipient. This places tie formation mechanisms in context, and better explains how reciprocity, reputation protection and concerns about trust are actually operationalized by working entrepreneurs. I also was able to discover the importance of sentiments of possession, and the ramifications of this. Without interviewing participants, I never would have heard their possessive language, and would not have arrived at the conclusion that entrepreneurial professionals engage in keeping-while-giving.

An additional strength was the purposive sampling strategy. I neither sought nor obtained a random sample, choosing to focus on lawyers, as they were both representative of entrepreneurial professionals and engaged frequently in professional referrals. My sample included newly-minted lawyers, as well as professionals who had been practicing for over half a century. By selectively approaching participants, I was able to find participants who could offer better insights in terms of relevance and depth. In addition, whenever possible, I interviewed both parties of the referral relationship. Of the 42 participants in the sample, 14 discussed another participant. This added insight into the reciprocal relationships; understanding both perspectives gave me a more complete and less biased understanding of the referral relationship.

Limitations

As with every study, this project also has several limitations. In studying professional referrals among lawyers, a dynamic model emerged. More research is needed to determine if my findings are more broadly generalizable, but ultimately this is an empirical question that can only be answered by future quantitative studies. While I achieved theoretical saturation, my sample is small in comparison to quantitative methods. However, I attempted to overcome this limitation by sampling diversely, including by age, race, gender, type of law, and geographic area. Nevertheless, referrals in other professional industries may differ in ways that influence referral dynamics. For example, within the medical community, while doctors may be entrepreneurial professionals, the willingness to take certain types of medical insurance may also impact referral patterns. Furthermore, while I interviewed lawyers from nine different states, 76% of my sample did come from Florida, and this may have impacted the results. For example, Florida allows referral senders to receive fees, so the perceptions of my sample regarding reciprocity of fees versus new clients may differ from other populations.

Additionally, I did not investigate the client perspective within the professional referral process. Understandably, due to client-lawyer confidentiality, none of my participants were willing to provide me with client access. However, clients are key participants in the exchange of professional referrals, and their missing perspective is a definite limitation. While entrepreneurial professionals may treat clients akin to commodities and view them like possessions that are easily transferrable, clients may not be as willing to be transferred. While clients trust the judgment of the entrepreneurial professional they first approach, they may not be as willing to use the referred recipient

and may choose to go elsewhere. However, none of my participants discussed this in their interviews. Several participants did discuss client choice, but only with regards to the client “*shopping around*” in choosing their lawyer (e.g. #1010, #1030).

Finally, the data were self-reported and retrospective, so impression management and faulty memory may have had an impact. In an effort to demonstrate an elevated image, participants may have discussed referral situations that placed them in a more positive light. However, it is unlikely that self-presentation concerns overly affected data collection. First, several participants voluntarily discussed referrals to more qualified recipients or being unwilling to expend extra effort; this suggests that respondents were comfortable being honest in their responses. Furthermore, all interviews were conducted over the phone; the lack of face-to-face contact reduced the likelihood that my presence or reactions would activate impression management practices. As for memory concerns, while the data were retrospective in nature, nearly all participants discussed a referral that they had sent in the recent past. While some discussed referral relationships that started decades previously, the memory of that specific individual was triggered because they had recently engaged in a referral exchange with that individual. Additionally, I attempted to overcome faulty memory through my interview protocol, asking a series of specific questions about the referral in an attempt to trigger memory (Motowidlo et al., 1992). However, I cannot rule out the possibility that participants were selective in their responses, whether intentionally for impression management reasons, or unintentionally, due to loss of recall.

Future Directions

The next step is to test the model quantitatively, and several possibilities arise for quantitative analysis of the emergent model. For example, future researchers could use a longitudinal design to assess if breached expectations result in terminating referral patterns. Scales should be written to determine if entrepreneurial professionals form reciprocity and dependability expectations (sample items could include “I anticipate that the recipient will send the client back to me for future representation” and “This recipient is very capable of performing his/her job”). Then, after an appropriate amount of time, a second survey could determine if there were any perceptions of breach, as well as future intentions to refer to that same recipient.

It is also important to examine whether the findings presented here extend to other entrepreneurial professionals. Client retention is a near-universal recommendation for entrepreneurial professional success; for example, popular-press articles have been published regarding the importance of maintaining client relationships specifically for accountants (McGruen, 2012), physicians (Drumm, 2009), and insurance agents (Thomas, 1999). However, while client retention is a widespread recommendation, and within-industry referrals must occur (e.g. a general practitioner physician recommending an orthopedic surgeon), whether the phenomenon of keeping-while-giving unfolds in the same way in other industries is unknown. Therefore, the relationships identified in this research should be tested using sub-populations of a given professional jurisdiction; as an example, surveys could be distributed to the Maryland Association of Certified Public Accountants or the Florida Medical Association.

To test the social referral finding, a cross-sectional survey methodology could be used to confirm if a client is deemed to be a) too much hassle or b) causes moral discomfort for the entrepreneurial professional, then he or she will decide to refer the business. I would suggest creating a multi-factor scale to assess the opportunity across horizontal, vertical, and social dimensions. Building on the interview data from this research, sample items to assess the two factors of social referrals could include “This client is often obnoxious toward me” and “I have concerns about the morality of this client.” The likelihood of referring the opportunity should also be assessed (a sample item might be “I am very likely to refer this client”). Using this scale, and controlling for horizontal and vertical referral reasons, scholars could determine if clients are likely to be referred independently of the expertise or specialty of the entrepreneurial professional.

An additional way to test the model would be to use social network analysis to determine if expectations are the proximal and tie formation the distal cause of recipient selection. I would propose using an egocentric network approach with a longitudinal study. At the start of the study, I would suggest a name generator approach to solicit the names of contacts, as well as the nature of each relationship and tie formation information (e.g., age, sex, location, etc.). Then several times over the next 6 months or year, the participants could complete surveys regarding reciprocity and dependability expectations and referrals to these existing or new network ties. A sample item to assess expectations of new clients could include “I expect this person to send me a new client referral.” At the end of the study period, participants would complete a final survey to assess breached expectations and future referral intentions.

In addition, social network analysis could be used to extend the research presented here. I found that entrepreneurial professionals form expectations of reciprocation of new clients, that reciprocity can be unbalanced (as long as there is some return), and that routines form around three potential recipients. Combining these findings would indicate that the reciprocation expectations and routines of three are likely to be asymmetric. In other words, some individuals are more likely to be in more routines of three than others. Using social network analysis, researchers could better determine which individuals occupy certain positions and why. For example, integrating the three dimensions of referral reasons—vertical, horizontal, and social—with social network analysis might shed light on whether more skilled entrepreneurial professionals, or those in certain specialties are more central.

Some of the relationships could also be tested and extended using a controlled sample. The data suggest that the relationship between “select a referral recipient” and “establish a referral routine” occurs by default, and that routines form as a result of effort and risk-reduction, rather than due to social exchange obligations. Furthermore, this relationship may be a form of automatic processing (Reger & Palmer, 1996). When I asked #1032 why he chose a particular recipient, his responded that, “*he just came to mind and I thought he would be good.*” Similarly, I asked participant #1033 “*So when I asked you, do you know an estate lawyer? Did one pop in your head instantly?*” and he answered in the affirmative. These answers suggest that at some point, entrepreneurial professionals switch from controlled to automatic processing when choosing a referral recipient. While in this research I take the routine as the unit of analysis without considering their internal structure (Pentland & Feldman, 2005), future research could

examine if these relationships do exist and their structure. For example, an interview format and verbal protocol analysis (Ericsson & Simon, 1993), where participants are asked to “think aloud” about referral recipients they are considering, could be used to examine the cognitive processes underlying recipient selection generation. An additional extension would be to compare the age of the respondent and the level of automaticity to determine when in a career these routines become automatic (e.g. 6 months into practicing? 5 years into practicing?).

This work should also be extended to examine referrals among entrepreneurs not involved in the professions, such as venture capital, information technology, and firms with variability in revenue, such as in the construction industry. These types of firms face constraints similar to those presented in this research—being presented with more a more complicated opportunity than their resources could financially support, or those that are beyond their knowledge or skills, or difficult clients. Like the findings presented here, these reasons for engaging in referrals fall within the horizontal, vertical, and perhaps even social reasons for exchange. A cross-sectional design, similar to the one mentioned above, could be used to determine if the same reasons for referring apply to other entrepreneur populations. Investigating the similarities between entrepreneurial professionals specifically and entrepreneurs more broadly warrant further investigation.

Conclusion

Entrepreneurial professionals are frequently presented with opportunities that they cannot competently deal with or may be offered more work than they can handle. Due to finite resources, these individuals must give away paying clients, through a professional referral, to another professional. I focused on the transfer, reciprocation, and return of

client relationships. I found that entrepreneurs form a set of expectations regarding reciprocity and dependability; if these expectations are met, then a referral routine emerges. The key finding is that entrepreneurial professionals engage in keeping-while-giving. Even though by referring a client away they are giving away a short-term revenue stream, entrepreneurs attempt to keep their long-term revenue stream through maintaining the position of primary advisor to the client.

TABLES, FIGURES, AND APPENDICES

Figure 1: Example of Horizontal and Vertical Referral Cartesian Plane

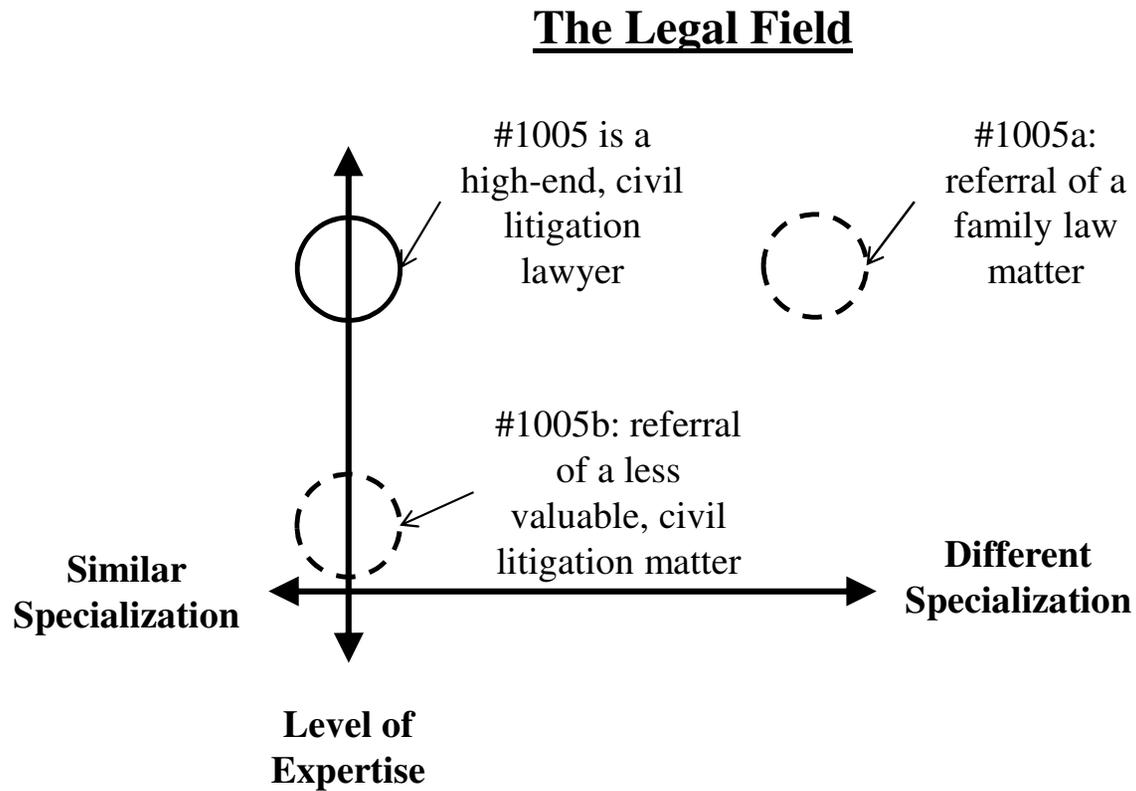


Figure 2: Theory-Based Model of Entrepreneurial Referrals

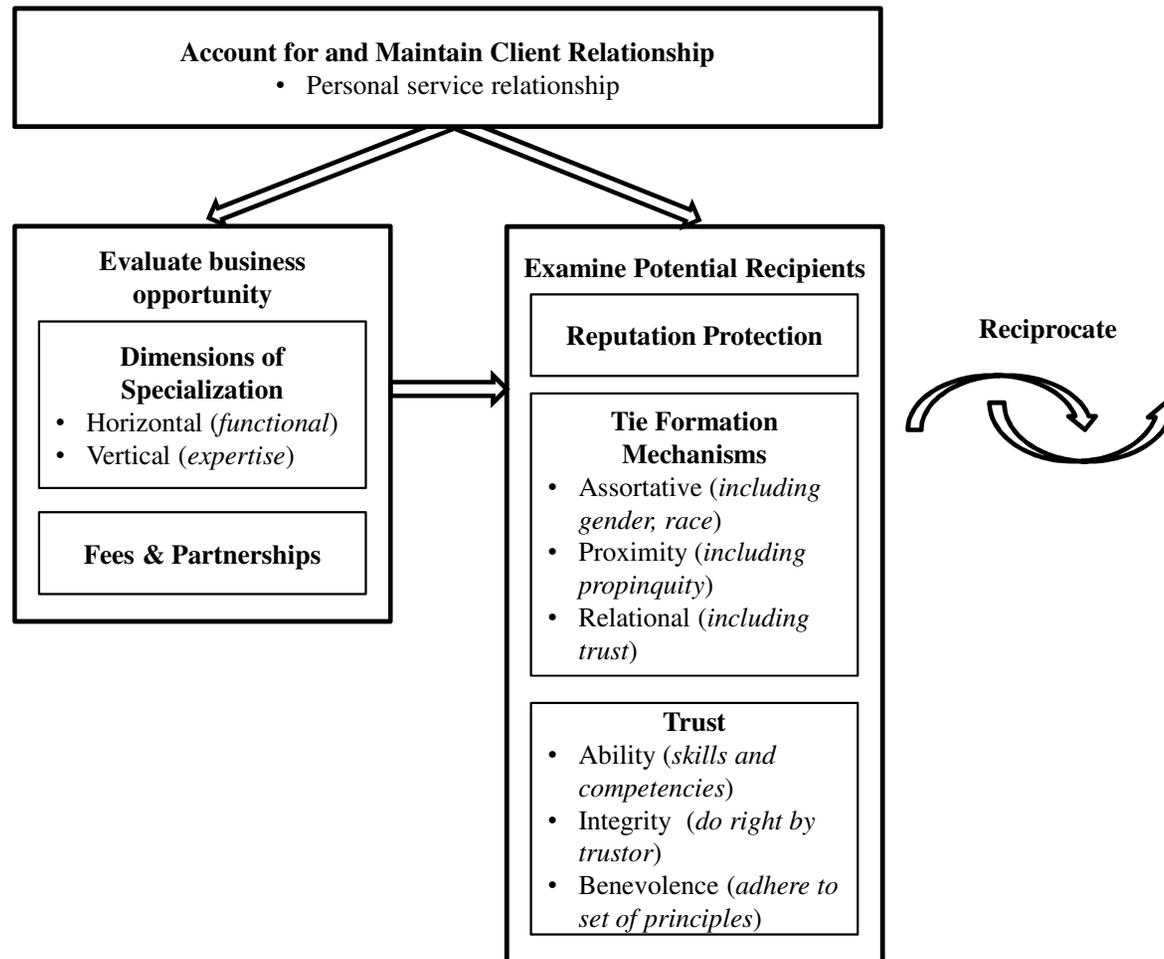
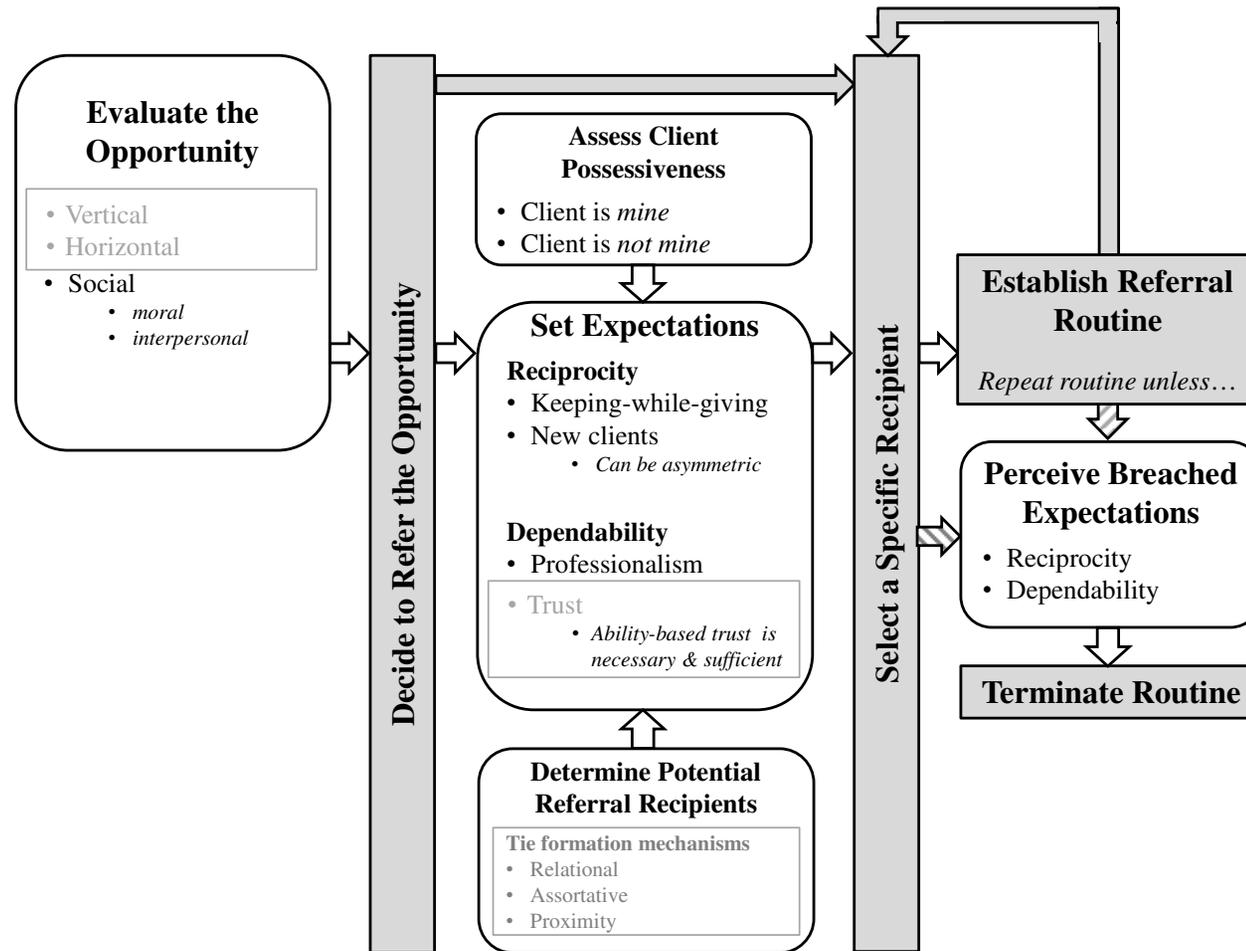


Figure 3: Emergent Model of Entrepreneurial Referrals*



*: Those elements of the model that were informed by existing theory are noted by grey text surrounded by a grey box. The portions of the model developed using grounded theory are noted by black text.

Table 1: Sample Demographics and Other Characteristics

Participant #	Referral recipient #	Type of Law	Age	Years of Experience	U.S. state	Entrepreneur Status	Interview Phase	Race	Gender
1001		Criminal defense	52	28	Washington	Partner	initial	White	female
1002	1005	Civil litigation	53	28	Florida	Senior Partner	main	White	male
1003		Civil litigation	38	12	Florida	Non-partner*	confirmatory	White	male
1004		Civil litigation	44	17	Florida	Partner	main	White	female
1005a, b, c	1022, 1042	Civil litigation	63	38	Florida	Senior Partner	initial, follow-up	White	male
1006		Civil litigation	25	0	Florida	Non-partner	main	White	male
1007a, b	1040	Civil litigation	46	22	Florida	Partner	main, follow-up	Black	male
1008		Civil litigation	31	5	Florida	Non-partner*	main	White	male
1009		Civil litigation	32	6	Florida	Non-partner	main, follow-up	White	male
1010	1036	Civil litigation	54	17.5	Florida	Partner	main	Black	female
1011a, b	1015	Civil litigation	44	19	Florida	Senior Partner	confirmatory	White	male
1012		Civil litigation	61	34	Missouri	Senior Partner	initial	White	male
1013		International law	35	4	Florida	Non-partner	main	Hispanic	male
1014		Civil litigation	36	10	Florida	Partner	initial, follow-up	White	male
1015	1011	Civil litigation	37	11	Florida	Non-partner*	confirmatory	White	male
1016a, b	1042, 1005	Civil litigation	61	37	Florida	Senior Partner	main	White	male
1017	1038	Civil litigation, Commercial	64	38	Florida	Senior Partner	main	White	male
1018a, b		Criminal defense, civil litigation	31	3	Florida	Partner	confirmatory	White	male
1019		Civil litigation	40	17	Florida	Partner	initial	White	female
1020		International law	64	40	Mass.	Partner	initial	White	male
1021		Civil litigation	40	16	Florida	Partner	initial	White	male
1022	1005	Family law	56	31	Florida	Partner	main	White	male
1023		Civil litigation	44	18	Florida	Partner	confirmatory	Hispanic	male

Participant #	Referral recipient #	Type of Law	Age	Years of Experience	U.S. state	Entrepreneur Status	Interview Phase	Race	Gender
1024		Civil litigation	62	32	California	Senior Partner	initial	White	female
1025	1036	Workers compensation	38	7	Florida	Senior Partner	main	White	female
1026a, b		Estate planning	39	8	Florida	Senior Partner	confirmatory	White	male
1027		Commercial litigation	44	16	Florida	Partner	initial	White	female
1028		Commercial litigation	35	13	Florida	Non-partner	confirmatory	White	female
1029		Defense litigation	37	12	Florida	Senior Partner	initial, follow-up	Hispanic	male
1030		Defense litigation	62	39	Utah	Senior Partner	initial	White	male
1031a, b		Defense litigation	58	33	Florida	Senior Partner	confirmatory	White	female
1032a, b, c		Commercial litigation	70	44	California	Senior Partner	main	White	male
1033		Civil litigation	58	33	Florida	Senior Partner	main	White	male
1034		Civil litigation	63	30	Pennsylvania	Senior Partner	initial	White	female
1035a, b, c	1026	Criminal defense, civil litigation	41	12	Florida	Senior Partner	confirmatory	White	male
1036	1025	Civil litigation	36	12	Florida	Non-partner*	main	Black	female
1037		Civil litigation	77	53	Hawaii	Senior Partner	initial	Asian	male
1038	1017	Civil litigation	64	38	Florida	Senior Partner	main	White	male
1039		Civil litigation	70	44	California	Senior Partner	initial	White	male
1040	1007	Civil litigation	39	13	Florida	Senior Partner	main	Black	male
1041a, b, c		Intellectual property	37	4	Florida	Senior Partner	main	Black	male
1042a, b	1005	Civil litigation	69	45	Georgia	Senior Partner	main	White	male

*: indicates participant became a partner subsequent to my interview

Table 2: Raw Data Coding Tables

Theme: Evaluate the Opportunity

Category	Code	Data
Vertical referral of opportunity	Referral to more experienced recipient	<ul style="list-style-type: none"> • Although I was doing [the same type of] work at the time, I realized quickly that the person to handle that case was going to be [1005] because he just has a reputation. He’s probably as good as you can get when it gets to [type of law].... If you take seriously your ethical considerations, then you say what I’m supposed to do is do what’s best for my client, and I’m supposed to recognize when I’m not able to do it... you should never handle something when you’re over in your head. (#1022) • I referred that one to a specialist in the field (#1038)
	Referral to less experienced recipient	<ul style="list-style-type: none"> • [The case] is one that, quite frankly, from a business perspective didn’t fit our model...[1011] specializes in keeping costs low and being able to turn cases over much more efficiently in terms of costs than we are. (#1015) • I could’ve handled it, but I don’t think that the rates that my firm charged justified the matter and I felt that my colleague from law school would be able to give him or the client a good level of service. I have had already positive experiences; we send cases out to her within that area and I knew that she was going to do a good job for him at a very reasonable price. (#1013) • And what happens is [1007] gets a case where it’s a case where he can’t handle, it’s – because it’s too small, he sends them my way. (#1040)
	Opportunity is outside geographic area	<ul style="list-style-type: none"> • I sent that one to him because it was in his home state of Illinois, and it was going to be a lot easier for him to [go] to Peoria for hearings or for court appearances that I didn’t have to be at, and to file the documents as opposed to me heading up from Kansas City to Peoria which is a long way. (#1012) • I just felt that it was going to take a lot of time, a lot of effort, energy, money, and it was not a case that I looked upon as one that would be profitable for our firm, plus a back and forth to Tampa, but I thought it might be profitable to this other lawyer’s firm. (#1016) • [1038] is geographically closer than either of them. He maintains an office in

		the Boca area and it would be easier for him to service the client and for the client to have direct contact with [1038]’s office as a consequence of that geographic proximity. (#1017)
Horizontal referral of opportunity	Opportunity is outside specialty	<ul style="list-style-type: none"> • ...an old client that I had represented in a personal injury action. And they had another problem where I didn’t do that type of work, so I sent them to [referral recipient] (#1007) • It wasn’t the kind of case that we handle. (#1036) • There are a lot of clients are calling for other things that I don’t do. First, I don’t do any domestic work. I don’t do any criminal work. I don’t do any estate planning so when people call, I refer them out. (#1037) • He knows a completely different type of law than I do, completely different, personal injury... We kind of refer to each other when we need to be because like I said we have different specialties. (#1029)
Social referral of opportunity	Interpersonal	<ul style="list-style-type: none"> • He sent me cases in the past where there is some sort of personality conflict with the client (#1008) • You need to have rapport with that person, because it’s going to be a very stressful long term relationship. If you’re not comfortable with that person for whatever reason, you should not retain that person. (#1010)
	Moral	<ul style="list-style-type: none"> • Then walk away because I found over the years that people like that [social referrals], they come in as a problem. It gets worse... That’s a nightmare waiting to unfold and I’ve seen that...I have fired more than one client or two in my day where they asked me to do dishonest, unscrupulous and unethical things. I’m like “you need another lawyer!” (#1010)
	Would hypothetically send social referrals	<ul style="list-style-type: none"> • Now the ones for that reason [personality conflict] I guess I generally keep them, but I thought about sending them out. (#1035) • I don’t think I ever would have sent away someone...because they’re too obnoxious...But the more comfortable and confident I become in my practice, the more likely I might be to say no to someone. I may not tell them to their faces because they’re obnoxious but that may actually be the reason. (#1029)

Theme: Client Relationship

<u>Category</u>	<u>Code</u>	<u>Data</u>
Past clients generate future business (or not)	Past clients give word-of-mouth referrals to others	<ul style="list-style-type: none"> • I think the lesson here is that once you get them in the door, everybody is a possible future referral source...Every former client [represents] a large circle of people. It kind of becomes every person that that person knows—it reach out, the tentacles go far. (#1014) • I think that the clients that I have generated so far have actually come to me through referrals, sometimes from people within those organizations and others through people that I have done work for, and they have been pleased with the results and have referred me to other people. (#1013) • So that I received a lot of referrals from my clients who would tell other people that they should use me (#1032) • It's a chain reaction of how you handle clients. If they're happy with your representation, they will tell their friends. (#1018) • I do hope to have a relationship with the clients in the future at least have them recommend me to somebody. You know like, "Well you should hire my lawyer. He was great." ... I've gotten many referrals from happy clients. You know clients are pretty satisfied. (#1011) • Over the course of the relationship, those clients send me other business because they are pleased with the job I am doing or had done for them. (#1017)
	Poor referral will lead to less future business	<ul style="list-style-type: none"> • If it goes poorly for that [client]...they are not going to think positively of me when it comes to referring some case that I would take...I think that's all our fears when we make referrals...If [the client] would have a bad outcome, it could reflect poorly on me and indirectly affect my business down the line (#1014) • My clients trust me and if I refer them to somebody that they're not going to like then they're not going to trust me on the stuff that I can normally help them with or at least that's the possibility. (#1029)
Personal relationship with client	Clients have choice in selection of entrepreneurial	<ul style="list-style-type: none"> • You want the client to be able to have a number of options — to have the client be able to make a determination as to who is the best person to deal with that. (#1013)

	professional	<ul style="list-style-type: none"> • I guess my thought is that people need to be a little more relaxed about it like realize that it really is the client's choice much is more so than anything that kind of if they're more comfortable with the other person, that's okay. Not every client's gonna be – I'm not going to be the best person for every client and so if they're comfortable with somebody else, that's fine. (#1035)
	Want to help clients (often going above call of duty)	<ul style="list-style-type: none"> • I have a few clients who will call me whenever they need a lawyer...First, I would see if I'll help them and if I can't, [I will suggest] who they should go to... I would talk to them just like I'm their lawyer in general—...in their mind they have a lawyer that they go to. (#1035) • I think you get personally invested in - in their lives and in their problems because of this desire to help them. (#1023) • I think there's some sense of feeling like you want to be helpful, you want to help that person. Here somebody has come to you and this is your field of expertise or people think of it that way, so I do think you feel a sense of not exactly responsibility, but you do want to maintain that relationship or that connection by providing a good or at least as good as you can reference. (#1028) • If I am able to send my client to someone who does a good job for them, when that client has a problem or knows someone who has problem, they're still more likely to think of me as that problem solver and I'll be the first person to call. That next phone call may actually be something I can handle specifically myself and not have to refer out...If I make a good connection, that client is still going to look to me as the problem solver even though I physically didn't handle that specific case for them. (#1029)
Possessive of client relationship	Client possession— <i>mine</i>	<ul style="list-style-type: none"> • One of my clients, former clients, who happens to refer to us. (#1002) • People that knew my former clients and their family sent them to me when something happened with them (#1005) • I think as a consequence of working closely together it's only human to refer to them as "your clients," "my clients" or however you want to call them. (#1003)
	Client possession— <i>not mine</i>	<ul style="list-style-type: none"> • I didn't consider him my client (#1003) • Someone referred [client] to me (#1007) • If it's somebody that I represented and like, you know I have represented or

		worked with closely whether the case went to trial or whatever, then I would consider that person to be my client. If that was someone who never retained us or I only spoke to briefly, I don't know that I would really think of that person as my client. (#1009)
	“First touch” determines possession	<ul style="list-style-type: none"> • It's in our unwritten rule if you will, that the clients that you bring in are your clients, no matter what. That's also according to bar rules...Because the common person doesn't know - they may think an attorney is an attorney is an attorney, no matter what type of law you actually practice and so they just think, “Oh, I need to talk to an attorney” and then once they reach out to the attorney that they know, they feel comfortable. (#1018)
	Establish relationship with client before referral (to help ensure the client returns to the respondent)	<ul style="list-style-type: none"> • I try to establish a working relationship with the client before I refer them to someone else. You know, to let them know I am here and I am available for any questions that they have throughout representation, whether it be for this issue for issues in the future. (#1018) • What's important about that initial conference when I'm introducing them to the lawyer who's going to ultimately be helping them, doing the heavy lifting of the case is to explain to them that, “Look, this is not something that I do, but one of the things that I do is help – put help - put people with lawyers who specialized in an area of the law that I don't.” ...I always tell them, “Look, if I can help you, call me. I will find somebody who knows.” I have these conversations with clients a lot...If you do it well and if you treat people right, they become a friend for life...I think that that first contact with a potential client is so critical. It really - I mean it makes that first impression and you know what that's all about...If I can't help them, hopefully, I've made a good-enough impression on them that when a friend or another relative has a need for a lawyer, they will know to call me and they will remember that contact. (#1023) • So, that client – you try and make that client become your friend and, “Anything you need, you come back to me, you call me.” You return those calls promptly, and so when they have that next accident, the first call they make is to you (#1025) • But if it's an existing client of mine or someone who a client refers or something along those lines, I may not specifically getting money off of that additional –

		off that initial case by referring it out. But the fact that I did the whole “problem solver” for that person may mean that the next time they have a problem, I’m still the first person they call. (#1029)
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Theme: Exchange Expectations

<u>Category</u>	<u>Code</u>	<u>Data</u>
Keeping-while-giving	Desire to keep clients	<ul style="list-style-type: none"> • Well, you definitely want to keep them, but you want them to know that if they have an issue that they don’t know here to do, a legal issue...they should call you and you will direct them to the right place or you will be able to help them...If the client has a legal problem...and it was my client initially that I helped do something where I was successful, then I would think that they would call me even if I did refer them to another lawyer for another issue so that I could refer him to another lawyer if I felt that that was appropriate (#1007) • If it is a lawyer completely outside of my specialty, then I don’t mind if they call that lawyer again...but yes, I would hope that if [the client] needed something that I do, that they would call me. (#1003)
	Want to keep client when referring away	<ul style="list-style-type: none"> • There was a case... on the West coast of the state where I don’t handle cases too often, so I referred it to some friends of mine and they handled the case and the client was happy. Well, the client was in a subsequent accident recently and she had called me first [to] handle her new case while the others – who I thought were friends of mine, found about the accident and told her that she should only be represented by them for the subsequent accident since they handled the first accident. She did go back to them, rather than myself. (#1018) • So, ideally he’ll represent her either just to counsel or put together some kind of structure that suits her needs and then in reality, he could wind up stealing her from me either purposely or not purposely. Sometimes a client might say, “You know what? I really like working with this guy so I’m going to start coming to him for everything.” There’s not much you can do about it but in a perfect world, he does the limited scope thing that I referred to him and then everything else, she still comes to me. (#1026) • If it’s something I don’t handle, I’m going to send them to a specialist who maybe specializes in that sort of law or that area of law. So that will be less

		likely that they'll be able to take your grab of that client for everything else, number one. Number two, it's generally going to be someone who do. I have probably a little bit more than just a professional relationship with. They may not full personal relationship but at least to be a little bit more than just a professional relationship. So you would hope that stabbing in the back doesn't occur. (#1029)
	Send client back to referring entrepreneurial professional	<ul style="list-style-type: none"> • An attorney by the name of [John Doe] sent me a client. Somebody that I couldn't help and in the turn-down letter, I put in the letter, "Listen, if you have any needs in the future, please make sure to go back to [John]" and I thanked the person from my end...I don't want to make [John] think that "Hey, I'm trying to steal this person going forward because I know you sent him to me so if this guy needs something in the future, I think you should go to [John]." (#1009) • There's plenty of money to be made. There's no individual being or case that is more important than your reputation and having people respect you in the end...the idea of doing something dishonorably and burning a bridge in the end doesn't make you more money. So for someone like us—where our life line is referrals—you can't get bogged down in one individual case...I could make an extra \$250,000 if I can get [the client] to fire [1015] and hire me...It's just very, very short sighted because in the end you know you only have one reputation... I care a lot more about my relationship with [1015] because I know that relationship is going to make me and has made me a lot more than a million dollars. (#1011) • I understand that in the lean economic times, people want as much as business as possible and frankly so do I, but I mean I just never engaged in fights like the lawyers pulling each other over fees and [client possession]. I just never had that fight in my entire career and I don't think I ever will engage in that (#1010)
	Don't refer because of fears of losing client to referral recipient	<ul style="list-style-type: none"> • All firms encourage their lawyers to cross-market inside the firm [i.e. send referrals to co-workers] because it makes the firm more cohesive and it builds up the revenues and profitability of the firm. [A firm survey found that] the main reason that the partners of the firm did not cross-refer...is they were afraid that the person getting the referral would take over their client...So it's important when you're making a referral, even inside the firm, for some people to say,

		<p>“Gee, I’m really worried that if I make a referral, you’re going to take away my client.” (#1032)</p>
Expectations of new clients	Generally exists	<ul style="list-style-type: none"> • If you're sending somebody a bunch of business, then it's kind of like, "Hey, you got to be thinking of us. When you get a case, say, like this or in this range, you need to be sending that to us because we could send our stuff to a lot of different people." (#1021) • It is expected that if you referred some business to someone, that when they got a chance, they were going to refer some back. (#1032)
	For vertical referral reasons	<ul style="list-style-type: none"> • I will refer them smaller cases, and in exchange, they understand that when they get something in the door that they can’t handle, then they would also think about me to refer those cases (#1007) • he probably is one of our best referral [sources]...Then we've sent him a number of cases that are smaller (#1021)
	For horizontal referral reasons	<ul style="list-style-type: none"> • As far as my referral sources are concerned like with the – I don’t do criminal law work. I don’t do family law work, but I get a lot of phone calls because I know a lot of people and in turn, I refer those out to criminal lawyers or family lawyers and then they will give me the smaller PI case. (#1040) • For example, our firm did not have an intellectual property practice as far as patents and that I developed a really good relationship with a major patents firm, and they started to refer me business back with companies that were looking for venture capital or that were looking to do something that was outside their area of expertise. (#1032)
	Assumptions regarding reciprocity (or not) in complementary fields	<ul style="list-style-type: none"> • They send me all their med mal, so it’s a very symbiotic relationship, and I feel the need to send something back from time to time as well. (#1019) • The idea is to develop a network of people that are looking for business and that are in situations which you’re complementary to. (#1032) • She has occasionally sent me cases. I don’t think I ever sent her a case, only because she [is in a specific specialization] (#1014) • There are some people with whom you have relationships that are not — you know that it is more difficult for them to send you work, but at the same time they’re a great resource for you to send work to because within their areas of

		<p>practice, you know that your clients will get a good level of service, a lot of attention, a lot of personal attention to their matters, and the rates are going to be very reasonable. So they're more like one-way streets (#1013)</p>
	<p>Reciprocity of new clients less important than successful outcome for client</p>	<ul style="list-style-type: none"> • the driving focus is on who I think would be best suited for the client's needs. The secondary concern is, is this someone that has sent me business or will send me business, but that's again a secondary concern. (#1015) • You can never refer somebody just because you like some business. You can only refer to people that are going to do an absolutely excellent job [for the current client] (#1032) • I'm more motivated by the client having a successful outcome...[Fees and reciprocity are] not what really motivated me, and that's not why I made the referrals in those cases. (#1011)
<p>Asymmetric reciprocity</p>	<p>Reciprocal exchange of new clients is not equal</p>	<ul style="list-style-type: none"> • I send him more things that he sends me (#1003) • It really hasn't been a quid pro quo with her, but it doesn't matter because you have some relationships that are not really quid pro quo. You have some relationships that are more one-way. (#1013) • I definitely send more to him (#1008) • Now, that I think about it, I don't think I've ever taken a case this year. I think she's been sending me some crap...But the requirement of reciprocity does not present as a factor in my game. (#1010) • I've never actually gotten any business from her but she's just a friend. Maybe I will, maybe I won't someday. (#1033) • Not as much [referring to reciprocal cases, but he has. (#1011) • I do get referrals from people who I prefer stuff to and back and forth, but not all of them and it's not always an even trade. (#1029) • She doesn't have as many opportunities to send to me as I do to her. (#1004) • I bet I've sent or our whole law firm has probably sent [recipient] 30 major divorce cases...three or four cases he sent to us (#1039) • How many cases has he referred to you over the years? "About five". How many clients have you sent to him over the years? "Maybe about twenty... he's

		very good. I mean, he's one of the top estate planners in the state." (#1037)
	Complete lack of reciprocity (but is ok, because of keeping-while-giving)	<ul style="list-style-type: none"> • It is strictly a one way street because they're competitors. [meaning respondent has only referred cases, never received reciprocal cases] (#1015) • "Has he sent me business? No, [but, respondent continues to send business] because I think the clients are satisfied, because I want to help some clients...I'm not going to send the client to someone who I think cannot do the job or who's going to do badly because then it would affect my reputation. (#1037) • I sent him the first one and then just – I kept sending him after that because literally, the clients just keeps saying, "Oh, my god, thank you for sending me. He's the nicest guy. He was so great, very helpful." The results - in all honesty, the results. (#1029)

Theme: Dependability Expectations

Category	Code	Data
Result of wanting client to use respondent again	Referral recipient needs to reflect well on referral sender	<ul style="list-style-type: none"> • The only thing that goes into my mind when I'm referring these people out, is that they get the best of help. If I put them with someone that is going to help them, that I trust, then I hope it will reflect well on me too. (#1023) • Because it does reflect on you and it's your duty. (#1030) • I don't have to worry about my own reputation with him because he's an excellent lawyer. (#1032) • If I want to refer someone something or to somebody, they have to prove to me that they can be successful with that person because that person is coming to me and I put my name at that: they're coming to me for help and I want to make sure that they get help. (#1007)
	Clients need to be treated well by referral recipient	<ul style="list-style-type: none"> • I trust him...I only refer cases to other attorney's that I trust, because at the end of the day, if I refer somebody, a potential new client to an attorney and that client ends up being unhappy with that attorney's services, it looks bad on my part , they're not happy. (#1018) • Overall, whether you're getting the referral or giving the referral, the overall consideration is to avoid any kind of boomerang effect. Anything negative comes back to you, being embarrassed or whatever. (#1034)

Professionalism	Communication	<ul style="list-style-type: none"> Failed communications... It just makes me unhappy... There is no excuse for not calling back a client (#1034)
	Customer service	<ul style="list-style-type: none"> The process itself is time consuming and ... expensive, so then the idea of having people, based on your recommendation, go through a process that is dissatisfying, will leave a bad taste in their mouth and possibly be a negative reflection upon me. (#1011) There's really no margin of error in terms of the expectation of the client. They really want to be treated well. (#1038)
Trust	General importance of trust	<ul style="list-style-type: none"> I've spent some time with [the referral recipient] and I truly trust her. (#1004) I choose people that I know I trust to refer to (#1011) Someone that I knew and trusted. (#1020) I refer cases to [1007] because I trust him, and any time you have a business relationship with somebody, you have to be able to trust that person, (#1040)
	Ability-based trust as necessary and sufficient	<ul style="list-style-type: none"> I referred that particular client to that lawyer because I knew he had some success in that area (#1007) [The referral recipient] was one of the preeminent lawyers in that field (#1014) We send him business because of certain specialties he's in and just because [they're] a very competent lawyer. (#1021) I wouldn't be referring to another lawyer unless they knew they were capable. (#1023) You've got to get over the trust factor with me first. I have got to know you and know the quality of your work (#1004) Why them? Because they were within a small universe of people that were qualified, trustworthy, competent, and I was comfortable that they would do a good job and that the client would not have a bad experience [with them]. (#1020) There's a lot of trust in our industry. You have to be able to trust the people that you refer to, because you know their quality of work...I knew they handled cases well. I knew their ability to handle cases and they are specialized...They know what they're doing. They have very good outcomes for their clients...I can trust when I refer a client to them, that client is going to be handled properly,

		<p>how I would handle their case. (#1018)</p> <ul style="list-style-type: none"> • I trust [1011]. I know that he's a smart guy and he's going to do a good job and he's going to service the client well, and it's someone that I feel comfortable with sending cases to...he's a very bright guy. He is someone who's going to if he decides to take a case he's going to work it up the right way, and he's just a very good competent well-meaning lawyer. (#1015)
	Competence as minimum standard	<ul style="list-style-type: none"> • My primary goal and criteria in a referral is competency (#1010) • Probably any half-competent PI attorney could have done a decent job [on the referral]. Obviously, those are those who are better than half-competent who are trying to do a good job as well. I'm just sort of setting the floor. (#1029) • First and foremost, you're looking to make sure you got a competent lawyer. (#1022)
	Determine ability-based trustworthiness by proxy factors	<ul style="list-style-type: none"> • [As a child of a prominent attorney] there's maybe a presumption of confidence or intelligence. (#1009) • [When I was younger I would] sell other people. I wasn't comfortable selling myself yet because what am I really going to say? I hadn't had a big verdict yet or anything like that, I could say, "Look. You got to send it to us because my dad's great, [senior partner] is the best in the world" (#1021) • Knowing how strict the scrutiny is at [a prestigious lawyer organization], I'm very comfortable referring the case to somebody in the academy, in another geographic area even if I don't know the person that well. (#1034) • When I have got out of state cases that I need to refer to somebody [the membership list of a prestigious lawyer organization] is the first reference source I use...I would feel very confident that this would be someone that knew what they were doing (#1005)
	Ability-based trustworthiness combined with integrity-based trust	<ul style="list-style-type: none"> • I felt that my colleague from law school would be able to give the client a good level of service. I have had positive experiences; we sent cases out to her within that area and I knew that she was going to do a good job for him at a very reasonable price...But, I wouldn't send a client to someone who doesn't have...a very high moral compass. Ethics in terms of her practice, ethics in terms of her relationship with other attorneys and ethics in terms of her

		relationship with the clients. (#1013)
	Ability-based trustworthiness combined with benevolence-based trust	<ul style="list-style-type: none"> • [I asked a colleague] Who was the best lawyer for me to get in Palm Beach? He said, “Well, there are two. One’s a fellow named [John Doe] and another is [1005].” [John Doe] is an excellent lawyer, maybe as good as [1005]. Forgive our language but I’ll quote. He said, “But he’s a real [expletive] that you won’t really like him that much.” He said of [1005], “He’s a prince of a fellow and you’ll really enjoy getting [1005].” So I associated [1005]. (#1042a)

Theme: Potential Referral Recipients

<u>Category</u>	<u>Code</u>	<u>Data</u>
Tie formation can amplify selection	Ability-based trust AND assortative tie formation	<p>White, female respondent (#1004)</p> <ul style="list-style-type: none"> • The girls, we spend a lot of time and try very hard to refer to each other. • Most of my referrals are based upon who is the leader [of that type of litigation]. I don’t care if they are male or female as long as I know that they are real lawyers doing real work <p>White, female respondent (#1024)</p> <ul style="list-style-type: none"> • Whenever a new woman is inducted [to a prestigious lawyer organization] I always champion them. I want to meet them and I want to become friends with them because I don’t want this to be a lonely process. • On my list there are three women, two men. I don’t go by sex at all...I don’t have any checklist in terms of anything like appearance or sex or age or anything like that in terms of how I choose a lawyer. <p>Hispanic, male (#1013)</p> <ul style="list-style-type: none"> • I sent it to someone else that I went to law school with — another girl that I went to law school with but she graduated three years before me, so we’re not classmates • I have had positive experiences; we sent cases out to her within that area and I knew that she was going to do a good job for him <p>White, male (#1009)</p> <ul style="list-style-type: none"> • I like to go to lunches with lawyers who are in the same age group as me • <i>Interviewer:</i> Is [the referral recipient] in the same age as you?

		<p><i>Respondent:</i> No.</p> <p><i>Interviewer:</i> ...Why wouldn't you send your divorce cases to someone who's about your age?</p> <p><i>Respondent:</i> ...Well on the bigger money cases I would be uncomfortable that maybe someone who is my age isn't necessarily or wouldn't necessarily have the experience to be able to handle it.</p>
	Ability-based trust AND proximity tie formation	<ul style="list-style-type: none"> • He's the only bankruptcy attorney I know I think. I wouldn't send them to him just because he's in my group. I trust him. I think he's good at what he does. (#1035) • I've tried other people and I do use other people also. I know a guy in Miami. For example, I don't use him because this other guy is closer. He's in Palm Beach County, right down the street...He's done a good job, so I continue to use him. (#1008) • I was at a cocktail party and started talking with him. We talked about what he sort of did. Then right after that, I had a piece of business I referred to him... I sent the work to him because I thought he was smart. We had had some really good discussions. You find that it's very hard to find corporate securities lawyers in small boutique firms that are good. (#1032) • He was a senior in law school and was one of the competitors. As I watched him, I remember going, "Wow, he is going to be amazing." After he got out of law school, we ran into each other and we got a lot of business together since. He's great. (#1016)
	Ability-based trust AND relational tie formation	<ul style="list-style-type: none"> • She'd been practicing a few years [before I sent her a referral]...I knew that she was working with a good group of people...that she would have the support that she would need and that she would be successful in the case. (#1010) • I knew his dad...We were in the army together...I believe [the referral recipient] is competent, capable, and prepared to do those cases that are pending...I would not send it to him if I didn't think he could do it...I know he is able to prosecute that case appropriately (#1007) • I do tend to go with people I like that I go have lunch with that do things with because you just seem to like them and you want to help them out but they're also the best. (#1001)

		<ul style="list-style-type: none"> • It comes down to, I think, quality, based on past performance. Two would be interpersonal relationship. By that I mean a friendship and referrals. (#1031)
	Tie formation NOT predictive	<ul style="list-style-type: none"> • I have some friends that I would never refer people to, literally. (#1029) • I would not refer an important case to someone to do them a favor for mentoring. I do my mentoring in other ways. (#1034) • Honestly, this guy is not at all like me (#1008) • There is little to no social relationship (#1014)

Theme: Referral Routines

Category	Code	Data
Forming routines	... quickly	<ul style="list-style-type: none"> • Your office tends to have good experience and you tend to repeat it. (#1034) • It's been so many years so it's really tough [to remember how a relationship started]. I mean, the referral patterns are fairly set... They get embedded pretty quickly. (#1031)
	... for effort reduction	<ul style="list-style-type: none"> • You're around each other, you know each other, you know they're competent, so it's an easy phone call versus, "Hey, let me check if this other person's AB-rated" or whatever it might be. (#1021) • You only have the capacity, or should I say, a person can only incorporate a certain amount of people within your circle of referrals. (#1002)
	... within specialization	<ul style="list-style-type: none"> • Somebody calls, "I need a referral for this kind of lawyer." You may have a shortlist and you say, "Well, somebody said to me, real estate law, I go to X. That's where we always go"... There are so many areas of the law that unless you keep a list or have a whole of friends, it's hard to remember who all does what. So you maintain that referral relationship. (#1022) • I've got a mental list of lawyers in different areas of law that I usually send to and it's lawyers who usually are effective and good and good with clients. (#1029) • You started doing things with people over and over — and you know their area of practice, so when you get something in that area of practice that they do, you feel comfortable referring it because you know that person. (#1041)
Exclusive routine	Want exclusive referral	<ul style="list-style-type: none"> • What I want [1005] to do is, if somebody calls and they say divorce, domestic

relationship	relationship	<p>relations, bingo. Pick that phone up. I've got it. I'll take it here...you just do that because you want your name to be the one that that lawyer thinks about. (#1022)</p> <ul style="list-style-type: none"> • I want to be the one place that my referring attorneys call...If I can't help them, I'll steer them in the right direction (#1004)
	Have exclusive referral relationship	<ul style="list-style-type: none"> • Every conflict case that she has, she sends it to me. (#1036) • I have a lawyer that I refer all of my crimes cases to. (#1024) • All of my med mal cases. If it is a product case, it goes to [1007], if it's medical malpractices case it goes to [1007]. (#1040)
As a heuristic	Three recipients in routine	<ul style="list-style-type: none"> • I probably have three different attorney's firms that I send divorce work to (#1002) • His name would certainly be on the list, on a short list like three people or two. (#1042) • In that situation I have probably two people that immediately would come to – it's actually three – that would immediately come to mind that I would suggest... (#1009) • I would probably give you at least three names and I would let you call the different people and decide for yourself who to use. (#1013) • So now he's definitely one of the people, probably three or four, that we always say [come in] when people are seeking us out to help them with the domestic problem. (#1039) • On divorce I give three just because people are so different in what they're looking for in a divorce lawyer (#1001) • I would usually give you one or two names of attorneys that I know that are going to [gouge] you. (#1025)
	Routines as a form of automatic processing	<ul style="list-style-type: none"> • Yes. I send the other people too but those are primarily the ones I think of. (#1019) • Because - I don't know. It's an interesting question. It could've been them. It could've been maybe a few other people but they were the ones that got the call that day. (#1020) • I mean I'm not going to send a referral to someone who's not in my mental referral Rolodex anyway. (#1029)

		<ul style="list-style-type: none"> You continue to refer stuff back and forth so that you're on the forefront of their minds and then do the same here to make sure you're on the forefront of their minds and refer back and forth. (#1022)
Routines can be impacted by...	Recency effects	<ul style="list-style-type: none"> You may be sitting there when somebody says, "Gee, who do I want to refer that to? Let me think of somebody." If you've talked to somebody yesterday, sometimes, "Oh, yes, I remember I talked to so and so, and that happens to be their specialization." (#1022) There have clearly been circumstances where I have had a need to refer a client and my choice has been significantly influenced by the fact that I'm having dinner the next night with a lawyer that does that kind of work or I am attending a bar meeting and having a drink with a lawyer who does that kind of work and having that lawyer right there in front of me will clearly influence my choice because he or she becomes an option for consideration when I otherwise might not even have thought of it (#1017) A client called and said, "Hey, do you know somebody?" I said, "As a matter of fact, I just had lunch with somebody that's all they do yesterday." So, it was literally 24 hours later I sent him a referral...He was fresh in my mind. (#1026)
	Need for social referral recipient (break routine of three, but still send all social referrals to the same recipient, so a routine)	<ul style="list-style-type: none"> Sometimes if I know they're really crazy I send them to this guy I don't like... he's actually really good but he's just annoying so I send the annoying people ... It's just great for him but he's so annoying. (#1024) I send them to my ex-husband...I don't like ex-husband. I send to him. He calls and thanks me. He goes, oh thank you." I'm like, "Say nothing of it." (#1001) So I think sometimes when you have a difficult client like that and just let me walk in the door with someone like that, there's a concern about who you would refer them too because I don't want to make anybody, who I have a good relationship with, stress out over something stupid. Honestly, in that situation, I kind of like diversify my referral sources. (#1031) If I felt like I needed work, I might take it. If I was – excuse me. For me to send it away, I would try and think of somebody – yes, I could think of somebody who has a tough skin for annoying clients. (#1035)
Routines continue	Breach	<ul style="list-style-type: none"> So, I send cases and generally I do until that person calls me and says that

until...		person wasn't really that great but most of the time I repeat it...as long as the lawyer doesn't change then you'll continue to send them business...unless I would hear from a client or someone a negative thing and then I would do a little investigation and get someone new on my list. (#1024)
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Theme: Breached Expectations and Terminating Referral Routine

<u>Category</u>	<u>Code</u>	<u>Data</u>
Exchange	Keeps clients (breach of keeping-while-giving)	<ul style="list-style-type: none"> • I refer [a father and son] to a personal injury attorney...Dad, his case settles relatively quickly. I get the referral fee and I get the closing statement that explains everything, no problem...every couple of months I would follow up with the attorney and say, "Hey, what's going on with [son]?"...I don't think the lawyer realized that [the client]...is a family friend...I'm sitting with [son] and dad and mom and unsolicited, [son] said, "Oh, by the way, we finally settled my case a couple of months ago. Thank you so much. The lawyer did a really good job"...So, a couple of days later I reach out to the lawyer and I said, "Hey, just calling for an update," and what I was told was he had decided to waive his fee because there were a lots of problems with the case and that's an outright lie... I certainly will never refer to him. (#1026) • If they cheat you once, they are going to cheat you twice. ... (#1018) • If you refer a piece of business...and they then steal your client, those are the things so you'll never make a referral to them again. (#1032)
	No new clients (but not complete termination)	<ul style="list-style-type: none"> • I'd bet you over a two-year period I probably sent him 40 people... Probably 10 of which turned into clients and I never ever got a single thing back from him...I'm still friendly with him and I'll still - once a year I might send him something but for the most part, I send that type of work elsewhere...He was a take, take, take, and never gave back... Never got reciprocal cases and it was rare that I would get a fee. (#1026)
Professionalism	Poor communication with client	<ul style="list-style-type: none"> • The client wasn't happy with the service that he or she was getting from the lawyer...I think one of the major causes, if not the major cause for grievances to the bar, is not returning phone calls, [or] getting feedback that, "I can't reach this person. He won't return my phone call." That's bad news. (#1033)

		<ul style="list-style-type: none"> • It took him three months to meet with the client, so the client in the interim was calling me, saying, “I haven’t heard from him. When is he going to meet with me?” Then I call and I don’t get a return phone call. I e-mail him, he doesn’t respond to my e-mail. (#1036) • I wasn’t particularly impressed with the communication to the client, keeping the client informed or letting the client know what the process involved. (#1015) • ... you send them and sometimes the client's calling you saying, “Why is it they're not calling me back?” (#1021)
	Customer service	<ul style="list-style-type: none"> • They just didn’t perform to the standards I had expected them to... The client called back because they were having issues. I tell you the [referral recipient] did not handle it the way they should have. (#1042) • The [client] didn’t think they got good service and that took me a little bit by surprise because I thought better of the lawyer I’d referred to. In my profession – our profession, a referral is an extension of the professional duty and responsibility. It has nothing to do with competition from my perspective. So I want to get that client to the best professional that they can afford. (1030)
	Ability-based trust	<ul style="list-style-type: none"> • I went to their office once and I was appalled at what I saw. There was stuff everywhere. My confidence in their ability to do anything we down the tubes because there was just paper everywhere...I was like “I would be afraid to send anybody here.” (#1004) • Sometimes it’s that [referring to losing cases] or sometimes it’s based on – they didn’t feel that the lawyer was listening to their complaints or their concerns. (#1031) • if my clients think that he’s not doing a good job, or that he’s not getting his money when there is a settlement or if they’re losing trials, then that would affect my evaluation of further referrals. (#1029)
	Breach of ability does not mean losing the case	<ul style="list-style-type: none"> • It wasn’t that he didn’t win, but that the clients were not pleased with him and I wasn’t pleased with how he handled the clients. (#1036) • It’s a failure because basically the client has fairly good grounds to be disappointed. I understand losing a case. That’s okay, but if the guy said you’ve

		been obnoxious - I'm thinking of one case, the guy was totally obnoxious to the client. He raved at the client when the client had questions about things or whatever. So obviously, I never sent that guy another case (#1039)
	Integrity-based trust	<ul style="list-style-type: none"> • I was very close to [referral recipient] for years. ..I thought he knew his stuff..., so one of these cases where we needed [his specialty], I had arranged for [my son] to do the investing, and for him to do the [legal work]. Well, as he sets up the special needs trust, he wins the confidence of the clients; they said they want him to invest all their money instead of [my son]. Since then, I have never sent him another special needs trust because it seemed to me like he bit the hand that fed him. (#1005) • The personal proclivities of that lawyer, some things in his personal life bothered me greatly...he's a nationally recognized great, great trial lawyer...Very gregarious but there were just some things in his personal life I just didn't like. (#1012)
	Benevolence-based trust	<ul style="list-style-type: none"> • When I referred him the case, it just disappeared...I guess [I wanted him] to acknowledge that [the referral] meant something to him. I had something of value that I was sending... and I think it's some big gift and they don't even respond. (#1035)
No failed referral		<ul style="list-style-type: none"> • (#1003) • (#1013) • (#1023) • So, if my client calls and says, "You know, you sent me to this law firm and I'm not happy." I've never had that call. I've been very lucky because I have - but I do a lot of research on who I am sending them to. I know that person before. I won't send to somebody that I haven't met. I won't send to somebody that I haven't seen trial results on, and I won't just send them anywhere (#1025) • No...[but,] if somebody said, "hey, the person didn't take care of me" (#1041)

Theme: Boundary Conditions

<u>Category</u>	<u>Code</u>	<u>Data</u>
Individual differences	Age	<ul style="list-style-type: none"> • Whereas when you're dealing with older people I think that older lawyers are

		<p>going to already have sort of more firmly developed and like [gratified] relationships already in place. (#1009)</p> <ul style="list-style-type: none"> • I think I know most of the older people and they call. That’s a referral. I don’t go out actively and solicit. (#1037)
	Skill	<ul style="list-style-type: none"> • My third, fourth, fifth year practicing, I don’t think I ever would have sent away someone because I wouldn’t take the case because they’re too obnoxious or it was too small or what have you. But the more comfortable and confident I become in my practice, the more likely I might be to say no to someone. (regarding sending a social referral, #1029)
	Individual differences—exchange ideology	<ul style="list-style-type: none"> • Life is too short to screw your buddy and take advantage of your clients and this and that and everything. I feel better about myself if I do it this way, and also, all the time I do stuff that people think I’m crazy, but this is what feels right. That usually comes back to you. I think that is one of the reasons that I enjoy such success—people have figured out that I’m not going to take the quick fix with the most money (#1005) • I think that any time you can find an opportunity to create a debt - maybe that's a crass way to put it. ... mean if you see an opportunity to help somebody out in some way, do it. They will then look for a way to reciprocate. (#1033)
Client perspective	Client has options in accepting the recommended referral	<ul style="list-style-type: none"> • You want the client to be able to have a number of options — to have the client be able to make a determination as to who is the best person to deal with that. (#1013) • We call the client and let them know what’s going on and make sure that they’re okay with it... They don’t have to go with them... Every referral I ever have made in my entire life, I always call the person that I’m making a referral to and let them know that they need to call the client... With that said, I always let the client know ahead of time, “Hey, is it okay if I give your name and number to this attorney to call you?” or, “This doctor to call you,” or this whoever to call you. “Is it okay if I do that?” They always say yes, but I want them to know they expect the call. (#1008) • I guess my thought is that people need to be a little more relaxed about it like realize that it really is the client’s choice much is more so than anything that

		kind of if they're more comfortable with the other person, that's okay. (#1035)
Time	Risks associated with hiring additional staff to keep work	<ul style="list-style-type: none"> • ... we had several probate lawyers from Palm Beach County who referred cases to the firm. Now, the senior partners decided to have our own probate department. So we hired two probate and estate lawyers, two probate and estate paralegals, two probate and estate secretaries and it was great. Now, we did our own probate work. We never got any more referrals from those probate lawyers. Now, what we did was, it turned out to be a major strategic error because the money our own probate department made was minuscule compared to the money we made from the referrals sent in by the probate lawyers. (#1016) • I deal with a lot of cases that I don't want to deal with because I want to keep I want to call it my "tail". The more people you made contact with the more business you're going to get in the future. If there was a way to give personal attention and direct real good service to them all, I would do it just you know it's probably even a little bit of a loss or breakeven case because I know that that's the way to build my clientele...I considered hiring another attorney just out of school but then I thought well they probably won't get the personal service and the direct attention and then they won't know me and it won't be as good...It's a dilemma (#1035)
	Benefits associated with hiring additional staff to keep work	<ul style="list-style-type: none"> • a lot of times, cases are referred out and you lose that client. I think that's why [we] started a worker's comp department, and instead of continuing to refer to another firm, because in the end, while I'm never going to own a mansion, and I'm never going to have three houses, being able to... retain those clients, is a big deal to [our firm], and I think that's why they opened a worker's comp department. (#1025)
Jurisdiction specific	Conflict of interest	<ul style="list-style-type: none"> • It's not something that I can do because I have conflict... You can imagine with 2,000 lawyers we get thousands of clients so that we have to be careful who we sue or who we defend...I'm a trial lawyer but my firm is not just trial lawyers; we have corporate lawyers, tax lawyers, real estate lawyers, bank lawyers...The business that goes out and the that business comes in has to pass those levels of acceptance. (#1020)

Table 3: Data Matrix

Participant #	Referral recipient #	Reason	Mine/ Not Mine	Expectations: Exchange	Expectations: Reliability	Relationship status
1001		Social	*	*	Ability	Routine
1002	1005	Horizontal	Mine	Keeping-while-giving, New clients	Ability	Routine
1003		Horizontal	Mine	Keeping-while-giving	Ability	Routine
1004		Horizontal	Not Mine	Not expected	Ability, Professionalism	Routine
1005a	1022	Horizontal	Mine	Keeping-while-giving, New clients	Ability, Professionalism	Routine
1005b		Vertical	Mine	Keeping-while-giving	Ability	Routine
1005c	1042	Vertical	Not Mine	New clients	Ability, Professionalism	Routine
1006	Had never given a professional referral (participant had only been practicing law for one month)					
1007a	1040	Horizontal	Mine	Keeping-while-giving, New clients	Ability	Routine
1007b		Vertical	Not Mine	New clients	Ability	Routine
1008		Vertical	Mine	Keeping-while-giving, New clients	Ability, Professionalism	Routine
1009		Horizontal	Mine	Keeping-while-giving	Ability	First referral
1010	1036	Conflict	Not mine	New clients	Ability	Routine
1011a	1015	Horizontal	Mine	Keeping-while-giving	Ability	Routine
1011b		Horizontal	Mine	Keeping-while-giving	Ability	Routine
1012		Vertical	Not mine	New clients	Ability	Routine
1013		Vertical	Mine	Keeping-while-giving	Ability	Routine
1014		Horizontal	Mine	Keeping-while-giving	Ability	First referral
1015	1011	Vertical	Not mine	New clients	Ability	Routine
1016a	1042	Vertical	Not mine	New clients	Ability, Professionalism	Routine
1016b	1005	Vertical	Not mine	New clients	Ability	Routine
1017	1038	Conflict	Not mine	New clients	Ability	Routine
1018a		Vertical	Mine	Keeping-while-giving	Ability	Terminated ("stole" client)
1018b		Vertical	Mine	Keeping-while-giving	Ability	First referral
1019		Vertical	*	New clients	Ability	Routine
1020		Conflict	Mine	Keeping-while-giving	Ability, Professionalism	Routine
1021		Vertical	*	New clients	Ability	Routine
1022	1005	Horizontal	Mine	Keeping-while-giving, New clients	Ability	Routine
1023		Horizontal	Mine	Keeping-while-giving, New clients	Ability	Routine

Participant #	Referral recipient #	Reason	Mine/ Not Mine	Expectations: Exchange	Expectations: Reliability	Relationship status
1024		Social	*	*	Ability, Professionalism	Routine
1025	1036	Horizontal	Mine	Keeping-while-giving, New clients	Ability	Routine
1026a		Horizontal	Mine	Keeping-while-giving	Ability	Terminated (didn't pay fee)
1026b		Horizontal	Mine	Keeping-while-giving	Ability	Routine
1027		Horizontal	*	*	Ability	Routine
1028		Horizontal	Mine	Keeping-while-giving	Ability	Routine
1029		Horizontal	Mine	Keeping-while-giving	Ability	Routine, Only one direction
1030		Conflict	Not mine	Keeping-while-giving, New clients	Ability	Routine
1031a		Social	Mine	Keeping-while-giving, New clients	Ability	Routine
1031b		Conflict	Mine	Keeping-while-giving	Ability	Not routine, only one direction
1032a		Vertical	Mine	Keeping-while-giving	Ability, Professionalism	Routine
1032b		Horizontal	Mine	Keeping-while-giving	Ability	Terminated ("stole" client)
1032c		Horizontal	Mine	Keeping-while-giving	Ability	Routine, Only one direction
1033		Horizontal	Mine	Keeping-while-giving, New clients	Ability	Routine
1034		Vertical	Not mine	Not expected	Ability, Professionalism	First referral
1035a	1026	Horizontal	Mine	Keeping-while-giving	Ability, Professionalism	Routine
1035b		Horizontal	Mine	Keeping-while-giving	Ability, Professionalism	Terminated (no new clients)
1035c		Horizontal	Mine	Keeping-while-giving	Ability, Professionalism	Terminated (lack of communication)
1036	1025	Horizontal	Mine	Keeping-while-giving	Ability, Professionalism	Routine
1037		Horizontal	*	Keeping-while-giving	Ability, Professionalism	Routine, Only one direction
1038	1017	Horizontal	Mine	Keeping-while-giving	Ability, Professionalism	Routine
1039		Horizontal	Mine	Keeping-while-giving	Ability, Professionalism	Routine
1040	1007	Vertical	Not mine	Keeping-while-giving, New clients	Ability, Professionalism	Routine
1041a		Horizontal	Mine	Keeping-while-giving, New clients	Ability, Professionalism	Routine
1041b		Horizontal	Mine	Keeping-while-giving, New clients	Ability, Professionalism	Routine
1041c		Horizontal	Mine	Keeping-while-giving, New clients	Ability, Professionalism	Routine
1042a	1005	Horizontal	Mine	Keeping-while-giving, New clients	Ability	Routine
1042b		Vertical	Mine	Keeping-while-giving, New clients	Ability, Professionalism	Routine, Only one direction

*: this interview was conducted early in the data collection, before I knew to ask about the client relationship

Appendix A: Institutional Review Board Application

Principal Investigator/ Project Faculty Advisor <i>(NOT a student or fellow)</i>	Cynthia Stevens	Email Address	cstevens@rhsmith.umd.edu
		Telephone Number	301.405.2233
Student Investigator	Deborah Searcy	Email Address	dsearcy@rhsmith.umd.edu
		Telephone Number	561-603-0615
Project Title	Business Referrals as Exchange: An Exploratory Study		
Department/ Unit Administering the Project	Robert H Smith School of Business—Department of Management and Organization		
Where to send Approval Documents	4554 Van Munching Hall University of Maryland		
Check if this is	Student master's thesis <input type="checkbox"/> OR Dissertation research project <input checked="" type="checkbox"/>		
Funding Agency(s)	n/a		
ORAA Proposal ID Number			

Target Population: The study population will include (Check all that apply):

- | | | |
|--|------------------------------------|---|
| <input type="checkbox"/> pregnant women | <input type="checkbox"/> neonates | <input type="checkbox"/> individuals with mental disabilities |
| <input type="checkbox"/> minors/children | <input type="checkbox"/> prisoners | <input type="checkbox"/> individuals with physical disabilities |
| <input type="checkbox"/> human fetuses | <input type="checkbox"/> students | |

Exempt (Optional): You may suggest this protocol meets the requirements for Exempt Review by checking the box below and listing the Exempt category(s) that may apply. Please refer to the Exempt Category document for additional information.

Exemption Category(s): 2

Rationale: This research involves the use of interview procedures, and all information obtained will be recorded in such a manner that the participants cannot be identified by outside parties.

Date	Signature of Principal Investigator [REQUIRED]
Date	Signature of Co-Principal Investigator
Date	Signature of Student Investigator
Date	Signature of IRB Liaison/Department Chair [REQUIRED]
	Print Name <u>Rebecca Ratner</u> Title _____
	<i>(Please print name of IRB Liaison/Department Chair)</i>

1. Abstract:

Generally accepted as a key driver of new business, and especially important to small and family businesses, the academic press has devoted limited attention to the phenomenon of business referrals. *Business referrals* are defined as the extent to which individuals advise their current customers (e.g. patients, clients, cases) to do business with the focal individual (Verhoef, Franses, & Hoekstra, 2002). Business referrals represent billions of dollars in business transactions; for example, Business Networking International, the world's largest referral organization, estimates that its 120,000 members generate \$2.6 billion in referrals annually (About BNI). The goal of this project is to investigate the motivations behind business referrals through a qualitative study. Our initial sample will be based on a convenience sample of the authors' professional networks, and then be systematically broadened to assess the generalizability of the initial findings. Our focus is to understand individual's perspective on the business referral process, including how individuals choose to whom to send their referrals, what criteria do they use in selecting a referral recipient, what do the referring parties hope to gain from the referral recipient in the future, and the consequences of these decisions.

2. Subject Selection:

a. Subjects will be selected from a convenience sample of the authors' professional networks.

b. The subjects will not be selected for any specific characteristic

c. Not applicable

d. We plan on interviewing 20 to 30 respondents.

3. Procedures:

We will collect interview data from working professionals to determine why they engage in business referrals, the attitudes or criteria on which they base their referral decisions, the role of membership organizations on their decision making, and what they see as the consequences of these decisions. Our initial sample will be based on a convenience sample, which will then be systematically broadened to include other individuals. We will conduct follow-up interviews with both focal informants and other recommended individuals.

4. Risks:

It is hard to identify any risks surrounding this research. For some study participants, thinking about and discussing their referral behavior may heighten anxiety or raise concerns about the working environment, but such concerns are inherent in the working environment, not in responding to interview questions.

The structured interviews will take about one hour per respondent to complete. It is difficult to identify any risks that would result from study participation; the interview questions will pretested to ensure that they are not offensive. Participants may be concerned about the confidentiality of their responses. However, any concern should be alleviated through the explanation of our ways to ensure confidentiality as outlined below.

5. Benefits:

Benefits to the individual: While there are no direct benefits to the individual, the data gathered will be shared with the participants in an aggregated form. This data about individual referral behavior may help these individuals with their future business referrals.

Benefits to the University of Maryland: It enhances The University of Maryland's reputation as a leading center of research on organizational behavior.

6. Confidentiality:

To protect confidentiality, participants will be assigned a code number for purposes of matching data to each participant. This list of respondent names and ID information will be kept separate from the other data and will be destroyed when data collection has been completed. With only the code numbers on the transcripts, it would be impossible to reconnect responses with individual employees. Confidentiality will be further ensured by the fact that the raw data will be seen only by the researchers from the University of Maryland and will be kept in a locked cabinet.

7. Consent Process:

Respondents will be informed of the study's purpose, research questions, and expected benefits in the consent form and interview; only the study hypotheses will be omitted from descriptive information provided about the study. They will be informed that their participation is optional. No deception is involved in the study.

Participants will sign an informed consent form prior to the start of the interview.

8. Conflict of Interest:

No conflict of interest

9. HIPAA Compliance:

Not applicable

10. Research Outside of the United States:

Not applicable

11. Research Involving Prisoners:

Not applicable

SUPPORTING DOCUMENTS

Each copy of the application must include the IRB application cover sheet, the information required in items 1-11 above, and all relevant supporting documents including: consent forms, letters sent to recruit participants, questionnaires completed by participants, and any other material that will be presented, viewed or read to human subject participants.

The following supporting documents are provided:

Appendix 1: Consent form

Appendix 2: Copy of Interview Protocol

NUMBER OF COPIES

Please send 1 original application including the signed cover sheet to:

**IRB Office
0101 Lee Building
College Park, MD 20742-5125**

Appendix B: Institutional Review Board Stamped Consent Form

University of Maryland College Park

Page 1 of 2

Initials _____ Date _____

Project Title	Business Referrals as Exchange Behavior: An Exploratory Study
Purpose of the Study	This is a research project being conducted by Dr. Cynthia Stevens and Deborah Searcy at the University of Maryland, College Park. We are inviting you to participate in this research because you are at least 18 years of age and you have engaged in the exchange of business referrals. The purpose of our study is to investigate business referral behavior, including individual motivations, selection criteria, and procedural decisions.
Procedures	The procedures involve participation in an audio-taped interview, with the potential for a follow-up interview.
Potential Risks and Discomforts	For some study participants, thinking about and discussing their referral behavior may highlight anxiety or raise concerns about the working environment, but such concerns are inherent in the working environment, not in responding to interview questions.
Potential Benefits	This research is not designed to help you personally, but the results may help the investigator learn more about the business referral behavior. We hope that, in the future, other people might benefit from this study through improved understanding of the business referral decision making process.
Confidentiality	<p>To protect your confidentiality: (1) your name will not be included on the collected data; (2) a code will be placed on the collected data; (3) through the use of an identification key, the researcher will be able to link your survey to your identity; and (4) only the researcher will have access to the identification key.</p> <p>If we write a report or article about this research project, your identity will be protected to the maximum extent possible.</p> <p>This research project involves making audio recordings of you to allow for later review and analysis of interview responses. Only the researchers will have access to the recordings.</p> <p><input type="checkbox"/> I agree to be audio recorded during my participation in this study. <input type="checkbox"/> I do not agree to be audio recorded during my participation in this study.</p>
Right to Withdraw and Questions	<p>Your participation in this research is completely voluntary. You may choose not to take part at all. If you decide to participate in this research, you may stop participating at any time. If you decide not to participate in this study or if you stop participating at any time, you will not be penalized or lose any benefits to which you otherwise qualify.</p> <p>If you have any questions about the research study itself, please contact Cynthia Stevens, Ph.D., (301) 405-2233, cstevens@rhsmith.umd.edu or Deborah Searcy, (301) 803-8613, dsearcy@rhsmith.umd.edu.</p>

University of Maryland College Park

<p>Participant Rights</p>	<p><i>If you have questions about your rights as a research participant or wish to report a research-related injury, please contact:</i></p> <p align="center"> University of Maryland College Park Institutional Review Board Office 5141 Lee Building College Park, Maryland, 20742 E-mail: irb@umd.edu Telephone: 301-405-6678 </p> <p>This research has been reviewed according to the University of Maryland, College Park IRB procedures for research involving human subjects.</p>	
<p>Statement of Consent</p>	<p>Your signature indicates that you are at least 18 years of age; you have read this consent form or have had it read to you; your questions have been answered to your satisfaction and you voluntarily agree to participate in this research study. You will receive a copy of this signed consent form.</p> <p>If you agree to participate, please sign your name below.</p>	
<p>Signatures and Date</p>	<p>NAME OF SUBJECT (Please Print)</p>	
	<p>SIGNATURE OF SUBJECT</p>	
	<p>DATE</p>	



Appendix C: Final Interview Protocol

Participant #: _____ Date and time: _____

Business Referral Interview Protocol

Introduction

- *Thank them for their participation*
- *Review key points of the consent form—particularly ask if they **agreed to be audio recorded** and ask to begin.*
- ***The purpose of this study** is to understand the business referrals process—the motives behind why and to whom individuals choose to send their business, and the process individuals follow in selecting referral partners.*
- *I **define a business referral** as the extent to which individuals advise their current customers (e.g. clients, cases) to do business with the focal individual, and vice versa.*
- *I will ask you a series of question about your experiences with business referrals—feel **free to add in your insights** even if these extend beyond the questions asked. These questions are meant to be only a starting point.*

Questions

1. Tell me a little bit about how you generate business?
 - a. What do you do to generate referrals?
 - b. What percentage of your business would you say comes from referrals?
From advertising, etc.?
 - c. What is the value of the business you get from referrals?
 - d. What percentage of business that comes to you do you refer away?
2. Please think of a business referral that you that you *sent to another individual (a different person)*. Tell me a little about this.
 - a. What was the business that you sent? Tell me a little about it.
 - a. What was the nature of the case/business?
 - b. What type of referral was it? Is there to be a referral fee? Will you try the case/do the business together?
 - c. What would you say this case was worth?
 - b. Tell me a little about your relationship with this **client**
 - a. How do you know the person? In what way are you connected to them?
 - b. How long have you known them?
 - c. How would you categorize your relationship (e.g. friends, business associates, strangers)?
 - d. How and when did you first meet? How did the relationship begin?

- c. Why did you send the business to this person and not someone else? (E.g. are they an expert in this area, etc.)
 - a. Have you ever sent business to this person before?
 - b. Why type of business did you send them?
 - c. Why did you send them this previous business?
 - d. Have you ever received business from this person before?
 - d. Tell me a little about your relationship with this **referral recipient**
 - a. How do you know the person? In what way are you connected to them?
 - b. How long have you known them?
 - c. How would you categorize your relationship (e.g. friends, business associates, strangers)?
 - d. How and when did you first meet? How did the relationship begin?
 - e. Who initiated the referral relationship? When did this happen?
 - f. Do you have a social relationship with this person?
 - g. How much business do you tend to give and/or get from this person?
 - e. What do you hope to happen in the future with the referral source?
3. How do you balance the needs of your client with your relationships with your referral partner?
 4. It seems when you decide to make a referral, you maintain a relationship with your client. Why? Does it have anything to do with revenue? What about the long vs. short term?
 5. It seems you need to trust your referral recipient. How do you do this?
 6. In your experience, have you ever had a “failed” referral? I.e. you referred a case to an individual and it just didn’t work out, so you decided to never send them business again? Can you tell me a little about this?
 7. Is there anything else I should know about the business referral process?
 8. Tell me a little about yourself. Brief work history/ demographic data
 - a. Might you be willing to give me the name of either of the referral partners mentioned?

Closing: *Ask if they be willing to complete a follow-up interview? THANK YOU!*

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